FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1975

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS AND RELATED AGENCIES

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PART 3

Budget Amendment for Military Assistance to Cambodia
Increased Authorization for Israel, Portugal, and Portuguese Colonies in Africa

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FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1975

MONDAY, FEBRUARY 3, 1975.

BUDGET AMENDMENT FOR MILITARY ASSISTANCE TO CAMBODIA

WITNESSES

HON. CARLYLE E. MAW, UNDER SECRETARY OF STATE FOR SECURITY ASSISTANCE
HON. PHILIP C. HABIB, ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS
LT. GEN. H. M. FISH, U.S. AIR FORCE, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY
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Mr. PASSMAN. The committee will come to order.

I want to welcome the new members to this subcommittee, Mr. Joseph D. Early of Massachusetts, our good friend Edward Koch from New York, and Mr. David R. Obey of Wisconsin; I am glad to have you on the subcommittee.

All the others have served on this committee in prior years but I want to welcome each member to this subcommittee.

GENERAL OBSERVATIONS

Since this is the first meeting of the subcommittee this year, I might make a few observations for the record. We are presently considering the fiscal year 1975 foreign assistance appropriation bill.

As you may know, the foreign aid program has been operating on a continuing resolution and it has been funded for 8 months through February 28 by this method of operation. So it is safe to say that this is the unfinished business of the last Congress.

Of course all the hearings will be open, unless the committee by majority vote should determine that we should close the hearings.

It has been the policy of this subcommittee to hold its hearings in the afternoon, preferably at 1 o'clock or 2 o'clock. By holding our hearings in the afternoon, it gives the committee members an opportunity to attend hearings of the other subcommittees in the mornings.

Occasionally we may have to make an exception and have some hearings in the morning.

PROCEDURE FOR QUESTIONING

Under the rules of the caucus and the committee, each member of this subcommittee may consume 5 minutes in the beginning, until we have yielded to every member around the table. After that is completed, each member of the subcommittee my take all the time he feels is necessary to interrogate the witnesses.

I apply the same rules to myself as I do to the other members of the committee.

After I have consumed my 5 minutes, I yield to the ranking minority member. Then I go back to my left, and we alternate until each member of the subcommittee has had an opportunity to ask their questions.

INTRODUCTION OF WITNESSES

Members of the committee, this afternoon we shall hear the witnesses who will testify on the budget amendment for military assistance to Cambodia.

We have, as witnesses, the Honorable Carlyle E. Maw, Under Secretary of State for Security Assistance; the Honorable Philip C. Habib, Assistant Secretary of State for East Asia and Pacific Affairs; Lt. Gen. H. M. Fish, Director of the Defense Security Assistance Agency; and of course the Honorable John E. Murphy, Deputy Administrator, Agency for International Development; and other supporting witnesses. We will insert certain tabular material in the record at this point.

[The material follows:]

CAMBODIA MILITARY ASSISTANCE PROGRAM, FISCAL YEAR 1975

[Dollar amounts in thousands]

	Initial request to Congress in CPD (1)	Program based on current ceiling [1] (2)	Proposed revised program [2] (3)	Col. (3)—(2) (4)	Proposed augmented program (5)	Col. (5)—(3) (6)
Total	$390,000	$256,977	$275,000	$18,023	$497,000	$222,000
Aircraft (including spares)	7,963	2,195	3,901	1,706	6,161	2,260
Ships (including spares)	4,504	2,421	3,142	721	5,842	2,700
Vehicles and weapons (including spares)	8,505	4,067	5,192	1,125	15,306	10,114
Ammunition	299,010	163,591	173,177	9,586	344,509	171,332
Communication equipment (including spares)	1,259	636	1,136	500	2,796	1,660
Other equipment and supplies	26,373	17,184	20,534	3,350	28,396	7,862
Construction	385	343	343		573	230
Repair and rehabilitation of equipment	8,157	9,221	10,173	952	11,015	842
Supply operations	[3] 27,500	51,000	51,000		76,000	25,000
Training	4,767	4,578	4,661	83	4,661	
Technical assistance and special services	1,577	1,741	1,741		1,741	
Quantity in units:						
C–123 cargo aircraft		1	1		1	
UH–1H helicopter	8					
O–1A observation aircraft		8	8		8	
Assault craft					4	4
Landing craft	2	17	17		25	8
Armored personnel carrier		8	8		58	50
Armored mortar carrier	1	1	1		7	6
Trucks	24				634	634
Carbines and rifles	1,000	2,003	2,445	442	7,617	5,167
Machineguns	125	160	518	358	1,050	532
Mortars					183	183
Howitzers, 105-mm	26	2	2		2	
Recoilless rifles, 106-mm		8	8		28	20
Military bridges		10	10		13	3

[1] Provides for required inclusion of administration ($3,100,000), excess defense articles from overseas sources ($617,000), and redistributable MAP property ($14,305,000) under ceiling.
[2] Assumes relief from requirement to include administration, excess defense articles from overseas sources and redistributable MAP property.
[3] Included in general costs in CPD.

CAMBODIA MAP REDISTRIBUTABLE PROPERTY, FISCAL YEAR 1975

[Dollar amounts in thousands]

Description	Quantity	Value [1]
Total		$14,305
T–28D trainer aircraft	3	338
O–1A observation aircraft	3	18
Aircraft engines	33	409
Trucks	10	11
Carbines	4,403	169
Rifles	1,101	78
Machineguns	22	37
60-mm mortars	23	6
81-mm mortars	101	227
4.2-inch mortars	4	29
Other weapons	60	10
Ammunition		12,755
Communications equipment and spare parts		47
Other equipment and supplies		171

[1] Actual value but not less than 1/3 acquisition cost.

CAMBODIA—DOD OVERSEAS EXCESS DEFENSE ARTICLES, FISCAL YEAR 1975

[In thousands of dollars]

Description	Quantity	Value
Total		617
C–123K cargo aircraft	1	359
O–1A observation aircraft	8	48
Landing craft mechanized	8	187
Machine guns	100	11
Military bridges	10	12

[1] Actual value but not less than ⅓ acquisition cost.

Mr. PASSMAN. Gentlemen, who would like to testify first?

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

May I suggest first we thank you for the opportunity to be with you today?

Our first witness will be Ambassador Habib.

Mr. PASSMAN. Thank you very much.

PURPOSE OF HEARING

Before you start, Mr. Ambassador, may we state for the record that you are here to justify a budget amendment of $222 million for military assistance to Cambodia. This is in addition to what the witnesses previously justified for Cambodia for fiscal 1975; is that correct?

Mr. HABIB. That is correct, sir.

Mr. PASSMAN. Mr. Secretary, we would be very happy to hear from you at this time.

Mr. HABIB. Thank you.

Mr. Chairman, gentlemen, with your approval I will read a statement, and General Fish will also have a statement.

Mr. PASSMAN. It is the policy of this committee that each member of the subcommittee have a copy of the prepared statement in advance of the time that the witnesses testify. That makes it possible, unless the committee should decide otherwise, for the witnesses to insert their statements in the record and then summarize it. It will be your option as to how you would like to handle it, sir.

Mr. HABIB. I have a brief statement and I would like to read it into the record.

Mr. PASSMAN. You may proceed.

GENERAL STATEMENT

Mr. HABIB. Mr. Chairman, gentlemen, in both Vietnam and Cambodia there has been a recent significant escalation of military action by Communist forces. This has placed new and severe strains on the resources of the governments of those countries, and has rendered the assistance we provide to them inadequate to meet its intended objectives.

The President has therefore asked Congress to make available additional funds for military aid to Vietnam and Cambodia, and to remove impediments to the use of funds already appropriated to provide essential food aid to Cambodia.

The Vietnam supplemental, a Defense appropriation, will be formally considered on another occasion. The authority to increase food aid for Cambodia does not require any additional appropriation.

CAMBODIAN PROBLEM

My testimony today, therefore, is primarily in support of our request for appropriations for military aid for Cambodia. But in my remarks this afternoon, I will attempt to address the problem of Cambodia in the broader context of our overall Indochina policy.

PARIS AGREEMENT

Two years ago we concluded an agreement in Paris which we hoped would end the war in Vietnam, and pave the way for settlements in Laos and Cambodia. The Paris Agreement was the end result of a long and tortuous negotiating process. In its final form, the agreement was one which we felt honored the sacrifices and respected the sense of justice of both sides. It implied a rejection of absolutes, an acceptance of restraint, an acknowledgement of limitations—as must any accord. From the standpoint of the United States, the agreement in large measure met what had been our purpose throughout the long history of our efforts in Vietnam: It ended our direct military involvement there and established a formula through which the people of South Vietnam could determine their political future, without outside interference.

Things have not worked out as we had hoped. Only in Laos have the contending parties moved from military confrontation to political competition. In Vietnam, after a period of relative quiescence, warfare again rages and the structure created by the agreement for working toward a political settlement is endangered. In Cambodia, there has been no amelioration of the conflict, and the military balance in that country is gravely threatened. I cannot profess surprise at these developments. The Paris Agreement contained no self-enforcing mechanisms. For that agreement to be effective, and to achieve its purpose, both sides were required to act in accordance with the principles of restraint, compromise, and minimal good faith which must underlie the resolution of any indecisive conflict. Those qualities have been conspicuously absent from Hanoi's approach. In Cambodia also, a negotiated settlement demands that both sides accept the imperatives of compromise. The Cambodian Communists have instead sought military victory.

While its focus was on Vietnam, the Paris Agreement also contained provisions relating to Laos and Cambodia. The signatories were enjoined to respect the sovereignty and territorial integrity of those countries, and all foreign troops were to have been withdrawn. South Vietnam and the United States have abided by those strictures. Hanoi has not. North Vietnam continues to use the territory of Laos to send forces and war material to South Vietnam and continues to station troops in remote areas of that country. North Vietnam uses the territory of Cambodia to support its military operations in South Vietnam. In addition, Hanoi gives material assistance and battlefield advice to Communist forces operating against the Cambodian Government.

SITUATION IN CAMBODIA

Let me now turn specifically to the situation in Cambodia. The conflict in Cambodia is complex, and its origins are widely misunderstood. Sihanouk was deposed in 1970 by a government which he himself had formed less than a year before. That action was ratified by a National Assembly whose members Sihanouk had personally selected. The United States played no role in the matter. Our total presence in Cambodia at that time consisted of two diplomatic officers and three military attaches. Several days after those events, North Vietnamese forces attacked Cambodian Government outposts in the eastern region of the country. Armed hostilities in Cambodia date from those attacks. Under North Vietnamese auspices, insurgent forces were formed and joined the fray.

Warfare has since been unremitting, and often intense. The human and material cost has been high. The economic life of Cambodia has been shattered. What was once a rich agricultural country, producing consistent rice surpluses, is now heavily dependent on outside assistance for even the most basic necessities. Perhaps as many as 1.5 million people—over a fifth of the total population—have become refugees. Thousands of Cambodians—soldiers and civilians—have lost their lives.

Cambodia's battle against an externally supported insurgent movement has been intensified still further in recent weeks. On January 1, Communist forces launched a new offensive, stepping up attacks in the area near Phnom Penh and against several provincial capitals, and making strong efforts to cut the vital Mekong supply corridor. Total casualties for both sides are running at least 1,000 a day—killed, wounded, or missing—and more than 60,000 new refugees have been created. The already stricken economic life of the country is further ravaged.

Cambodian Government forces have fought remarkably well, in the face of difficult odds. In little more than 4 years, a small and largely ceremonial army has grown into a sizeable and increasingly effective fighting force. In this connection, I have seen a number of recent press articles alleging waste of ammunition by Cambodian forces. They require comment. While this was partly true a year ago—as noted by the inspector general for foreign assistance in a recent report—that report also notes that steps have been taken to improve ammunition conservation. Because of those efforts, Cambodian forces are undoubtedly making better use of their ammunition this year than last. But combat intensity remains the primary determinant of ammunition expenditure—and the Communists have raised the intensity markedly since January 1. I would also add that it is misleading to compare the ammunition expenditures of defending forces with those of insurgents. As in Vietnam, Communist forces—having no population centers or fixed positions to defend—are able to mass forces at times and places of their choosing; this allows them economies unavailable to widely dispersed defenders.

In Cambodia, even more than in Vietnam, the material resources the nation must have for its defense are strained to the limit. If South Vietnam faces a harsh choice in allocating diminishing defense re-

sources, it is not inaccurate to say that Cambodia has no choice. If it is to avoid collapse and chaos, and if there is to be any prospect for a compromise solution, additional aid must be provided without delay.

U.S. OBJECTIVE IN CAMBODIA

Our objective in Cambodia is to restore peace and to allow the Cambodian people an opportunity to decide freely the political future of their country. It has never been our belief, or a premise of our policy toward Cambodia, that the conflict would end in conclusive military victory by Cambodian Government forces. Nor, however, should it end in military victory by the Communists. We believe the only logical and fair solution is one involving negotiations and a compromise settlement. The Cambodian Government has repeatedly called for talks with the opposing side, without preconditions. We have fully supported these proposals, as well as the resolution, sponsored by Cambodia's Southeast Asian neighbors and adopted in the last session of the United Nations General Assembly, calling for early negotiations. The Communists, however, have been adamantly opposed to a negotiated settlement. Their attitude is unlikely to change unless and until they conclude that military victory is not possible. The first imperative, therefore, and the aim of our military assistance to the Cambodian Government, is to preserve a military balance and thereby to promote negotiations.

RESTRICTIONS ON ASSISTANCE

Present restrictions on our military and economic assistance to Cambodia, contained in the 1974 amendment to the Foreign Assistance Act, make it impossible to accomplish that goal. The administration originally requested $390 million in military aid for this fiscal year. The $200 million in military aid authorized for this fiscal year was expended during the past 6 months, on the basis of continuing resolution authority, in response to significantly intensified Communist offensive actions. Since the beginning of the latest Communist offensive on January 1, ammunition expenditures have gone higher, of necessity, and even the $75 million drawdown of Defense Department stocks authorized for this emergency situation will not meet the needs. In addition to this stringent situation with respect to military supplies, Cambodia also faces an impending severe rice shortage.

PRESIDENTIAL REQUEST

Therefore, to meet minimum requirements for the survival of the Khmer Republic, President Ford has asked the Congress to do three things:

(1) To eliminate the existing $200 million ceiling on military assistance for Cambodia.

(2) To authorize and appropriate $222 million in military aid, in addition to appropriating the $200 million currently authorized. Our original request to the Congress for military assistance to Cambodia during the current fiscal year, $390 million, was an amount we regarded then as the minimum needed. With unexpectedly increased Communist pressures—and in view of the sharp rise in the cost of

ammunition—the largest single item in the program—$222 million in additional funds is now clearly required. That amount, plus the $200 million in aid funds and the $75 million in DOD drawdown already authorized, will bring total military assistance for the year to a level generally comparable to our original estimates of the need and our original request to the Congress.

(3) To eliminate the $377 million ceiling on our overall aid to Cambodia—or at least to exempt Public Law 480 food from that ceiling. This is necessary to enable us to provide vital commodities—mostly food—as soon as possible. The inability to use funds already included in the USDA appropriation will cause a break in the food supply pipeline beginning in June unless procurement action is begun by late March. New authority therefore is needed urgently. We anticipate, as we have throughout the year in appearances before you, that between $73 million and $100 million in additional rice and wheat will have to be provided to Cambodia this fiscal year. Economic collapse—and even starvation—may otherwise result.

CONCLUSION

Mr. Chairmen, gentlemen: We wish, as do you, to see an early end to the suffering of the Cambodian people and to the destruction of their country. The only equitable way in which this can be accomplished is to strengthen conditions which will permit a negotiated solution to take place. It is for this purpose that additional military assistance and economic assistance authority for Cambodia is an urgent necessity.

This request—and the one we are submitting separately for Vietnam—does not represent the beginning of a new and open-ended commitment for the United States. Nor does it reflect any change in policy on the part of the United States. The additional funds and authorities which we are asking the Congress to make available for Cambodia are vitally needed, for the reasons I have set forth, in support of a policy which has in large measure proven appropriate to the difficult circumstances of Indochina. That policy, borne out in the record of our actions, is one of steady disengagement—in a manner designed to prevent new upheavals in Indochina, new instability in the East Asia region, and renewed contention among the major powers.

Cambodia cannot be considered separately from Vietnam and Laos, and the whole of Indochina cannot be isolated from larger world issues. The consequences of a decision to withhold vitally needed assistance to Cambodia would extend beyond the confines of Indochina—and they would be inimical to the broad sweep of our interests in this small and interdependent world. Such a decision would amount to a conscious act to abandon a small country to a forcible Communist takeover, an action without precedent in our history. The amounts we are requesting for Cambodia are not large when measured against the sacrifices we and the people of Indochina have already made. They are, however, vital to the restoration of conditions which can lead to peace in Cambodia.

Mr. PASSMAN. We will insert Mr. Habib's biography in the record at this point.

[The biography follows:]

BIOGRAPHY OF MR. PHILIP C. HABIB, ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS

Philip Charles Habib of California was sworn in today as Assistant Secretary of State for East Asian and Pacific Affairs, succeeding Robert S. Ingersoll who is now Deputy Secretary of State. A career Foreign Service Officer, Mr. Habib had served since 1971 as Ambassador to Korea.

Mr. Habib was born on February 25, 1920 in Brooklyn, N.Y., and graduated in 1942 from the University of Idaho. In 1952 he received a Ph. D. degree from the University of California.

Mr. Habib served in the U.S. Army during World War II. He became a Teaching Research Assistant at the University of California in 1947. He was appointed a Foreign Service Officer in 1949 and assigned to the American Embassy at Ottawa as an Economic Officer. He served at the Embassy in Wellington, N.Z., from 1951 through 1954, and in the Department 1955–57. He subsequently served as Political Officer at Port of Spain, and in 1960–61 served as the Officer-in-Charge for Under-Developed Areas in the Office of the Under Secretary's Special Assistant for Communist Economic Affairs.

From 1962–65 he was Counselor for Political Affairs at Seoul. He was assigned to Saigon from 1965 to 1967, where he served as Political Officer with the personal rank of minister. He was Deputy Assistant Secretary for East Asian and Pacific Affairs from 1967 to 1969, and from 1968 to 1971 was Senior Advisor to the United States Delegation at the Paris meetings on Vietnam.

Mr. Habib is married to the former Marjorie W. Slightam. They have two daughters, Phyllis and Susan.

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

Mr. HABIB. Thank you, Mr. Chairman.

Mr. PASSMAN. Would you care, Mr. Maw to make a statement?

Mr. MAW. No.

Mr. PASSMAN. Shall we move to General Fish?

Mr. MAW. I suggest we now move to General Fish's statement.

Mr. PASSMAN. General Fish, I believe that you are the Director of the Defense Security Assistance Agency?

General FISH. Yes, Mr. Chairman, that is right.

Mr. PASSMAN. So Cambodia would come under your department?

General FISH. Yes, sir.

Mr. PASSMAN. Do you have a statement you would like to make to the committee?

General FISH. I do, Mr. Chairman.

Mr. PASSMAN. You may proceed in your own way, sir.

GENERAL STATEMENT

General FISH. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you to discuss the urgent need for additional military assistance for Cambodia.

My colleague, Assistant Secretary Habib, has already addressed our objectives in Cambodia and the results of the lack of sufficient aid to the Cambodian Government. Let me review briefly the military situation.

MILITARY SITUATION IN CAMBODIA

In January 1973, the Khmer Communists mounted their first serious military effort. Their goal was the interdiction of all surface lines to strangle Phnom Penh economically and force the fall of the government. That year the Communists committed 6,000–7,000 troops along the lower Mekong. They occupied portions of the river bank astride the strategic narrows controlling a sizable segment of the river southeast of Phnom Penh. These successes were short lived. Thwarted by

logistical inadequacies, command and control problems, and U.S. air support, the Khmer Comunists soon drew back. While retaining the ability to periodically capture terrain, isolate Khmer army positions, and harass river convoys, they failed in achieving their fundamental goal of forcing the collapse of the government.

During the second dry-season offensive the Communists gained in strength, corrected some of their more glaring deficiencies, and modified their tactics. The enemy continued to build their logistical bases without hindrance from U.S. air. But their efforts to defeat the Cambodian Armed Forces and to topple the government were unsuccessful.

This year's dry-season offensive started on January 1 with coordinated attacks in several sectors around Phnom Penh and along the length of the Mekong River. During the initial stages of this offensive, the Communists seized a number of isolated outposts and weakly defended villages around the perimeter of Phnom Penh. However, critical areas held and the Communists were unable to penetrate the city's main defenses or to register further significant gains. By exploiting its superior firepower and mobility and the support of the Cambodian air force, the Khmer Armed Forces were able to recapture most of the territory lost earlier and secure the capital. In the process the Communists suffered casualties of about 8,000 men. The Communists are using sophisticated mines, artillery, rockets, and mortar-type munitions in increasing amounts. The availability of these Chinese- and Soviet-supplied weapons allows the Khmer Communists to mount a significant challenge against convoys on the Mekong, as well as daily rocket attacks against civilian population centers.

Initially, the government did not have sufficient forces with which to defend simultaneously Phnom Penh and reinforce isolated outposts along the Mekong. By conducting determined and coordinated attacks against Phnom Penh's defenses which forced the commitment of forces to the capital's security, the insurgents were able to overrun a number of these isolated garrisons, and gain control of long stretches of the river between Phnom Penh and the South Vietnam border.

In consolidating their tactical gains, Communist forces have dug in troops and heavy weapons to attack convoys which must run this gauntlet. Estimates are that the enemy has some 41 battalions committed to interdicting the Mekong, a clear indication of the importance the Communists attach to severing this critical supply line to Phnom Penh.

Once the government was able to stabilize the situation around the capital, it redirected major elements of its forces from around Phnom Penh to operations to clear the Mekong River. Reinforcements and additional supplies were rushed to Neak Luong, an important government control point on the Mekong River 35 miles southeast of the capital, which was under heavy attack. Riverine forces were committed in a number of amphibious operations to seize critical vantage points along the river captured earlier by enemy forces. In conjunction with the movement of supply ships and barges during the past week the government has committed a large part of its army, navy, and air force in breaking the enemy's grip on the Mekong. This task is not expected to be easy and will extract a costly price in men, ammunition, and materiel, but the task will be accomplished, given U.S. logistic support. Ships are now getting through.

At the same time Communist initiatives have also been directed at the provincial capitals of Kompong Cham and Siem Reap. Such actions do not signify a serious threat to these enclaves but are an effort to exploit vulnerabilities created by the current preoccupation of government units, to prevent government reinforcement in other areas, and generally to keep government forces off balance.

PROGNOSIS

Overall, the military prognosis for Cambodia is promising. As a fighting force, the Cambodian Armed Forces have given a good account of themselves. While the situation on the Mekong is extremely serious, the Cambodian Armed Forces appear capable of dealing with it, if given adequate logistic support. This is presently the most pressing weakness of the Cambodian Armed Forces. They are continually operating on a thin margin of logistic support. For instance, during the last few weeks enemy pressure has caused ammunition to be expended at an extremely high rate with a corresponding drawdown of in-country stocks. As of February 1 the Cambodian Armed Forces in Phnom Penh had only a limited supply of ammunition. Similarly, rice and fuel have been reduced to dangerously low levels. In essence they must depend on outside support for survival and this is where U.S. assistance enters into the strategic equation. To avoid the collapse and chaos mentioned by Ambassador Habib, the U.S. has to provide this logistic support.

During the last few years the Cambodian Armed Forces have undergone vast improvement and although numerous weaknesses still remain, the outlook remains hopeful. Cambodia now fields a relatively modern, lightly equipped army, a well-trained air force with effective combat aircraft and a modest lift capability, and an aggressive navy, consisting primarily of small riverine craft. Improved as they may be, however, the Cambodian Armed Forces have increasingly had to rely on the superiority of its U.S. provided firepower and logistical system to offset Communist advantages of surprise and aggressiveness.

U.S. ROLE

Which brings me to the U.S. role in Cambodia. Since military assistance was begun again in 1970, support has been limited both in what the United States can do and in the number of personnel with which the tasks can be accomplished. U.S. support has been logistical and of that, most has been in the form of combat consumables—ammunition and fuel. In essence the Cambodian Government has been provided the means required to defend themselves initially against experienced North Vietnamese and Viet Cong forces, and presently against determined Khmer Communists, still advised and equipped by the North Vietnamese.

MAP ASSETS AVAILABLE

The military assistance balance sheet as of 1 February is as follows:

Fiscal year 1975 authorization to date, $275 million. That includes the drawdown authority.

Obligations and charges under the continuing resolution against the fiscal year 1975 authorization, including the drawdown authority, is $260 million. Therefore, the fiscal year 1975 remaining is $15 million.

To recap then, the assets available to the Cambodians for the remainder of the year are the remaining authority of $15 million, a delivery pipeline of $42 million, and in-country stocks of about $29 million, for a total of $86 million.

Costs at the current rate of intensive combat are averaging about $1.5 million daily, of which about $1.3 million is for ammunition. The remainder is for such items as spare parts, fuel, and medical supplies. If combat activity continues at this rate, Cambodia will start to run out of essential ammunition and other supplies completely in late March or early April. There will be no stock in country or in the pipeline to sustain operations.

The President has requested $222 million in additional military assistance for Cambodia to provide essential military supplies, primarily ammunition, that are needed to permit the Cambodians to maintain their ability to defend themselves. There is no cheaper or more viable alternative available. We do not seek to build up or re-equip Cambodian Armed Forces; we seek only to keep them alive and fighting through the remainder of this fiscal year.

The request is composed of two basic elements. Ninety percent will be used for ammunition, POL, spare parts and other supplies needed to continue essential combat operations. The remaining 10 percent will be used to replace the most critical combat losses of equipment and provide items that are essential to maintaining supply lines. I will submit to the Committee a document which will detail how these funds are to be spent.

CONCLUSION

There is, I believe, only one conclusion to be drawn from the facts and figures. The arithmetic is as inescapable as the problem which confronts us. How we act upon that conclusion will determine the fate of Cambodia. Unless additional resources are made available, we shall be unable to provide the support that beleaguered nation must have to stave off a Communist military takeover. Without the funds we are requesting, we can only watch the inevitable course of events which I believe it is in the national interest of the United States to prevent. Both that interest and the cause of world peace would be ill served by the withdrawal of U.S. support because such withdrawal would not only lead to the loss of Cambodia, but also to the even more important loss of confidence on the part of other allied and friendly nations in the validity of the U.S. commitment to international security. Such an outcome is clearly inconsistent with our own security and the foreign policy through which the United States seeks to obtain some of its most basic national objectives.

Mr. Chairman, gentlemen of the committee, that concludes my prepared statement. Again, I thank you for this opportunity to appear before you.

Mr. PASSMAN. We will insert the biography of General Fish in the record at this point.

[The biography follows:]

BIOGRAPHY OF LT. GEN. HOWARD M. FISH, USAF

General Fish was born in Melrose, Minn., on August 1, 1923, and was graduated from St. Cloud Cathedral High School, St. Cloud, Minn., in June 1941. He entered the Army Air Force in 1942 and served as an aerial gunner at Tyndall

Field, Fla. He entered advanced navigator training at Monroe, La., in November 1943, and received his navigator rating and commission as a second lieutenant in the Army Air Corps in July 1944.

During World War II, from October 1944, he served as a navigator in the European Theater of Operations on a B–17 aircraft crew with the 419th Bombardment Squadron, 301st Bombardment Group in Italy. He was shot down over Vienna, Austria, in February 1945, and spent the remainder of the war as a prisoner of war in Germany.

In November 1945 he attended a student navigator refresher course at Ellington Field, Tex., and at Fairfield-Suisun Air Base, Calif. In February 1946 he was assigned as assistant statistical control officer, Chanute Field, Ill., and in April 1946 he was transferred to Orlando, Fla., for statistical control indoctrination training.

General Fish returned to Germany in July 1946, serving first in Berlin, at Tempelhof Air Base, and later in Wiesbaden as a statistical control officer. He also flew in the Berlin airlift.

He returned to the United States in July 1949, and trained as a navigator-bombardier at Mather Air Force Base, Calif. In April 1950 he was assigned to the 84th Bombardment Squadron at Langley Air Force Base, Va.

During the Korean war, in July 1950, he was transferred to the 162d Tactical Reconnaissance Squadron, which was immediately sent to Korea where he flew 63 combat missions. General Fish later served as a navigator on the crew of the commanding general, Eighth Army in Korea. In March 1951 he was assigned as Chief, Program Analysis Section, 374th Troop Carrier Wing, Far Eastern Air Forces.

He returned to Langley Air Force Base in June 1951 to train replacement combat crews for B–26 aircraft units in Korea. Initially he served as a squadron navigator in the 4400th Combat Crew Training Group and later as a squadron executive officer and group director of operations and training.

In January 1954 General Fish attended the Air Command and Staff College, Maxwell Air Force Base, Ala. He returned to Langley Air Force Base as executive officer for the 405th Fighter Bomber Wing.

In June 1956 he entered the University of Chicago and graduated in August 1957 with a master's degree in business administration. He became a member of the business scholarship fraternity, Beta Gamma Sigma.

He was transferred to Europe in October 1957, serving first as wing comptroller for the 60th Troop Carrier Wing at Druex Air Base, France, and then as comptroller, 7310th Air Base Wing, Rhein-Main Air Base, Germany.

In July 1960 he entered the Armed Forces Staff College at Norfolk, Va., and in January 1961 he was assigned as director of data automation, and later as assistant deputy chief of staff, comptroller, Headquarters Eastern Transport Air Force, McQuire Air Force Base, N.J.

In August 1963 he entered the Air War College, Maxwell Air Force Base, Ala., and while there, received a master's degree in international affairs from the George Washington University. In July 1964 he was assigned as a plans and programs officer in the directorate of plans, Headquarters U.S. Air Force, Washington, D.C. He was named assistant for analysis to the deputy director of plans for force development in December 1967.

In March 1969 he was named director of tactical analysis, 7th Air Force, Tan Son Nhut Airfield, Republic of Vietnam.

General Fish returned to Headquarters U.S. Air Force in July 1970 as the deputy director of doctrine, concepts and objectives, deputy chief of staff, plans and operations. He was appointed Deputy Director of the Budget, Office of the Comptroller, in February 1971 and became Director of the Budget in October 1973.

On August 1, 1974, General Fish assumed the dual-hatted title of Director, Defense Security Assistance Agency, and Deputy Assistant Secretary of Defense (International Security Affairs) for Security Assistance.

His military decorations and awards include the Legion of Merit with one oak leaf cluster, Distinguished Flying Cross with one oak leaf cluster, Air Medal with four oak leaf clusters, Air Force Commendation Medal, and the Purple Heart. He holds a master navigator rating.

General Fish is married to the former Jamie Katherin Tom of Corpus Christi, Tex. They have one son, Howard Math Fish.

He was promoted to the grade of lieutenant general effective October 4, 1974, with date of rank October 3, 1974.

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Mr. PASSMAN. I shall ask the clerk to keep time. When I have consumed 5 minutes, call it to my attention so that I may yield to the other members.

INDOCHINA COSTS

General Fish, as we think of Indochina, I guess we are thinking of Laos, Cambodia, and Vietnam; is that correct?

General FISH. Yes, sir; I would say that that is true.

Mr. PASSMAN. If we go back to the record, we find that our intervention in Indochina economically, and I may say militarily, started under President Truman. I think that under President Truman we spent $1,300 million in Indochina. That was $800 million in economic assistance and $500 million in military assistance.

Then if we look at the grand total over a period of 20-odd years, we have put over $150 billion of our resources in Indochina, plus 58,000 lives and I believe some 308,000 casualties.

Where do we stop and is there a justification for continuing this type of aid? We are going to be responsible, but we want more than just a request. We want something rather conclusive that this won't go on and on and on into the future.

Repeating, if I may, over $150 billion of our resources has been put into this one area.

Would you like to comment on that, Mr. Secretary?

Mr. MAW. Mr. Chairman and members of the committee, I am afraid it is beyond our power to foresee the end of the Communist pressure in Southeast Asia. We hope and believe that in Cambodia, if we will help the Khmer Republic stay alive, that our efforts and the efforts of others to bring about a political settlement will be successful.

At the moment what we are hoping is to enable these people to get through the current dry season, and not to force them to give up at this point. We believe and hope that there is the possibility of a political settlement in Cambodia. Just when is not for us to determine. It takes two sides to make a settlement.

Mr. PASSMAN. Thank you, Mr. Secretary.

DEPENDENCE ON U.S. ASSISTANCE

In November 1973 when Mr. Rush was testifying on behalf of emergency aid for Cambodia he said: "I would say this: We are sure without supplying this $200 million from some source Cambodia does not have a chance because they have no bullets to shoot. If we give it to them they have, we hope"—restating—"we hope, at least a 50–50 chance to survive; 50–50 means simply this: no one can be certain about the outcome of a war of this type."

As I say, we want to be completely factual. This is serious business. A few individuals meeting at the White House won't solve your problems. Policy is one thing but convincing a committee that this is not going to go on and on is something else.

Are you familiar, General Fish, with this testimony of 1973?

General FISH. Only in general, sir. I was not in my present duties at the time, but I have reviewed it.

Mr. PASSMAN. If it was only a 50–50 chance then, and that was questionable, what would be the odds at this time that putting additional funds in Cambodia would bring the desired results?

Mr. HABIB. Could I address the question, please, Mr. Chairman?

Mr. PASSMAN. Please do, Mr. Secretary.

Mr. HABIB. Mr. Chairman, the question you are asking boils down in my mind to this: Is the United States prepared to supply the resources necessary to a people and to a nation prepared to defend themselves?

To be answered properly the question must take into account what is it that those people have demonstrated of the desire to defend themselves? What is it that the United States has given them a right to believe that they can expect from us, whether or not they use the materiel we provide properly in defense of themselves, and whether if we continue to provide that material they will continue to defend themselves.

I submit that the record to date is that they not only wish to defend themselves, they have demonstrated that they are prepared to give their lives in defending themselves.

One can go back historically, but just take the recent offensive with which we are dealing now, which has led to this request from the President to the Congress. Since the beginning of this year, since the first of January when the current offensive took place, Cambodian casualties on the side of the Government of the Khmer Republic—military casualties—have been running at an average weekly rate of over 800 dead.

Mr. PASSMAN. I am sorry, Mr. Secretary. My 5 minutes are up and I am going to abide by the rules.

Mr. HABIB. May I complete my sentence?

Mr. PASSMAN. Yes, go ahead.

Mr. HABIB. I am sorry if I take too much of your time.

Mr. PASSMAN. I must respect the rules of the committee.

Mr. HABIB. I don't want to take too much of your time.

Mr. PASSMAN. It is not my time. You have already used it.

Please proceed.

Mr. HABIB. What I am trying to demonstrate is that the capacity of these people to resist is proven. The relationship to that desire to defend themselves is proven. The only thing that remains to be demonstrated is whether or not the United States is prepared to continue to provide the resources for these people to defend themselves.

Mr. PASSMAN. Providing we are able to do so you mean?

Mr. HABIB. Provided we are able and willing to do so. That is a choice that the Congress has.

CONTINUED ASSISTANCE QUESTIONED

Mr. PASSMAN. We might be willing but after all we have gone pretty far afield. A the expense of being repetitious, $150 billion of our resources has been put into this one small area along with some 58,000 lives and 308,000 casualties and it doesn't seem to be improving. It looks like it is deteriorating very rapidly.

We understand that the fiscal year 1976 budget was presented to the Congress today. Outlays will amount to $350 billion, with a deficit of some $55 billion. You see on the record that the deficit is going to be $52 billion but that is based on the unified budget. We bring it down to $52 billion only by taking all the surpluses in the trust accounts such as social security and railroad retirement. If you leave these trust funds out, you are approaching $55 billion and we are in a deepening recession.

In light of this situation, I am of the opinion that you are going to have to do an awful lot of justifying this year, if we are going to continue pouring billions of dollars into an area where the chances are not even 50–50 for survival.

I will return later.

Mr. Shriver?

SUPPLEMENTAL AUTHORIZATION REQUEST

Mr. SHRIVER. Thank you, Mr. Chairman.

This amount that you are requesting is not yet authorized; is that right?

Mr. HABIB. That is correct, sir.

Mr. SHRIVER. What is the status and the outlook for that authorizing legislation?

Mr. HABIB. As I understand it, the legislation will be presented this week. The Presidential request is, however, before the Congress, and I think it is on the basis of the Presidential request that the chairman requested this presentation on our behalf.

Mr. SHRIVER. Before the authorization?

Mr. HABIB. Yes, sir.

Am I correct, Mr. Chairman?

Mr. PASSMAN. If the gentleman will yield?

We sat here last year and waited until December 10 before the authorizing committee ever brought out an authorization bill. It didn't clear conference until December 18. I don't know when you will ever get an authorization bill on this request, but I know we are going to have to finish this foreign aid bill and move along to the next foreign aid bill.

AID PROVIDED BY OTHER COUNTRIES

Mr. SHRIVER. Would you tell us which other nations are contributing to the defense of Cambodia, and the dollar amounts?

Mr. HABIB. If I may turn, for a moment, sir——

Mr. SHRIVER. Are you going to submit it?

Mr. HABIB. There are so many statistics available between the black covers that that would probably be best. The principal economic assistance to Cambodia is covered under what is called the ESF, the Exchange Support Fund. In calendar year 1974—these are done on a calendar year basis—Japan provided $7 million to that fund. The United Kingdom provided $500,000 to that fund. Thailand provided $250,000 to that fund. New Zealand provided $142,000 to the fund. Malaysia provided $10,000 to the fund. The United States provided

$11,870,000 to that fund. Cambodia provided $4,106,000 to that fund. The total of the fund is $23,856,000, of which the third country total, that is neither the United States nor Cambodia, amounts to $7,880,000.

In addition to that, under the Exchange Support Fund, assistance is also provided through bilateral funds made available directly between third countries and Cambodia.

I would submit the entire thing for the record, but let me just give you an example of what is involved in that. Bilateral assistance from France to Cambodia for education, agriculture and advisory services came to $1,150,000. This is in addition to the $7 million I spoke of earlier. From Japan, $1,300,000 was in the form of a grant of rice, 4,800 metric tons. They also provided something less than $100,000 in ambulances and prefabricated housing, and of course there are scholarships and other technical assistance, the dollar amount of which is not stipulated.

In addition the United Kingdom provides another almost $300,000 to the ESF that I spoke of earlier. You can go on down the list.

In addition, of course, the United Nations agencies have been providing economic assistance to Cambodia. The International Committee of the Red Cross has provided almost $100,000. U.N. agencies in total have been providing $7,800,000 in health and humanitarian assistance.

Mr. SHRIVER. Why don't you put that in the record?

Mr. HABIB. I think we will put the whole table in the record. Probably that will be just as well. I wanted to give you some idea of the sweep of that kind of assistance coming forward. None of this is military assistance, all in the economic sphere.

[The table follows:]

OTHER DONOR ECONOMIC AND HUMANITARIAN ASSISTANCE IN CAMBODIA

A. EXCHANGE SUPPORT FUND

[In millions of dollars]

	Calendar year—		
	1972	1973	1974
Japan	5.500	7.000	7.000
Australia	1.000	1.000	
United Kingdom	.522	.514	.478
Thailand	.250	.250	.250
New Zealand	.120	.120	.142
Malaysia	.100	.100	.010
United States	12.500	17.500	11.870
Cambodia	15.000	8.606	4.106
Total	34.492	35.000	23.856
Third-country total	(6.992)	(8.894)	(7.880)

OTHER DONOR ECONOMIC AND HUMANITARIAN ASSISTANCE IN CAMBODIA

B. OTHER ASSISTANCE

[In millions of dollars]

	Amount	Purpose
Calendar year 1973:		
Bilateral:		
France	1.150	For education, agricultural and public sector advisory services. The bulk of this sum is accounted for by the provision of French teachers to lycees and universities.
Japan	1.300	4,800 MT rice grant.
	.097	Ambulances and prefabricated housing.
	(1)	Scholarships for study in Japan, dollar amount and number unknown.
United Kingdom	.297	Grant for distribution and use of fertilizers plus 8 scholarships to the United Kingdom.
Israel	.052	Advisory services of 2 agronomists.
Australia	(1)	12 scholarships.
Thailand	(1)	3 scholarships.
New Zealand	(1)	Food and medical supplies plus 10 scholarships.
Switzerland	.280	Medical supplies.
Italy	.060	Refugee relief.
Singapore	(1)	16 scholarships.
International organizations:		
ICRC and related agencies	0.280	Humanitarian assistance.
U.N. agencies	7.800	Health and humanitarian assistance. Much of this money is given for activities of a long-term nature and expenditures during calendar year 1973 are unclear.
Estimated calendar year 1973 total	15.34	
Calendar year:		
Bilateral [2]	(3)	
International Organizations: Asian International Organizations: Asian Christian Service.	.094	2 medical teams plus other assistance to refugees as needed.
Total calendar year 1974 (additional inputs not known at this time).	.094	

[1] Not available.
[2] Indonesia promised technical assistance for the ESF and Australia has provided an unknown amount of assistance.
[3] Unknown.

AID AND ARMS AVAILABLE TO COMMUNISTS

Mr. SHRIVER. Do you have an estimate as to how much assistance, military or otherwise, has been given to the Communists?

Mr. HABIB. It is very difficult to break these figures out.

Mr. SHRIVER. Do you have an estimate?

Mr. HABIB. No, sir; not precisely. I would put it to you this way: The flow of resources to Cambodia comes thriugh Hanoi basically. The flow of resources into Hanoi, principally from the Soviet Union and China, with some coming from the Eastern European countries, is then sort of carved up. Some of it goes down to South Vietnam, some of it goes to Cambodia.

The resources available, however, cannot be broken down as to amounts or dollars. In the first place, the methodology for determining it is not that precise.

As best one can tell—and this is what you would call a battlefield view—the Communist forces in Cambodia during this campaign have prepositioned and supplied their resources unstintingly. There doesn't seem to be any limitation on the amount of ammunition they have

been firing to date. It all comes down the trail. It is all stockpiled, and it is all used somewhere forward.

I can't give you an accurate figure how much the Cambodian Communists got in dollar terms, because obviously the Communists don't hold hearings like this. Nobody has to testify to where the funds go. Nobody has to publicize the figures in the manner that we do.

Mr. SHRIVER. I think I have taken up my time.

Mr. PASSMAN. Thank you, Mr. Shriver.

Mr. SHRIVER. Thank you, Mr. Secretary.

LIMITED ALLIED AID TO CAMBODIA

Mr. PASSMAN. The figures you just read into this record concerning third-country aid to Cambodia, the members in this room could almost put up what you listed there. It is simply peanuts compared to what we have given.

Mr. HABIB. It is a very small fraction.

Mr. PASSMAN. The figures you read off there, the chances are some of the small banks are capitalized for more than that; isn't that right?

Mr. HABIB. The figure for Cambodia doesn't approach that.

Mr. PASSMAN. It is a small amount.

Mr. HABIB. Yes, sir; it is a fraction.

Mr. PASSMAN. Mr. Long?

JUSTIFICATION FOR CONTINUED EXPENDITURES QUESTIONED

Mr. LONG. Mr. Secretary, this question of Southeast Asia has occupied my entire 12 years in Congress. During my first 2 years on the Armed Services Committee we were told the administration needed just a little while longer; that things were going to get better; that the light was at the end of the tunnel.

My amendment of May 1973, now law, was the first to explicitly forbid the use of funds for combat operations in Southeast Asia. When we pulled out our troops, it was with a commitment to continue to supply the means for the Vietnamese and the Cambodians to carry on with their own defense. Despite many close predictions the Vietnamese and the Cambodians have held up remarkably well. I think we will all concede that.

Nevertheless, they are still on the defensive, with no observable prospect of defeating the Communists, and we have to ask ourselves, where do we go from here?

I am conscious of the huge input of blood and treasure the United States has put into Southeast Asia. My own son fought there. We spent a year of great anxiety while he was fighting there. He was wounded twice. I hate to see this effort completely lost, and yet what is our stake left in Southeast Asia that justifies the continued flow of arms and food after so many years? That is one question I want to ask you.

What are the prospects for the end of all this, that gives us any better reason for hope than what you people were able to give me 12 years ago when I asked these questions before the Armed Services Committee?

QUESTION OF CONTINUED U.S. SUPPORT

Do you see the American people continuing to support the war? This year we may get it through, but will we do it next year and the year after?

How long are we going to carry this on out of pure humanity from the standpoint of the Cambodian people, who are very lovable people? I have been there, and I have great compassion for them. We took the war to them. We have a responsibility, and yet I don't see the American people continuing to support this thing forever. Therefore, if eventually we will get out, why not now?

Mr. HABIB. Mr. Congressman, that is a very wise statement and I would like to answer it as best I can.

First of all, no one is coming to you today and telling you we see the light at the end of the tunnel. I have never used that expression myself and I don't intend to use it today. I will say to you this, in all honesty: If you don't provide them the resources they cannot defend themselves and they will go down.

Now the administration has made the determination that the resources are necessary. It is up to the Congress in its wisdom to decide whether or not it will appropriate the money.

In my opinion the choice is clear in Cambodia. It is as clear as night from day. If you don't provide the resources, they are going to go down.

Now the question is, as you recognized yourself, what stake do we have in it? You recognized also, however, that we had led them to believe that we would sustain them.

U.S. COMMITMENT

The commitment of the United States to sustaining people who are prepared to defend themselves goes far beyond Cambodia. The commitment of the United States to people that we will sustain you, if you are prepared to defend yourselves is implicit in every mutual security treaty, in every obligation that we have to countries all over the world.

If you look at Asia and you start at the arc of the north, and you go around and you tick off where you have a mutual security treaty, and then go to those countries and ask their leaders what they think of the U.S. commitment, you will find very often, as I have found, that they look to what happens in Southeast Asia as an indication of U.S. willingness to provide the wherewithal that goes with the commitment.

GUAM DOCTRINE

When we enunciated the Guam doctrine we told people like the Cambodians "If you fight for yourselves, we will help you." We have the same problem in Israel. We have the same problem in other parts of the world. Fundamentally, we have the same problem in almost any country, in every country with which we have a mutual security treaty.

NEED FOR RESOURCES

Some of them are better able to defend themselves with their own resources. These people have no resources to defend themselves. If they are going to go down, it is because we don't provide the resources. It won't be because they are not willing to fight.

The question then in the end comes down to: Are you willing to let them go down without providing them something that we have given them every indication over the years that we would continue to provide them?

HOW LONG CONTINUE SUPPORT

Mr. LONG. I recognize what you say is true. If we don't help them now, they may go down; but you haven't raised the question of how long we are going to carry on letting those people suffer casualties of many thousands a month, and in the end to possibly draw out.

If we don't have the staying power for this war, are we doing the kind thing by keeping this poor patient alive and suffering a little longer?

Mr. HABIB. The answer doesn't lie in our hands alone. The answer lies in part in the hands of Hanoi and the people who support it. How long are they willing to go on providing the resources necessary to do what they are trying to do?

Mr. LONG. Forever, I am afraid.

Mr. HABIB. I am not so sure of that, sir. I am not so sure. The answer also lies in the hands of the people of Cambodia, and South Vietnam also, whether or not they are prepared to continue to defend themselves.

I argue that in both cases we know that they are prepared to continue to defend themselves, and we have all the evidence that the other side is prepared to carry the fight.

However, the answer really in the end comes when can you get back to the peaceful settlement that was envisaged in the Paris Agreement, and I would submit—I don't want to take any more time, Mr. Chairman—that the answer to the problem in Indochina as a while, not simply in Cambodia, is a cessation of hostilities and a return to what is provided for in the Paris Agreement.

COMPROMISE SETTLEMENT

The people of Phnom Penh have no objection to sitting down and talking about a compromise settlement. They say it every day. They would welcome that opportunity, but the fellow on the other side isn't prepared to.

Mr. PASSMAN. I don't mean to cut you off, but we do have certain rules and I know the committee members are going to insist that we abide by them. When we return later, you can elaborate in great detail.

Mr. HABIB. I apologize, Mr. Chairman. It is just that the questions are worthy of a thorough answer, and I don't like to give short syllabic answers to such a question.

Mr. PASSMAN. I know. We will be coming back to you later and then you can elaborate at length.

Mr. HABIB. I apologize again.

Mr. PASSMAN. You owe no apologies.
Mr. Coughlin?
Mr. COUGHLIN. Thank you, Mr. Chairman.

STRATEGIC VALUES OF CAMBODIA

Mr. Ambassador, I guess we have gone around this question some but I still don't think we have gotten the answer to it.

As I look at the map behind you, I have a very difficult time understanding what the strategic value of Cambodia is to the United States.

Do we import any oil or minerals from there?

Mr. HABIB. No; the United States doesn't look upon our activity in that area as something we get some profit out of, Mr. Congressman. Indochina, as a whole, has been conceived of as a strategic position in Asia historically for about as long as you can think of. In the immediate postwar period, you will recall the concern that was expressed at that time for the maintenance of our position in that part of the world.

Mr. COUGHLIN. What is it?

Mr. HABIB. Strategically located with respect to the channel, to the lines of communication in Asia. It is strategically located with respect to the general obligation——

Mr. COUGHLIN. Cambodia is?

Mr. HABIB. Cambodia by itself is only part of the area. You can't just look upon it in isolation. That is why in my statement I tried not to just deal with the problem of Cambodia. If you look upon Cambodia just in isolation, you might say the same thing about Laos. You might say the same thing about Belgium for that matter. Is Belgium in and of itself strategic or is it only a part of an area?

U.S. INTEREST JUSTIFYING FURTHER AID

Consequently, you can't justify your interest in the area simply on the basis of one country as against the others. You can't justify it alone on the basis of geographical location. What we have tried to do is to——

Mr. COUGHLIN. What can you justify it on?

Mr. HABIB. In terms of our total posture in the area, our total approach to the question of stability and peace in the area, to a total question of the kind of commitments we have made to individual countries within the area. Then I think you begin to approach a degree of justification from the standpoint of the interest of the United States. Because in the end, if you can't justify it from the standpoint of the interest of the United States it doesn't have a justification for the expenditure of our resources.

We look upon Cambodia as part of Indochina. We look upon Indochina as part of Asia. We look upon our whole approach to our association with countries of this region as part of our total global policy. It is not a question of isolating it from our global policy. It is not a question of isolating our commitment from our other commitments. It's the only way I know how to answer that question.

RICE PRODUCTION

There isn't anything in Cambodia that we need in the way of resources. The only thing they produce in any large amount is rice. I know a place in the South where they can outproduce them in rice any day of the week.

Mr. PASSMAN. I believe you are talking about Louisiana.

EFFECT OF AID CUTOFF

Mr. COUGHLIN. In your prepared statement, you indicated that a decision to abandon Cambodia and permit a Communist takeover would be without precedent in our history.

Mr. HABIB. Yes.

Mr. COUGHLIN. Our policy then is to prevent a Communist takeover anyplace in the world.

Mr. HABIB. No, sir. I didn't say that. I said the abandonment of the kind of commitment that we have placed would be without precedent. To let that country go down without precedent, yes, sir. If the Congress in its wisdom makes a conscious decision not to provide the resources that are necessary to sustain the defense of Cambodia, Cambodia will go down. That will be the first time in our history that we have ever not provided the resources in a circumstance like this to somebody who is prepared to defend themselves. The Congress can in its wisdom make that decision. I do not challenge that. But at least it ought to be clear that unless they get the resources, they will go down.

What goes down and how it goes down is another question. There, I think you have got to ask the Cambodians. The Cambodians, who were described as a very gentle people—and that is a very accurate description of them, for every Cambodian I ever met is gentle—how they can go on killing themselves the way they do makes you wonder. They are all gentle.

OBJECTIVE OF U.S. AID

The question is what are they defending themselves against? And why did we originate our support for them? Fundamentally and basically the war in Indochina has been one between those who have opposed Hanoi and those who have been on Hanoi's side trying to extend power and authority through the use of military force. No matter how you paint the war in Indochina, that is what it has been all about. No matter what you want to call it, there are contending forces, for better or for worse, that the United States has committed itself to one side in that contention. I submit, and that is why I made that statement, that if you withdraw support, that side to which we commited ourselves cannot sustain itself.

Mr. COUGHLIN. Thank you, Mr. Chairman.

NATIONAL SECURITY POLICY

Mr. PASSMAN. I believe that beginning with the Truman administration, followed by the Eisenhower administration, the Kennedy administration, the Johnson administration, the Nixon administration, and now the Ford administration several trouble spots; namely, Korea, Cambodia, South Vietnam, and Israel are all considered in

the identical category policywise as far as our national security is concerned, is that true?

Mr. HABIB. I would agree with that statement, yes, sir.

Mr. PASSMAN. Thank you very much.

Mr. HABIB. As a general principle I would agree with that statement; yes.

Mr. PASSMAN. Thank you very much.

Mr. HABIB. As a general principle I would agree with that.

Mr. ROUSH. Thank you, Mr. Chairman.

MUTUAL SECURITY TREATIES

Mr. Secretary, I find it very difficult to follow you when you attempt to justify that this endeavor is in the best interests of the United States at a time when we are under such domestic budgetary restraints and constraints.

I heard you mention a moment ago that we would be letting down those countries with which we do have mutual security treaties and that it is in the best interests of this country that we not let them down. Would you tell us just which countries you are referring to?

Mr. HABIB. Yes, sir. I don't think that there is any question but that, throughout Asia, Indochina is looked upon as a test of the American commitment to what we set out to do. We have a mutual security treaty with Japan. We have a mutual security treaty with the Philippines. We have a mutual security treaty with the Republic of China. We have the ANZUS Treaty with Australia and New Zealand. We have the residual obligations of the SEATO Treaty, which includes Thailand. I am not speaking of any other obligations we have elsewhere in the world.

Let me just take Asia per se. I have yet to talk to a responsible Asian leader who does not look upon the manner in which we resolve our role and our sacrifices in Southeast Asia as directly bearing upon their own view of the relationship between American commitments to their own country and the possibility of their own future situation. That interrelationship is very clear in their minds.

U.S. FOREIGN AFFAIRS ROLE

Now, one can argue why is it the United States' responsibility? Somehow or other, over these decades that the chairman has spoken of, the United States has assumed the degree of responsibility that goes with its nationhood and its power and its attitude toward the rest of the world.

I am just as cognizant as anyone else of our own needs and our own requirements. But I happen, because of my profession, to be equally cognizant of the role of our foreign affairs and our foreign interests in our total policy requirements.

I am arguing in this case that we have developed a series of commitments around Asia and around the world that are influenced by what happens in Southeast Asia.

AID FROM OTHER ASIAN COUNTRIES

Mr. ROUSH. I don't see the other countries of Asia rushing to the aid of Cambodia and depleting their resources and their tax dollars. You mentioned Japan. Japan surely would be in a good position to assist in this endeavor if they were called upon to do so. New Zealand and Korea, I don't see them rushing in. Why is it that this whole burden must be borne by the United States and placed on the backs of our taxpayers at a time when we can't even build sewage plants within our own congressional districts and we can't take care of the needs of our elderly people and our poor people?

Mr. HABIB. I have no answer for you, if you want to ask me why they don't put up more. I would hope that they would. They have at times in the past. I would remind you that at one stage there were two and a half Korean divisions in South Vietnam.

Mr. ROUSH. This is Cambodia. This isn't Vietnam.

Mr. HABIB. In the case of Cambodia there have been economic funds coming forth inadequately, fractionally compared to us. They haven't accepted the responsibility that we have accepted, I am sorry to say. That is a fact. But does that change our responsibility any less?

Mr. ROUSH. Nor should it make it any more.

Mr. HABIB. Sir, I wish it didn't exist. But we took on the responsibility. I am not arguing that we don't have one. I am arguing that if we have one, there is only one way of exercising it. If you want to abandon the responsibility, there is only one way of doing it, that is pulling out.

When we negotiated the Paris Agreement we thought we had found the solution to do it in a more peaceful manner.

CAMBODIA AND THE PARIS AGREEMENT

Mr. ROUSH. Cambodia wasn't a party to the Paris Agreement.

Mr. HABIB. Cambodia is covered under the Paris Agreement.

Mr. ROUSH. But Cambodia was not a party to the Paris Agreement.

Mr. HABIB. But it's covered under the Paris Agreement. North Vietnam engaged itself not to do certain things in Cambodia, which it has been doing.

Mr. ROUSH. My time is up, Mr. Chairman.

Mr. PASSMAN. Thank you.

Mr. Obey?

U.S. DISENGAGEMENT

Mr. OBEY. Mr. Secretary, you indicated in your statement that one of our goals is to preserve the military balance and thereby to promote negotiations.

Mr. HABIB. Hopefully.

Mr. OBEY. You also indicated a little later that our policy had always been one of steady disengagement. How are we supposed to take those statements in light of the statement by General Fish that the Cambodian armed forces have increasingly had to rely on superiority of U.S. provided fire power? That doesn't spell disengagement to me.

Mr. HABIB. I will explain it to you as best I can. I would like to come back to the agreement because the agreement is relevant.

The resupply of forces and the supply of forces, the contending forces in Cambodia, is a two-track affair. Some of it comes to the Communists and some of it comes to the government. The degree of supply on the other side, the forces to support it, and the use to which those forces have been put have led to a general escalation in the level of conflict. If you escalate the level of conflict you require more resources.

INCREASED RELIANCE ON U.S. FIREPOWER

Mr. OBEY. I understand that, but we have only 5 minutes. I would like some short specific answers on that question. How do you define the Cambodians increasingly relying upon the superiority of U.S. provided firepower with the assertion that our policy has been to gradually disengage?

Mr. HABIB. Our policy has been to disengage the United States. We have disengaged the United States. Our policy was to disengage in Cambodia. We have not been able to.

IMPLICATION OF LONG-RANGE COMMITMENTS

Mr. OBEY. Let me ask you another question. You say, "We have no open-ended commitment." Yet you asserted that the question is simply, in your words, "Whether the United States is willing to continue to provide the resources necessary." That sounds to me like you are implying we have one heck of a long-range commitment.

Mr. HABIB. No. I would think that if one could bring about the kind of negotiated settlement that we thought we had achieved in the Paris Agreement, or to bring about the implementation of the Agreement, you wouldn't need another military dollar going into the area, technically speaking.

Mr. OBEY. Fine, but that is a hope and we have been going for 12 years on hope. General Fish said that, "We only seek to keep them alive and fighting through the remainder of this fiscal year."

Mr. HABIB. With these funds, he meant.

Mr. OBEY. I think the question everybody has in his mind is what about the next year and the next and the next.

Mr. HABIB. I think he meant with the funds being requested for this fiscal year. As you know, there is a presentation that came forward today.

Mr. OBEY. Maybe it ought to be open ended, but my point is you ought to be honest with them.

Mr. HABIB. I am trying to be honest, Mr. Congressman.

Mr. OBEY. But it seems to me when it's asserted we don't have an open ended commitment that is not being honest with the American people.

COMMITMENT NOT OPEN ENDED

Mr. HABIB. The commitment is not open ended if one can bring about the reestablishment of some measure of nonwar in the area—if you want to call it peace.

Mr. OBEY. In the name of heaven, how long is that commitment to last?

Mr. HABIB. Nobody honestly can tell you in Cambodia. Can you tell me how long the enemy of the Cambodians, not mine any longer, will go on?

Mr. OBEY. Absolutely not. That is precisely my problem.

Mr. HABIB. That is exactly the nature of the problem.

Mr. OBEY. Mr. Secretary, I understand your situation. But if I could draw an analogy, it seems to me like we have a big gallon of milk here which has turned sour and you have got somebody hoping that if we add a few drops of sweet milk to it through an eyedropper each day that through some magical formula it's going to turn the sour milk sweet. I just don't think it is.

Mr. HABIB. I don't think anybody has tried to say that. You notice I have been very careful not to make false promises as to what can be done with the resources available. I think we have tried to be absolutely frank with the committee as to what the nature of the problem is and what the requirements are. The committee in its wisdom will decide. If there are any facts that are not clear, I will try to clear them up. But judgments as to what is going to happen at some indefinite time in the future, we are incapable of making them.

CHINA

Mr. OBEY. Let me ask you one last question about the same thing Mr. Coughlin asked you. You indicated that, "Such a decision would amount to a conscious act to abandon a small country to a forcible Communist takeover, an action without precedent in our history." How do you reconcile that with the history of China?

Mr. HABIB. We didn't have the same commitment.

Mr. OBEY. How many years have we supported Chiang Kai-shek in China against the Japanese and then against Mao?

Mr. HABIB. Remember what happened. You had a complete military defeat and they retreated to the island. We have sustained them and supported them in that regard ever since under the mutual security treaty—a mutual security treaty which was negotiated, if I recall correctly, in 1954.

Mr. OBEY. I think that when you compare Taiwan to mainland China it is really stretching a rubber band.

Mr. HABIB. It was lost momentarily. At the present time most of Cambodia is in the hands of the——

OUTCOME OF MILITARY STRUGGLE

Mr. OBEY. Isn't Cambodia really going to be lost militarily no matter what we do, eventually?

Mr. HABIB. No, I don't think so. I do not believe so.

Mr. OBEY. Isn't that what is going to happen?

Mr. HABIB. I do not believe so, not necessarily.

Mr. OBEY. Provided we are willing to keep an open ended commitment in time.

Mr. HABIB. Provided they are willing to keep on fighting. It's their choice in the final analysis, not ours.

Mr. OBEY. We have heard those words for a long time.

Mr. HABIB. But it is their choice in the final analysis.

Mr. OBEY. It's not their choice as to whether we continue to shell out all these resources.

Mr. HABIB. That is our choice, but it's their choice whether they are prepared to go on fighting. It's our choice whether we are prepared to supply them the resources.

Mr. PASSMAN. Mr. Bevill?

Mr. HABIB. It's a terrible situation.

Mr. BEVILL. Thank you, Mr. Chairman.

VALUE OF NEGOTIATED SETTLEMENT

Mr. Secretary, expanding a little further there, you made it very clear you are not trying to show the light at the end of the tunnel because nobody knows what is going to happen. That is really what it boils down to, isn't it?

Mr. HABIB. That is correct.

Mr. BEVILL. But Cambodia is seeking, and we are seeking to help them, to get a negotiated settlement.

Mr. HABIB. Yes, sir.

Mr. BEVILL. That is the goal, is that right?

Mr. HABIB. Yes, sir. That is the stated goal of their government and we have supported that stated goal.

Mr. BEVILL. When they get that negotiated settlement, what good is it?

Mr. HABIB. I don't know the form of it and I don't know how it will come about. But in any event, it will be one which will see an end to the killing. That would be the first objective of a negotiated settlement.

Mr. BEVILL. Just like the one in South Vietnam?

Mr. HABIB. Hopefully like that one, as far as the killing is concerned. I would rather compare it to the one in Laos. They don't go on killing themselves any longer up there.

DOES NEGOTIATED SETTLEMENT SOLVE THE PROBLEM

Mr. BEVILL. Do you know of any instance where we have ever had a negotiated settlement with the Communists that it ever solved the problem?

Mr. HABIB. There is one going on now. Whether it solves it or not, at least there is no longer any shooting involved. The cease-fire is holding in Laos. That was a negotiated cease-fire.

Mr. BEVILL. How long ago?

Mr. HABIB. It was negotiated in much the way that the present people are suggesting to the Khmer Communists that they negotiate now. That is between the parties concerned themselves. It has now been in effect for less than 2 years.

Mr. BEVILL. Actually, what you are recommending is that we continue appropriating billions of dollars of resources here in the hope that some day we may get a negotiated settlement in the hopes that some day the negotiated settlement might hold water.

Mr. HABIB. No, sir. I am suggesting that——

Mr. BEVILL. And in the hopes that this country in the meantime doesn't fold up quickly in carrying out this program?

Mr. HABIB. No. I think we are suggesting something quite a bit less than that as far as Cambodia particularly is concerned.

NOT SEEKING MILITARY VICTORY

As far as Cambodia is concerned, we are requesting several hundred million dollars, not a billion dollars. We are expecting and hoping that with that that they can defend themselves sufficiently to hold their own. There is not going to be a military victory in Cambodia under these circumstances.

Mr. BEVILL. You are not seeking it?

Mr. HABIB. No; we are not seeking it, and neither are they.

COMPROMISE NEGOTIATED SETTLEMENT SOUGHT

If one will examine their statements, their statements make it quite clear that what they seek is a negotiated settlement. What this President of the United States has stated as our objective in Cambodia is a compromise negotiated settlement. Those were his words, "A compromise peaceful settlement." The words were carefully chosen. They were not intended to promote a military victory in Cambodia. Anybody who wants to promote a military victory in Cambodia is mad, in my opinion.

Mr. BEVILL. You are not seeking that? You are seeking a negotiated peace settlement?

Mr. HABIB. Yes, sir.

Mr. BEVILL. Then you hope that that will hold?

Mr. HABIB. Yes, sir.

Mr. BEVILL. That is really the goal, isn't it?

Mr. HABIB. Yes, sir.

Mr. BEVILL. That is all you hope to get?

Mr. HABIB. Yes, sir. Put in simple terms, that is precisely it. It's very accurately stated.

Mr. BEVILL. That is the only light at the end of the tunnel that you could give us?

Mr. HABIB. If one likes to use that comparison. I gave that one up a long time ago. That is what everyone would consider, including the present government in Cambodia, as a successful outcome, a reasonable outcome.

Mr. BEVILL. That would be our victory, the most we could expect?

Mr. HABIB. It would be a reasonable outcome, yes, sir.

OTHER NATIONS INTEREST

Mr. BEVILL. Would you tell me how many other countries of the 150 countries on the Earth are interested in this area of the world? I mean, interested enough like we are in trying to preserve this and trying to accomplish this mission?

Mr. HABIB. There are different ways of expressing that. I suppose that the ones who have the most interest are the ones closest. For example, I know that the Thais are very much interested and they do provide, in addition to direct resources, a great deal in the way of facilities to the Cambodians.

Mr. BEVILL. How much are the Thais putting into it?

Mr. HABIB. In dollar terms?

Mr. BEVILL. Yes.

Mr. HABIB. I read a figure a while ago. The dollar terms are a quarter of a million dollars. But remember they do other things.

Mr. BEVILL. What other countries are helping?

Mr. HABIB. I guess you weren't here when I read that in the record.

Mr. BEVILL. I missed that.

Mr. HABIB. I read it all in the record a while ago. We will submit it for the record again. There are several. But it's a fractional portion of what we are providing. You should know that.

[The information follows:]

OTHER DONOR ECONOMIC AND HUMANITARIAN ASSISTANCE IN CAMBODIA

A. EXCHANGE SUPPORT FUND

[In millions of dollars]

	Calendar year—		
	1972	1973	1974
Japan	5.500	7.000	7.000
Australia	1.000	1.000	----------
United Kingdom	.522	.514	.478
Thailand	.250	.250	.250
New Zealand	.120	.120	.142
Malaysia	.100	.100	.010
United States	12.500	17.500	11.870
Cambodia	15.000	8.606	4.106
Total	34.492	35.000	23.856
3d country total	(6.992)	(8.894)	(7.880)

B. OTHER ASSISTANCE

[In millions of dollars]

	Amount	Purpose
Calendar year 1973:		
Bilateral:		
France	1.150	For education, agricultural and public sector advisory services. The bulk of this sum is accounted for by the provision of French teachers to lycees and universities.
Japan	1.300	4,800 MT rice grant.
	.097	Ambulances and prefabricated housing.
	(1)	Scholarships for study in Japan, dollar amount and number unknown.
United Kingdom	297	Grant for distribution and use of fertilizers plus 8 scholarships to the United Kingdom.
Israel	52	Advisory services of 2 agronomists.
Australia	(1)	12 scholarships.
Thailand	(1)	3 scholarships.
New Zealand	(1)	Food and medical supplies plus 10 scholarships.
Switzerland	280	Medical supplies.
Italy	60	Refugee relief.
Singapore	(1)	16 scholarships.
International organizations:		
ICRC and related agencies	.280	Humanitarian assistance.
U.N. agencies	7.800	Health and humanitarian assistance. Much of this money is given for activities of a long term nature and expenditures during calendar year 1973 are unclear.
Estimated calendar year 1973 total	+15.300	
Calendar year 1974:		
Bilateral [2]	(3)	
International organizations: Asian Christian Service.	.094	2 medical teams plus other assistance to refugees as needed.
Total calendar year 1974 (additional inputs not known at this time).	.094	

[1] Not available.

[2] Indonesia promised technical assistance or the ESF and Australia has provided an unknown amount of assistance.

[3] Unknown.

CAN PEACEFUL SETTLEMENT BE REACHED

Mr. HABIB. I would like to come back to something you said because I think you put your finger on the nub of it, as to whether or not you can get a peaceful settlement in Cambodia. The answer at this stage does not lie in the hands of the people in Phnom Penh because they have made it very clear they are prepared to talk about just that without any prior conditions whatsoever.

The people who oppose them refuse in any way to consider anything short of the conflict that now wages.

Mr. BEVILL. If you get to a negotiated settlement, from past experience they will keep the negotiating settlements so long as it is to their advantage to do so. Isn't that true?

Mr. HABIB. I think that is a fair statement. I think that is being realistic.

Mr. BEVILL. That is all I have, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Bevill.

Mr. Chappell?

COMMENDATION OF MR. HABB

Mr. CHAPPELL. Mr. Secretary, let me commend you on a very fine statement and a very forthright approach. I think this is one of the most forthright approaches I have seen before this committee since I have been a member of it.

Mr. BEVILL. Very good.

Mr. CHAPPELL. I want to commend you on it.

Mr. HABIB. Thank you.

CAMBODIAN OBJECTIVES

Mr. CHAPPELL. Sometimes we lose sight of what people may be fighting for in other parts of the world. Would you elaborate a minute? What are the people of Cambodia fighting for?

Mr. HABIB. I think that will give me a chance to say something I would like to say to you. I look at it a different way. About 2 weeks ago, I asked our intelligence community people to come up for me with a description of what would happen to the Cambodians and why is it that they resist if Cambodia were to come under the domination of the Khmer Communists.

Generally speaking, they fear the North Vietnamese and they fear the hand of the North Vietnamese behind the Khmer Communists. They realize the role that Hanoi chooses and hopes to play in the area. They have historically resisted North Vietnamese incursions.

Second, I think that their recognition of the quality of life and the character of life under the Communists, with which they have some experience now, is such that they do not wish to live that way. Inevitably, when they get a chance they do not go toward the Communist side.

Let's give an example of what it is they fear behind the Communist lines. The Cambodians happen to be a very religious people. Buddism has a role in their natural life. They know what happens to Buddhists behind the Communist lines. They know what happens to the monks, the pagodas, and the free exercise of authority.

The Cambodian happens to be a small peasant landholder. They know what happens to small peasant landholdings behind the Communist lines. They are put into communes. That is what happens to them, and they resist that.

They know about the regimentation of life beyond anything that they suffer under the rather easygoing approach that they are historically used to. And they resist that.

They are quite aware of the methods, the techniques, and the practices that have been the history of the last 2 years in those areas of Cambodia that are Communist dominated. You don't have to convince the Cambodian that he doesn't want it. He is already convinced. His problem is how does he resist it.

One could go on and paint the hypothetical picture of what would happen in the event that it goes down, and the Khmer Communists take over the country, in whatever stark terms that you wish. But it's only a hypothetical picture. But it isn't so hypothetical to the people who have had that experience, from everything we hear from them.

THE COMMUNIST EXPERIENCE

Mr. CHAPPELL. What type of experience are you talking about?

Mr. HABIB. I am talking about the experience of Cambodians who know what goes on behind Communist lines.

Mr. CHAPPELL. What is that? Give us an example. Sometimes we forget.

Mr. HABIB. For example, the Khmer Communists believe that Buddhist monks are an unproductive element of society and they don't allow them to have contemplation. Under the old tradition, a man spent a certain part of his life in contemplation. They don't approve of that. They don't allow it. That is clearly known to the Cambodians who are, as I say, devout Buddhists. They put the monks to work. They break up the landholding. They don't allow people to maintain their land rights.

CAMBODIAN CULTURAL VALUES

Mr. CHAPPELL. What you are saying is that everything which we apparently stand for in this country, these people——

Mr. HABIB. There is a lot more we stand for that isn't quite known to them. They haven't got our culture. But within their own cultural confines, within their own cultural limits, these are the things they understand. They understand religion, they understand land, they understand family, and they understand personal freedom. These things the Cambodians can understand just as well as any American can understand.

Mr. CHAPPELL. Those things are in line with their type of philosophy?

Mr. HABIB. Yes, sir.

Mr. CHAPPELL. Everything they are afraid of is exactly to the contrary?

Mr. HABIB. Their experience has been to the contrary.

Mr. CHAPPELL. The question we get down to is whether we are willing to help a nation we have already promised to help, protect the things which we would be so very much interested in fighting for on our own soil. Is that not true?

Mr. HABIB. I have hesitated to put it in those terms, but I wouldn't disagree with anything you have said.

Mr. CHAPPELL. My time is up, Mr. Chairman.

Mr. PASSMAN. Mr. Koch?

CATEGORY OF U.S. COMMITMENTS

Mr. KOCH. Mr. Secretary, I would like to develop this aspect of the dialog. I am distressed that you place in the same category every country to which you think we have a commitment. You mentioned Australia, Japan, New Zealand, and Israel. You didn't mention, but I think you include, Western European democracies that are a part of NATO. You draw no distinction between these countries, at least you didn't in your discussion with us. My own feeling, however, is that there is a distinction between invasion externally, and revolution within a country.

GREEK ANALOGY

I don't want to talk about Cambodia for a moment. I want to take you to Greece and use it as an analogy. I remember when the Greek junta overthrew what was considered to be a democratic government in Greece. I was very distressed with that. As badly as I feel, I didn't consider it our responsibility to support the Greek democratic government with arms or men to overcome a revolution which I deplored.

REVOLUTION IN GREECE

Do you think we should have gone in and prevented that junta from engaging in its successful revolution?

Mr. HABIB. Did the junta receive its first assistance from a Bulgarian force or a Communist force that came down across the border, knocked off all the outposts, cleaned up all the supply lines, brought down all the material?

Mr. KOCH. The answer is, it did not.

Mr. HABIB. And also brought down all the Greeks that were in Bulgaria or some other country?

Mr. KOCH. The answer is no?

Mr. HABIB. The answer is no. That is the precise difference in Cambodia.

U.S. INVOLVEMENT IN REVOLUTIONS

Mr. KOCH. I want to pursue that with you. You are saying now that if a revoluation takes place within a country and it isn't supported by an outside force, then you do not support our involvement on either side. Is that a fair statement?

Mr. HABIB. Generally speaking, that has been our policy. But it depends.

Mr. KOCH. It has some exceptions?

Mr. HABIB. I would say, generally speaking, that has been our policy. I don't like to overgeneralize. I want to remind you of one thing. We didn't have a direct mutual security obligation with Cambodia.

Mr. KOCH. Wait a minute. You are not talking about the——

Mr. HABIB. No; I am trying to sustain a certain point of your argument.

U.S. INTERCESSION

Mr. KOCH. Mr. Secretary, your statement that we had commitments all over the world wasn't resting simply on a treaty alliance that said we have to assist a country under certain circumstances?

Mr. HABIB. That is correct. We have no treaty alliance with Israel, for example.

Mr. KOCH. I want to pursue a little further this question of when we should become involved. If I understand it correctly, if there is no outside assistance to a domestic revolution, we stay out of it. Is that true?

Mr. HABIB. Generally speaking.

Mr. KOCH. Then you are saying if there is outside assistance to a domestic revolution, we have an obligation to come to the aid of such countries around the world to do what is necessary to make certain that the democratic government continues to exist. Is that a fair statement?

Mr. HABIB. No; that is not.

Mr. KOCH. What is it then?

Mr. HABIB. That depends upon the historical relationship or treaty relationship which we may have. In certain places we have a treaty relationship which imposes an obligation on us to do something.

KHMER COMMUNISTS

Mr. KOCH. In Cambodia could we have a treaty relationship which provides anywhere in its four corners that where there is a revolution we become involved? You have already described that force that is engaged in the battle as the Cambodian Government and the Khmer Communists, and I assume that when you use the words "Khmer Communists" you are talking about Cambodians who happen to be Communists. Is that a fair statement?

Mr. HABIB. Go back to the origin. Yes; that is correct. But there is always a but.

Mr. KOCH. Let's hear the but.

Mr. HABIB. The but is very simple. First of all, they are sustained and supported in country by North Vietnamese troops.

Mr. KOCH. I understand.

ORIGIN OF CAMBODIAN CONFLICT

Mr. HABIB. And their origin, the origin of the conflict when we began our involvement. Because you want to go back to what originated our commitment.

Mr. KOCH. I understand that. I have only another minute.

Mr. HABIB. That is all right. We will come back to it because it's an interesting question. I am not trying to dodge you.

COMMUNIST THREAT

Mr. KOCH. I am not accusing you of that. You have been very forthright and I am trying to explore the question. My own feeling is that I happen to be very opposed to the Communists for a whole host of reasons. This is just a fraction. They are destructive. They are ulti-

mately engaged in the destruction, morally, economically, and every way, of the people. Once the people fall behind that Iron Curtain—using the old phraseology—it's over for them. I am very upset about Czechoslovakia. Yet I would not have intervened there. It didn't make any sense for us really, as upset as I was at that time.

EFFECT OF INVOLVEMENT ON UNITED STATES

Similarly, I have concluded that the war in Cambodia is a civil war supported by an outside force in terms of arms but not in terms of men.

That civil war and—I am talking about the whole of Indochina—has caused more damage to this country than anything else we have ever been involved in, not only in terms of treasure and blood but in terms of the moral fiber to stand up anyplace else. Don't you agree with that?

Mr. HABIB. Do you want to argue whether we should have ever gotten into this in the first place?

Mr. KOCH. No; I don't want to argue whether we should continue with something that is going down the drain, has no end, and has caused us all considerable anguish and loss. You and I probably agree it should never have taken place in the first instance.

Mr. HABIB. What I think we should address and what we need to address is the reality of the moment as far as what is required and what is happening in Cambodia. The historical origins of the war in Indochina can be debated without end. I would suggest that in the consideration of the request before the committee now that one must consider the circumstances and the consequences rather than the historical origins. I might agree with everything you said but I don't think it would change my recommendation to the committee.

Mr. KOCH. Thank you.

Mr. PASSMAN. Thank you very much. Mr. Early?

QUESTION OF MAINTAINING STATUS QUO

Mr. EARLY. Mr. Secretary, the President in his message states, "Regrettably, there has been no progress in Cambodia." He says the Cambodian Government Forces, given adequate assistance, can hold their own.

Last year, Secretary of Defense Schlesinger before this committee stated we are not engaged in defending the status quo. But all of your comments make it seem to me that you are selling the status quo.

Mr. HABIB. I would hope that one could reestablish the military equilibrium of the situation so that the other side will finally and clearly recognize that the value of the use of force in these circumstances is not worth it.

MILITARY VICTORY NOT POSSIBLE

Mr. EARLY. Until that time, you say we can have no military victory.

Mr. HABIB. No. I don't think military victory is possible. I don't think it's possible to conceive of a military victory in Cambodia under the present circumstances.

Mr. EARLY. So you are saying, Mr. Secretary, keep the status quo until we negotiate.

Mr. HABIB. Agreed. And don't give the other fellow a chance to win a military victory and subject the country to it. You have got to look at the obverse side of the coin as well.

Mr. EARLY. That is contrary to Secretary of Defense Schlesinger's testimony.

Mr. HABIB. I don't think so. I don't think I contradicted him. If I have, I stand on what I said.

Mr. EARLY. His comment said——

Mr. HABIB. I don't care whether I contradicted him or not, but I assume I haven't. In my view, I will state it again, military victory in Cambodia under present circumstances is not possible for the Government in Cambodia. They themselves have recognized that. They don't call for military victory. They call for a negotiated settlement without prior condition. They are prepared to sit down at any time.

MEANING OF STATUS QUO

Mr. EARLY. Wouldn't the simpler answer have been, Mr. Secretary, yes, you believe in the status quo?

Mr. HABIB. I don't know what you mean by the status quo. No; I do not, if you mean the status quo is a situation in which they go on killing themselves. I am not for that. I am for ending that in the process of negotiation.

Mr. EARLY. You mean they need this money to do that?

Mr. HABIB. Yes. I would like the Mekong River to be open so the supplies can get up there.

Mr. EARLY. So you can say we are killing more of them.

Mr. HABIB. I would put it this way, the other fellow will not come to the negotiation and he will not agree that the status quo is worth negotiating unless he doesn't see the possibility of early military victory. What sustains the Khmer Communists is the vision of an early military victory which they will achieve by virtue of the pipeline being turned off for the government in Phnom Penh.

PARIS AGREEMENT NOT SUSTAINED

Mr. EARLY. Mr. Secretary, you stated we have no negotiated settlements with the Communists outside of Laos. Now you suggest that we take the same course of action to break the Paris peace talks, which you insinuate they broke first.

Mr. HABIB. No; no.

Mr. EARLY. If we are going to do that, how are we ever going to negotiate a settlement?

Mr. HABIB. I think we have negotiated a settlement. It's not being implemented. I think the Paris agreement contains within it the terms of settlement of the war in Indochina in such a manner that we considered it equitable at the time and that all who signed it considered it equitable at the time. It has not been implemented. It has not been sustained.

UNITED STATES NOT FIGHTING

Mr. EARLY. How can we just continue fighting? Do you think that we have a negotiated settlement?

Mr. HABIB. I am glad to say, sir, that we are no longer fighting. We have reached the stage now where the people who are most concerned are willing to do the fighting themselves.

Mr. EARLY. We are fighting with American dollars, as far as $222 million is concerned. They are fighting with our money.

PROVISIONS OF PARIS AGREEMENT

Mr. HABIB. If you will recall one of the things the Paris agreement provided for was that we would get our forces out. We got them out.

Mr. EARLY. And didn't it also say we wouldn't send any more ammunition?

Mr. HABIB. No, sir. It said we wouldn't send any more munitions except on a 1-for-1 replacement basis. It also said there would be a cease-fire.

Mr. EARLY. You don't think this increased $222 million is a violation of the Paris peace talks?

Mr. HABIB. Let me put it simply to you. The Paris agreements provided certain things that the North Vietnamese would do. They can't simply disregard their obligations and then expect the other fellow to sit defenseless. I would submit, do we then have an obligation of not doing anything while the other fellow does what he wishes?

ACHIEVING SETTLEMENT

Mr. EARLY. Then how do we achieve a settlement, Mr. Secretary?

Mr. HABIB. You have to implement it.

Mr. EARLY. If I rob your house, are you going to rob mine?

Mr. HABIB. No.

Mr. EARLY. I think that is what you are saying.

Mr. HABIB. No. I suggest if you come into my house to rob it and I am in my house, I would hope my neighbor helps me like he did the last time or like he said he would help me.

CONCERN OVER U.S. SHARE OF SUPPORT

Mr. EARLY. Two members of this committee have suggested that other nations were involved; to what degree were they participating? In the tabulations of last year's testimony it shows that when we were projecting $275 million as the U.S. share, that that was roughly 20 times greater than the aggregate of the other 15 nations at war.

Mr. HABIB. There is no question of it, sir.

Mr. EARLY. Now you are saying that is not enough for the United States, that we are going to lose face if we don't increase our aggregate another 30 percent roughly.

Mr. HABIB. I didn't say we were going to lose face, Mr. Congressman. I don't use expressions like that. The United States stands for something and the United States has certain commitments and obligations and people will react to the manner in which we conduct ourselves. I don't use catch phrases like losing face or lights at the end of the tunnel or turning a corner. I stopped that a long time ago. I never approved the use of those phrases.

NECESSITY FOR ADDITIONAL RESOURCES

I would like to describe the situation in very explicit terms so the committee can make its decision. It is a fact that without the provision of additional resources to the Government of Cambodia it cannot defend itself against the enemy it faces.

Mr. EARLY So you are saying we will feed a bottomless pit continuously.

Mr. HABIB. I will not call it a bottomless pit. I am saying in order to reestablish the military situation to such a stage to which it might be sensible for the other side to realize that a peaceful approach is better than war, you have first got to give them the capacity to defend themselves.

Mr. EARLY. If they don't negotiate, if they continue to fight, if they continue to participate, we do the same.

Mr. HABIB. That is a fair conclusion. You cannot force somebody to negotiate a settlement if he is unwilling to do so. The North Vietnamese once did negotiate a settlement, and then they didn't implement it. They implemented part of it and we implemented our share of it.

PARIS AGREEMENT VIOLATIONS

Look back at the Paris Agreement once again. I say to you I had something to do with it. I spent some time on that. As a matter of fact, this young lady used to take our words at the Paris Peace Talks when we were there. It's coincidental. She was one of our reporters at the peace talks.

Look back at the agreement. I tell you you will find in the agreement all that is necessary for peace in Indochina, if it will be implemented. I would say this, that if you examine the history of violations of the Paris Agreement, the blame for the situation in Indochina today does not fall on the United States.

Mr. EARLY. Mr. Secretary, if it is true, which I expect it is, that they have made the first violation, don't we have any other recourse than to pick up arms as they pick up arms?

USE OF ARMS

Mr. HABIB. It is not up to us to determine about picking up arms. It's up to the South Vietnamese.

Mr. EARLY. You don't use cliches or phrases, but this money is arms no matter how you want to look at it.

Mr. HABIB. All right, is it up to us to deny those arms to a people prepared to defend themselves?

Mr. EARLY. Is it up to us?

Mr. HABIB. Is it up to us to deny them? They have no other place to get them. Let's be realistic here. They are not going to get them from anybody else, whereas the North Vietnamese have no difficulty getting them from the Russians, the Chinese and the Eastern Europeans.

Mr. EARLY. And us, based on the testimony. They used some of our arms.

Mr. HABIB. No. There is very little of that. They don't do that anymore. With these outfits they want AK–47's. They don't want M–1's. And they get them.

Mr. PASSMAN. Thank you, Mr. Early.

Thank you, Mr. Secretary. I only chair the committee, we have 10 other members of this committee and each one will make up his own mind subsequently as to what we should or should not do with respect to this request.

FUNDS CEILING

It is most interesting that under the Conte amendment you have a ceiling on aid to Cambodia. I believe the grand total was $275 million in military aid and $177 million in economic aid. That $275 million would of course include this $75 million draw-down.

TWO AMENDMENT REQUESTS

So what you actually are confronted with is two amendments to the authorization bill—one, your request for $222 million for additional military assistance applicable to fiscal 1975 and the other is to get the ceiling raised so that if you had the appropriation you could spend it. Is that what you are confronted with?

Mr. HABIB. The military request is $222 million, with the ceiling lifted on the economic side. The economic aid is $177 million.

Mr. PASSMAN. But you have to get the ceiling lifted?

Mr. HABIB. Yes, sir.

Mr. PASSMAN. So we are actually looking at a dual request.

Mr. HABIB. Yes, sir.

Mr. PASSMAN. Two of them go before the Authorizing Committee and one before the Appropriations Committee. The ceiling request does not require an appropriation action, as you know.

TREATIES DIFFER

Let me admit quickly and readily that I am not an expert in foreign policy. But it is my understanding that almost every treaty we have around the world is a bit different, whether it's in Israel or whether it's in Cambodia or whether it's some place else. Practically every one is drawn differently, is it not?

Mr. HABIB. The mutual security treaties have some differences to them, yes, sir.

Mr. PASSMAN. That is the point I am trying to make.

Mr. HABIB. There is one thing that is applicable to all of them. That is that they are implemented with the advice and consent of Congress.

NEED FOR SOVEREIGN INDOCHINA

Mr. PASSMAN. That we understand. But if I read the record correctly, going back to the administration of that great President Harry Truman, he said it is a must that we have a sovereign Indochina. Based upon that, the Congress subsequently appropriated for Indochina $1.3 billion. The same policy was continued under President Eisenhower, President Kennedy, President Johnson, President Nixon, and President Ford. Have I made a statement of fact?

Mr. HABIB. Yes, sir, to my knowledge.

PURPOSE OF TREATIES

Mr. PASSMAN. If I understand, regardless of any difference in the treaties whether it may be Israel or whether it may be Cambodia or whether it may be Vietnam, the whole purpose is to help sovereign nations defend themselves and to ward off the yoke of Communism. Is that about the way it is?

Mr. HABIB. Not all the obligations are related to Communism or Communist power.

COMMITMENTS TO ISRAEL

I would say, for example, in the case of whatever commitments we have to Israel, I don't think the question of Communism enters into that.

Mr. PASSMAN. Since you mentioned Israel, it's a foregone conclusion that the Russians are trying to have a very strong hand, are they not, in financing those who would oppose the free and great State of Israel?

Mr. HABIB. That is my understanding. I am not an expert on the Middle East.

WHAT IS U.S. FOREIGN POLICY

Mr. PASSMAN. I am trying to find out what our foreign policy is. Is it to help people who want to help themselves?

Mr. HABIB. Yes.

Mr. PASSMAN. That has been one of the strongest pillars of our foreign policy for the last quarter of a century. It has been in effect for 25 years.

Mr. HABIB. Yes, sir.

INDOCHINA MUST BE SAVED

Mr. PASSMAN. It was really created mainly under that great President, Harry Truman, and there has been no difference in that policy following the five Presidents. All of the Secretaries of State during that time and all of our great military leaders during that time took the same position, did they not, that Indochina must be saved?

Mr. HABIB. They have.

Mr. PASSMAN. If we are going to have several different foreign policies, we would never get anywhere in effect where there is communism or some other ism to help free people of sovereign nations to help themselves. It is that simple.

Mr. HABIB. That is correct.

Mr. PASSMAN. That is what we are trying to show for the record. Right, wrong, or indifferent, we must look at the fact that under these six Presidents that we have actually put $150 billion of our resources in Indochina, plus some 58,000 lives and 308,000 casualties.

SURVIVAL OF CAMBODIA AND SOUTH VIETNAM

I could support the policy if there is a chance to save that part of the world but if it's a foregone conclusion it's going down the drain, then possibly we shouldn't dissipate any more of our resources there.

What do you see, Mr. Secretary, in Cambodia? We have been told time and time again, if not in this committee we have read it in the

papers, that if we permit Cambodia to go down the drain then of course that would greatly, greatly diminish the chances of South Vietnam to survive. Is that true or not?

Mr. HABIB. It would have a negative effect on the ability of South Vietnam.

Mr. PASSMAN. How strong an effect?

Mr. HABIB. At the present time the North Vietnamese use those parts of Cambodia which they wish anyhow in their attack on South Vietnam. The Cambodian border areas are in the hands of the North Vietnamese. They use them. They are part of their supply line into South Vietnam. If it goes or not, that won't change.

The only thing that could possibly change it is if in one way or another you got a settlement in Cambodia and the Cambodians told the North Vietnamese to leave, which is not foreseeable.

CHANCES OF SURVIVAL

Mr. PASSMAN. I think that Congressman Long made a very good statement. Personally, I feel that way. But somewhere along the way, Mr. Secretary, we are going to have to look at more than just a request for additional funds. I believe the Congress will demand that we show that there is some chance of helping these people win their freedom and survive. When we go back to 1973 and they said the chance of Cambodian survival is only 50–50, it was not very encouraging. Would you care today to say how we stand, whether there is more of a chance for them to survive?

Mr. HABIB. I will put it 100 percent to zero, that if you don't supply them the money they won't survive. But that is the decision that you have been asked to address. If they are provided the funds, it is the general judgment that they will be able to maintain their current hold over the basic population centers and to hold off the enemy force. Whether it's 50–50 or 60–40, that is a kind of decision which, very frankly, I don't make judgments on.

Mr. PASSMAN. Where can we get the information?

Mr. HABIB. You can't get an answer like that.

Mr. PASSMAN. What if it's only 3 chances out of 100 they are going to survive, would that justify the continuation of the program? We are going to have to find what chance of survival they have. With our aid are they going to fold?

Mr. HABIB. No, that is not our view. And that is not the view of the people on the ground.

SITUATION COMPARED TO 1973

Mr. PASSMAN. Do you think we are in better shape in that area with respect to the Cambodians' chance to survive than when the statement was made in 1973 that there is only a 50–50 chance?

Mr. HABIB. They were in very bad shape at that time in 1973. With the exception of the situation along the Mekong, which I would hope they would be able to clean up, I would say that they are not any worse off now than they were then. Is that correct? Time is the general judgment.

Mr. PASSMAN. General Tighe?

General TIGHE. That is approximately correct, Mr. Secretary. They are in about the same position.

Mr. PASSMAN. As Mr. Early said, status quo. You don't see where they made any progress?

Mr. HABIB. Not basically.

Mr. PASSMAN. I want to thank you for being forthright. That is the one thing that is concerning this Committee.

U.N. RESOLUTION

Mr. HABIB. If I could take a minute, Mr. Chairman, I want to add one thing I said to Mr. Early because he raised a very important point when we talked about negotiations and where they get you. I failed to mention earlier on that general call that was made by a majority vote in the UN this past fall calling upon the parties to negotiate and calling upon the Secretary General to try to bring the parties together to negotiate. The people in Phnom Penh are quite willing but the other side has not given any indication whatsoever of being willing to respond to that call as yet.

The very fact that that call was made and the resolution was promoted, not only by the United States but it was put forth by a whole range of Asian countries, is indication that anybody who looks at the problem reasonably and logically comes out with the same conclusion that I tried to impress upon the committee a while ago, that a negotiated settlement is the only way out of it, even though you always suspect whether or not the other fellow will abide by the negotiation once he signs on the dotted line.

Mr. PASSMAN. Mr. Secretary, I have known you a long time and of course you are forthright.

I will never mislead the witnesses or the members of this subcommittee. I don't know if I am in a position to challenge the wisdom of Harry Truman, Dwight Eisenhower, John Kennedy, Lyndon Johnson, Richard Nixon, and Jerry Ford and all of the Secretaries of State. I just don't have all the information that was and is available to them. So I must proceed on this basis.

On the other hand, you finally reach a point where, if there is no progress being made and it looks like we are continuing to dissipate our resources, then of course I am going to have to re-evaluate my position.

ENEMY REFUSAL TO NEGOTIATE

You say in your statement that, "The Cambodian Government has repeatedly called for talks with the opposing side without preconditions."

The other side up to this time has not agreed to meet and talk to them. Is that correct?

Mr. HABIB. They have refused to.

Mr. PASSMAN. Would it follow if you weakened the Cambodian Government by denying additional military and economic assistance then, of course, the chances of their meeting would be even less?

Mr. HABIB. It would become increasingly remote. You are absolutely right.

ADDITIONAL FUNDS

Mr. PASSMAN. This request for the additional $222 million is an addition, isn't it?

Mr. HABIB. Yes.

AMOUNT OBLIGATED

Mr. PASSMAN. Could you or some of your supporting witnesses tell the committee how much you have obligated to Cambodia on the military side and also what is the economic amount that you have obligated under the continuing resolution?

Mr. HABIB. Yes, that is why we brought the experts. General Fish will give you the figures on the military side and Mr. Murphy of AID can give you the figures on the economic side.

Mr. PASSMAN. As long as they are in the record for the committee to see before we mark this bill up.

Mr. MURPHY. Out of the $177 million available for economic and Public Law 480 assistance under current authority, we have already obligated $175.5 million.

Mr. PASSMAN. If you could tell us how much you have obligated for the military, that would be helpful at this time.

General FISH. Sir, we have obligated $260 million.

Mr. PASSMAN. Out of a possible $275 million?

General FISH. Yes.

REMAINING IN PIPELINE

Mr. PASSMAN. The next question is what is the pipeline as of a recent time?

General FISH. I have those figures here. Mr. Chairman, we have $42 million for delivery pipeline, and then there is $29 million in country stocks.

Mr. PASSMAN. Of the tremendous amount we have given you in the past, you mean your pipeline is down to $42 million?

General FISH. Yes, sir.

Mr. PASSMAN. You have drained it that dry?

General FISH. Yes, sir. $42 million is what remains in the pipeline.

Mr. PASSMAN. As of what date?

General FISH. As of the first of February.

UNOBLIGATED FUNDS

Mr. PASSMAN. And at this time you have no further funds to obligate?

General FISH. We have $15 million.

Mr. PASSMAN. So you have $57 million. As we look at the expenditures for the first 7 months of fiscal 1975, then your pipeline is good for how many days?

General FISH. We are calculating now—and of course you have to recognize these are rough figures—with the present level of violence out there it will take about $1.5 million a day.

Mr. PASSMAN. So you have about a 60-day supply?

General FISH. I think your 60-day figure is about right.

DELIVERY TIME

Mr. PASSMAN. How long does it take to get deliveries after you place the orders?

General FISH. It can be quite fast in some things and take much longer in others.

Mr. PASSMAN. What is the leadtime?

General FISH. For ammunition, it's about 30 days.

Mr. PASSMAN. So it's either do or don't?

RECAP OF AVAILABLE ASSETS

General FISH. Yes, sir. That is right. I would like to correct your figure. Just to give it once again so that all the committee members have it firmly in their minds, we have about $15 million unobligated, $42 million in the pipeline, and then we estimate about $29 million in country stocks that are already into the country. That is about $86 million.

Mr. PASSMAN. Wouldn't the $29 million be considered in the pipeline?

General FISH. No.

Mr. PASSMAN. It's yet to be used?

General FISH. It could be viewed either way.

Mr. PASSMAN. It really doesn't make any difference?

General FISH. Those are the assets available in toto.

Mr. PASSMAN. That is $86 million?

General FISH. Yes.

Mr. PASSMAN. And you are expending at a rate of $1.5 million a day?

General FISH. Yes.

Mr. PASSMAN. So 60 days would be about right?

General FISH. Right.

PROCUREMENT LEADTIME

Mr. PASSMAN. Do you mean to tell me that you can place the order for military equipment and have it procured and get it shipped in 30 days?

General FISH. No, sir. Mr. Nelson, do you want to address that?

Mr. NELSON. Yes, sir.

Mr. PASSMAN. We are only trying to find out what position you are in.

General FISH. The thing is that we must obligate the funds for the munitions when the order is issued. We don't have to fund the entire procurement leadtime, since it's out of stock.

Mr. PASSMAN. Nevertheless, it's in the United States so that it has to be shipped to Cambodia.

General FISH. Some of it is in depots overseas.

Mr. PASSMAN. You are privileged to use that stock off the shelves and you replace it?

General FISH. Yes.

Mr. PASSMAN. You have no more drawdown.

General FISH. Actually, that is the $15 million that I spoke to.

Mr. PASSMAN. I am talking about limits here. This is all? There is no additional drawdown?

General FISH. That is right. The limit is exhausted.

EXPENDITURE OF SUPPLEMENTAL FUNDS

Mr. PASSMAN. Will all of the $222 million that you are requesting be expended in fiscal 1975 if the Congress approves it?

General FISH. Yes, sir.

Mr. PASSMAN. Or only part of it?

General FISH. It would. It would be our intent and a requirement to obligate it within that time. The combat situation as projected would require that amount.

AVAILABILITY OF EXCESS EQUIPMENT

Mr. PASSMAN. General Fish, of the excess equipment, do you have any of that available for your program?

General FISH. We have some excess equipment, that we have under the rules that were passed by the Congress, that are charged against the ceiling. In fact, specifically, we have charged some $617,000 in excess equipment against the legislated ceiling.

Mr. PASSMAN. That is a rehabilitation cost?

General FISH. No, sir. That is actual value, but not less than one-third of acquisition cost.

OUTCOME IF SUPPLEMENTAL REQUEST IS DENIED

Mr. PASSMAN. I want to address this question to General Fish and also to the Secretary. What will happen if the Congress should just say, "No; we are not going to approve your request"?

General FISH. In the first instance, of course, we would be unable to obligate any more past the $15 million that I mentioned. Then, of course, the deliveries would continue to the extent that the material was in the pipeline.

Obviously, the people on the scene, the Cambodians themselves, would then have to take a look at their situation. I can't, sitting here, accurately forecast how they would judge their situation.

Mr. PASSMAN. Who would judge what?

General FISH. The Cambodians on the scene, the Government of Cambodia Armed Forces. They may restrict the expenditure so it might last a few more days than what we have indicated.

Mr. PASSMAN. You are talking about days, not of weeks or months?

General FISH. That is right.

Mr. PASSMAN. Let's be realistic about this. It is very serious business.

General FISH. That is right.

Mr. PASSMAN. I am only speaking for myself. This would be a repudiation of the policy of Mr. Truman, Mr. Eisenhower, Mr. Kennedy, Mr. Johnson, Mr. Nixon, and Mr. Ford, would it not?

General FISH. I couldn't disagree with anything you say.

APPEALS TO OTHER NATIONS

Mr. PASSMAN. General Fish, as some of the witnesses have brought out earlier, we have a lot of wealthy nations in the world that are supposed to subscribe to the same policy and philosophy that we do. Have we appealed to these nations to help out in this program?

General FISH. Sir, I think that is proper for Secretary Habib to answer.

Mr. PASSMAN. What is the answer, Mr. Secretary?

Mr. HABIB. We have, Mr. Chairman, privately and publicly. Even more importantly, the Cambodians themselves have appealed. They have gone and asked and in some cases they have gotten these fractional amounts that I spoke of a while ago.

Mr. PASSMAN. Is it lack of confidence in Cambodia's abilities or is it a fact that experience shows if they don't put it up we will, or a combination of both?

LACK OF COMMITMENT

Mr. HABIB. I think it is probably a lack of commitment, and a bit of feeling that after all we will take care of it.

Mr. PASSMAN. I see.

Mr. HABIB. I think there is a certain element of that, to speak very honestly.

ROLE OF JAPAN

Mr. PASSMAN. Japan is having some problems but they are waxing fat with wealth. They have a very strong economy, and they will return no doubt with certain adjustments. They actually have more to gain by saving Indochina than we do, do they not?

Mr. HABIB. I wouldn't say more. I would say they have a very real interest.

Mr. PASSMAN. They are closer to the scene, aren't they?

Mr. HABIB. They have a very real interest.

Mr. PASSMAN. Japan is closer?

Mr. HABIB. They also have a commitment from us which I would imagine they would want to keep thinking about. It is the umbrella that provides their security.

UNPOPULAR POSITION

Mr. PASSMAN. If we break one commitment, we may have to break others. I have to take that position and it is not going to be very popular.

Mr. HABIB. I have heard others say that.

Mr. PASSMAN. Are we making any real effort to get other nations to help out?

Mr. HABIB. They have been spoken to and you have gotten these modest amounts.

BUDGET DEFICIT

Mr. PASSMAN. Mr. Secretary, I don't believe it is just policy that we can look at today. I think we have to look at this tremendous deficit that the President announced. It is closer to $55 billion if we exclude the trust fund accounts. I think the interest on the public debt is now approaching $40 billion.

IMPORTANCE OF ECONOMIC AID

Isn't economic aid as important to Cambodia as military aid?

Mr. HABIB. I made that contention in my opening statement. You are absolutely right. The requirement for economic assistance is as important given the nature of the society there and what has happened to it. It is basically right now food.

Mr. PASSMAN. The lifting of the ceilings requested would almost in its entirety be devoted to the provision of food; am I correct?

Mr. MURPHY. That is correct.

KOREA

Mr. PASSMAN. You know it has been my privilege to chair this committee for some 21 years. I have been out to the Far East many, many times. I find some of our recipients of aid are very appreciative. As I look at Korea, those people are determined to reciprocate as far as possible regarding our generosity of the past, and they are spending a lot of money in this country.

Korea wanted to purchase 210,000 tons of rice for cash with no government financing whatsoever and I encouraged this purchase from our country. They purchased that rice from our country and paid $8 more per ton for the rice in the United States than if they had bought it from Thailand.

Of course, U.S. rice is a better quality.

SELLING AMERICAN COMMODITIES ABROAD

Is there anything particularly wrong with a member of Congress going abroad and encouraging cash business, if it is available?

Mr. HABIB. Mr. Chairman, you take a bureaucrat like me and try to get him to judge a Congressman?

Mr. PASSMAN. No, no, don't judge me, but is there anything wrong?

Mr. HABIB. We are used to being judged by Congress, not judging.

Mr. PAASSMAN. Is there anything wrong with selling American commodities for cash?

Mr. HABIB. No, sir, the promotion of American exports is as much an interest of the Congress as it is of the bureaucracy like myself. As you know, I used to——

Mr. PASSMAN. You are being just a little bit evasive.

Mr. HABIB. I am ducking all over the place, I will admit it.

Mr. PASSMAN. You are for selling U.S. commodities yourself.

Mr. HABIB. I am for promoting American exports, and I have been for a long time.

Mr. PASSMAN. There is a man by the name of Mr. Leggett in this room also interested in selling rice.

Mr. HABIB. I didn't see him. He comes from another great rice growing area.

Mr. PASSMAN. I personally don't believe it is wrong.

ADDITIONAL AID

Mr. PASSMAN. Have you or do you plan to provide Cambodia with military assistance from any other source other than the MAP program, excess equipment, or the drawdown authority during fiscal year 1975?

General FISH. Yes. In addition to the MAP program, excess equipment, and drawdown authority, we are providing $1.6 million for military pay and allowances of U.S. military equipment delivery team personnel in Cambodia, $1 million for military pay and allowances of U.S. personnel engaged in maintaining the U.S. aircraft being used by Bird Air Co., and $14.3 million of redistributable MAP property no longer required by other MAP recipients. These amounts are not charged to the MAP appropriation but are charged against the legislative ceiling for Cambodia.

USE OF FUNDS

Mr. PASSMAN. Could you tell the committee what the money thus far obligated in fiscal year 1975 for military assistance to Cambodia has been used for in detail?

General FISH. Yes, sir.

[The information follows:]

Fiscal year 1975 Cambodia military assistance program as of Feb. 1, 1975

Total	$259,557
Aircraft (including spares)	2,195
Ships (including spares)	2,421
Vehicles and weapons (including spares)	4,040
Ammunition	149,168
Communication equipment and supplies	636
Other equipment and supplies	17,290
Construction	343
Repair and rehabilitation of equipment	8,269
Supply operations	51,000
Training	4,578
Technical assistance	1,701
Administrative (MEDTDC) costs [1]	1,701
Redistributable MAP materiel [1]	(1,305)
Overseas excess defense articles [1]	(511)

[1] Chargeable to Cambodia ceiling, but not to MAP appropriation.

MILITARY SITUATION

Mr. PASSMAN. What is the present military situation in Cambodia? Does it appear this country can survive the Communist onslaught?

General FISH. The enemy dry season offensive which began on January 1, 1975, has for the most part been contained in the sectors around Phnom Penh. However, government forces have been unable to gain the upper hand and some army units, particularly the 7th Division manning the city's northwest sector have been hard pressed.

From footholds near the city insurgent gunners have launched almost daily attacks by firing against Phnom Penh and Pochentong Airfield. The continuous enemy pressure could precipitate an exodus of foreigners from the capital.

The enemy has achieved significant success in a major effort to interdict the Mekong River. Estimates are that as many as 41 battalions are committed to severing this vital supply route. Isolated outposts have been overrun, because government forces have been unable to conduct defensive operations around Phnom Penh and simultaneously protect Mekong positions. As a result, Communist forces

have dug in troops and heavy weapons to form an almost continuous gauntlet along the Mekong and have caused serious losses to government convoy operations.

Despite heavy losses, government forces have given a good account in battle. They have succeeded in holding the Communists at bay around Phnom Penh, inflicting losses to the enemy in excess of 8,000 troops. However, government forces have been unsuccessful in attempts thus far to clear and secure the banks of the Mekong and continuous fighting and losses have weakened some of the major units. In addition, government offensive thrusts have been limited because of the efforts required to defend Phnom Penh. Steps are being taken to obtain replacements for units especially hard pressed. To survive the Communist onslaught, government forces will have to be reconstituted quickly and redeploy for operations along the Mekong. Logistic support is essential, especially the continued supply of adequate stocks of ammunition.

OBLIGATION OF ALL FUNDS

Mr. PASSMAN. When will the present funds for military assistance for Cambodia run out?

General FISH. Within the next few days all funds will be obligated. Essential requirements can only then be met from the pipeline and if unexpected requirements arise, such as a need to increase contract airlift, deobligations of on-order stocks will be necessary. However, the capability is quite limited to obtain significant financing for emergency airlift requirements by deobligating funds now applied against stocks on order.

U.S. PERSONNEL

Mr. PASSMAN. How many and what type of U.S. personnel are located in Cambodia?

General FISH. The official U.S. presence in Cambodia is limited by law to 200 persons. The following U.S. personnel were physically present as of 8 January 1975:

Defense attaché	18
Marine security guards	14
Military equipment delivery team	67
Contingency communications	5
USAID, Pol/Mil, Administration	24
Contractor personnel	8
Civilian direct hire	60
	196

PIPELINE

Mr. PASSMAN. What is the undelivered amount in the pipeline presently credited to Cambodia?

General FISH. Sir, we have $42 million in the delivery pipeline for Cambodia.

NO COMMITMENT TO CAMBODIA

Mr. PASSMAN. Does the United States have a formal treaty with Cambodia or any legal commitment to provide aid?

Mr. HABIB. The United States has no formal treaty with Cambodia or any legal commitment to provide aid of any sort.

PEACE NEGOTIATIONS

Mr. PASSMAN. Are any peace negotiations in the works at the moment?

Mr. HABIB. There are no peace negotiations underway at the moment. The Cambodians themselves have tried for years and continue to try to enter into negotiations with their opponents. They have received nothing but rebuffs. Our own efforts have, to date, been equally unsuccessful despite our support for the Khmer attempts, the UNGA resolution, and certain contacts we have had. We are, nevertheless, actively and urgently continuing our efforts to get negotiations underway.

OUTLAYS

Mr. PASSMAN. General Fish, I share my colleague's concern on this question. For the benefit of the committee, would you explain more fully just what is meant by the statement that the proposal will not increase 1975 outlays.

General FISH. Yes, sir. As background, the requirements for Vietnam are financed with funds appropriated under the title "Military Assistance, South Vietnamese Forces"; those for Cambodia under the title "Military Assistance." By law, the procedure in obligating these funds is to place orders for materiels—primarily ammunition and POL—on the military departments, obligating "Military Assistance, South Vietnamese Forces" funds or "Military Assistance" funds, as appropriate. The military departments furnish materiel out of nearest available stocks. The funds obligated for materiel ordered are paid to the military departments' appropriations which originally financed the materiel where they are treated as collections. Net U.S. Government outlays are not immediately affected by these transactions. Later, as the military departments procure replacement items, the military department procurement appropriations will make outlays in payments to contractors. At this point, net U.S. Government outlays will be increased; however, since the outlays generally lag obligations by several months, or sometimes longer, the supplement funds should not result in outlays prior to June 30, 1975.

Mr. PASSMAN. This budget amendment will also require an authorization, will it not?

General FISH. Yes, sir; it will.

LAND CONTROL

Mr. PASSMAN. What percentage of the land area and people in Cambodia are under the control or influence of the Communist forces?

Mr. HABIB. It is not possible to give precise figures of land and people in Cambodia under the control or influence of the Communist forces. Our best estimates are that some 80 percent of the land and 35 to 40 percent of the population is not under Government control. We put it this way since there are large sectors of the country which are occupied by neither side. It is to be noted that there are considerable areas along the entire length of the Cambodian South Vietnamese border which are occupied and controlled by the North Vietnamese and Vietcong.

NEED FOR INCREASE

Mr. PASSMAN. The original budget request for military assistance to Cambodia in fiscal year 1975 was $362,500,000; but if you consider the $200 million that has been obligated in MAP already, the $75 million in drawdown authority, and the $222 million budget amendment, the new revised total for military assistance comes to $497 million. Why are you asking for this $135 million increase above the original request?

General FISH. The fiscal year 1975 administration request for Cambodia as outlined in the congressional presentation document includes $362,500,000 MAP and $27,500,000 supply operations, for a total program of $390 million.

Projected ammunition costs were $299,010,0000. Since the administration request was submitted, the ammunition costs have been revised to $345,514,000 and is almost 80 percent of the presently proposed $497 million program (excluding supply operations). This increase of $46,500,000 results from both rising costs and slightly higher total consumption in fiscal year 1975.

The heavy impact of inflation is further revealed in the fact that supply operations originally estimated at $27,500,000 now account for $51 million of the currently funded smaller programs. Assuming availability of the additional $222 million, total supply operations for fiscal year 1975 are estimated at $76 million, an increase of $49,500,000 over the original estimate of $27,500,000.

In summary, the revised ammunition and supply operations costs amount to an increase of $96 million and account for most of the increase above the original request of $390 million for military assistance for Cambodia.

REPLENISHMENT OF DRAWDOWN

Mr. PASSMAN. In fiscal year 1974, you used $250,000,000 in drawdown authority under section 506 for military assistance to Cambodia. Do you ever plan to ask for a supplemental to replenish the defense stocks used in this drawdown?

Also, by not replenishing these stocks, does that have the effect of depriving our own defense forces of needed equipment?

General FISH. No, we do not plan to ask for a supplemental to replenish the defense stocks used in this drawdown. We are requesting the $250 million used in fiscal year 1974 drawdown authority in the fiscal year 1976 budget which has been delivered to the Congress. When Congress appropriates this $250 million, the military departments will be reimbursed.

CORRUPTION

Mr. PASSMAN. Is there still widespread corruption in Cambodia and explain what is being done to insure U.S. funds are not being diverted from intended uses?

Also, what type of controls do we have over U.S. funds?

Mr. HABIB. Not uniquely, corruption does exist in Cambodia. Much is endemic and low level, involving minor theft, pilferage, shakedown of small merchants by soldiers, and the like. There have also been re-

ports of corruption at higher levels, one of the most widely alleged being the example of so-called phantom soldiers; that is, soldiers for whom military commanders received funding allocations but who do not actually exist.

The GKR, with strong U.S. encouragement, has introduced measures to curtail all forms of corruption, to make it less profitable and more difficult and to stiffen penalties for it. These measures include:

—A central military payrolling system designed to help eliminate the possibility of funding allocations for nonexistent troops.

—The institution of frequent devaluations of the exchange rate in pace with the rate of inflation (the politically difficult step virtually eliminates the incentive for collusion between importers and suppliers to over- and under-invoice commodity procurement).

—A major budgetary improvement program in order to achieve greater control over military expenditures.

—The arrest of officials allegedly implicated in the diversion of aviation gasoline.

—Successive decreases in military payroll strength levels.

The above measures deal principally with internal corruption associated with local currency, not directly associated with the commodities financed by U.S. aid. Regarding these commodities, a strict system of program monitoring and controls is in effect.

With respect to the second part of the question, measures instituted to insure that U.S. funds are not diverted from their intended use include the following:

—Supplying no funds, only commodities and services, for the bulk of the program.

—Maintenance of a realistic exchange rate which minimizes incentives for collusion in the allocation of scarce foreign exchange.

—For the exchange support fund, hiring of an ESF manager, an independent auditing firm (Price Waterhouse), and an independent import verification firm (Société Generale de Surveillance). Also, maintaining a list of commodities ineligible for importation with ESF funds.

—For the Cambodia commodity import program, the following safeguards are used:

(*a*) Approval of commodity eligibility by AID/W prior to financing.

(*b*) Approval of price for most commodities by detailed price review by AID/W prior to financing. Commodities not receiving a prior review are subject to a post audit.

(*c*) Arrival accounting in order to reconcile receipts against original shipments.

(*d*) Frequent AID audits concentrated in sensitive commodity areas.

(*e*) Selective end-use checks.

(*f*) Systematic screening of all letters of credit allowing AID intervention in any transactions suspected of irregularities.

—For the refugee program, a deliberate decision was made to grant dollar funds required directly to registered United States and international voluntary agencies, rather than through local government channels. Program monitoring is accomplished by the voluntary agencies under the review of the USAID refugee office and is subject to AID's auditing and review.

--End use audits of AID and Public Law 480 financed commodities by AID auditors.
—Inspections by the inspector general of foreign assistance and by the General Accounting Office.

A recent review of USDA's rice receipts cited a loss rate for rice of about 1 percent—a very low rate for an operation with long supply lines through enemy territory.

USE OF AMMUNITION

Mr. PASSMAN. Could the Cambodian's economize in the use of the defensive supplies provided by the United States, such as ammunition, to a greater degree?

General FISH. Significant economies have been effected, in spite of the fact that Cambodia is an underdeveloped country, engaged in a desperate struggle for survival. In late September 1974, a meaningful ammunition management system was established.

Mr. PASSMAN. How does their ammunition expenditure rate compare to the South Vietnamese and United States when we operated in Vietnam?

General FISH. The expenditure rate per weapon is higher than the expenditure rate per weapon for South Vietnamese forces but the intensity of combat in relation to the relative size of the forces involved is greater in Cambodia. As compared with U.S. forces, the Cambodian expenditure rate is higher for small arms but lower for artillery and mortars.

Mr. PASSMAN. Do they waste a great deal of ammunition?

General FISH. While Cambodia has made significant progress in its ammunition management system, it is probable that under the present desperate circumstances the Cambodian forces are not achieving maximum effectiveness in the use of ammunition. The reasons vary but include the fact that much fighting is taking place in isolated enclaves where it is difficult to exercise careful centralized control.

PEACE POSSIBILITIES

Mr. PASSMAN. What proof do we have that continued fighting will produce peace negotiations since it has not worked so far?

Mr. HABIB. We have no proof that continued fighting will produce peace negotiations. However, it is obvious that cessation of U.S. assistance would not produce negotiations but merely the collapse and destruction of the legitimate government of Cambodia. We do believe that continued U.S. aid provided to enable the Cambodian Government to defend itself will eventually convince the insurgents that they cannot win and must negotiate.

U.S. SUPPLIES

Mr. PASSMAN. How do you propose to get the U.S. supplies to Phnom Penh in light of the latest problems facing the river convoys?

General FISH. Efforts will continue to be made to keep the Mekong open. Also, some critical items will be moved by contract airlift.

Mr. PASSMAN. How much U.S. supplies have been destroyed before reaching the Cambodians?

General FISH. Since August 1973, approximately 1,256 tons of ammunition have been lost.

Mr. PASSMAN. What roles are U.S. personnel, civilian and military, presently engaged in or on behalf of Cambodia and is the U.S. military conducting reconnaissance flights or any other military related activity in or over or from off the shores of Southeast Asia?

If so, please indicate the specific areas and indicate if this could be considered a violation of present U.S. law.

Mr. HABIB. U.S. personnel concerned with Cambodia perform a variety of tasks, some normal Embassy functions and others specifically connected with military and economic assistance to Cambodia. The civilians are career Foreign Service and AID personnel. The military are attachés and members of the military equipment delivery team. There are no advisors in Cambodia.

(*a*) The United States does conduct unarmed reconnaissance flights.

(*b*) The flights are conducted over both Cambodia and South Vietnam.

(*c*) This is not a violation of U.S. law. On August 3, 1973, the Department of Defense issued a press release in which were given permissible and prohibited activities in, over or off the shores of Cambodia. Among the permissible activities were unarmed reconnaissance flights for the purpose of getting intelligence.

On August 3, 1973, in comments to the press after an appearance in Congress, Admiral Moorer, Chairman of the Joint Chiefs of Staff, expressed the view that unarmed reconnaissance could be conducted over Cambodia because it was not a combat activity and, in view of our ongoing MAP program in the country, there was a need to know what the enemy was doing.

On August 16, 1973, Major General James, Deputy Assistant Secretary of Defense—Public Affairs—mentioned that some unarmed reconnaissance flights were being flown over Cambodia. This was again reiterated by Mr. Friedheim on June 4, 1974, when the question was raised again at another news briefing.

Mr. PASSMAN. Mr. Shriver?

STUDY OF FUTURE REQUIREMENTS

Mr. SHRIVER. Thank you, Mr. Chairman.

During the hearings last June Mr. Vest told us there was a study in progress at that time regarding Cambodia's military assistance requirements for the next 5 years, and that a copy of the study would be furnished to the committee.

Was that ever done? Did we ever get it?

Mr. HABIB. I am sorry, sir, I will have to ask my staff. I wasn't here. I only took this job last fall.

Oh, yes, the Secretary I think, provided the Congress a letter, a confidential letter, a classified letter, setting forth his projections into the future. That should be available to the committee, but that was——

Mr. SHRIVER. You couldn't tell us what the contents were.

Mr. HABIB. I shouldn't in open session, sir.

U.S. ADVISERS

Mr. SHRIVER. Do we have any U.S. advisers now in Cambodia?

Mr. HABIB. No, sir.

U.S. CREDIBILITY

Mr. SHRIVER. The President's message to Congress on this request and the one for Vietnam, and your statements here today, stress the need to uphold the credibility of the United States and other friendly countries which might be faced with similar aggression.

The argument seems to be that if we don't come through on agreements to furnish the arms for these countries to defend themselves, we can't be counted on in other conflicts.

Would you go the next step and relate this to the situation in the Middle East?

Mr. HABIB. I think what the President and the Secretary have always had in mind when they have made those statements is that it is globally applicable, yes, sir.

Mr. SHRIVER. So would the same thing, for instance relate to Israel?

Mr. HABIB. Yes, sir, I think they have had that in mind. That is my understanding, that it is globally applicable.

INFLATION FACTORS

Mr. SHRIVER. How much of this request is necessary because of inflation?

Mr. HABIB. Do you have any estimate on that, General?

General FISH. Yes, sir, about 30 percent. We do have some figures on the inflation factors that are involved. They are on the order of 30 percent for ammunition. Transportation has been about 40 percent. You know we are required also to charge administrative costs against the ceiling, so U.S. personnel pay has also been inflated by about 6 percent, and all other inflation about 10 percent. The big items are the ammunition and the transportation, and that is 30 percent and 40 percent, so in real terms we are not buying as much in dollar value comparison with former years.

FUEL SUPPLIES

Mr. SHRIVER. One of the items which was mentioned was oil. Where do you get that?

General FISH. It is all offshore, sir, not from the United States, Singapore primarily.

AMERICANS MISSING IN ACTION

Mr. SHRIVER. Many of us in the Congress, and over the country I am sure, are concerned about the thousands of families with loved ones who are still classified as missing in action in Southeast Asia.

Mr. HABIB. Yes, sir.

Mr. SHRIVER. I presume there is still no cooperation coming from Hanoi.

Mr. HABIB. No. Contrary to the terms of the agreement, they have refused to provide us with the information which they contracted to provide us with regard to the missing in action. This is, of course,

something which the Congress has expressed a great deal of interest in and the administration has pursued through every avenue, and will continue to pursue until we get a proper accounting of those men.

Mr. SHRIVER. And if South Vietnam and Cambodia were allowed to fall to military pressure from Hanoi, how would you judge our chances of ever finding out anything about those men?

Mr. HABIB. I would consider them diminished. Insofar as the agreement is not observed they are increasingly diminished, the chances are.

CORRUPTION

Mr. SHRIVER. We keep hearing from some constituents who are opposed to our involvement in Southeast Asia that the government in South Vietnam is corrupt, a dictatorship. I think inasmuch as Cambodia is related to this situation, that maybe there should be something specific in the record relative to corruption that may exist either in Cambodia or in South Vietnam.

Mr. HABIB. Mr. Congressman, again in all frankness, and in an attempt to be completely forthcoming with this committee, it would not be my intention to tell the committee and to tell you that there isn't any corruption or there isn't any diversion, but I would say this: that in my experience and knowledge of the area, neither the corruption nor the diversion has ever taken away in any way from the continued and reaffirmed desire of the people involved not to accept the domination of those who may have been opposing them.

Now I can't put a figure on corruption. I can't put a figure on diversion. My guess is it is probably less than we fear and an awful lot more than we would desire.

U.N. RESOLUTION ON NEGOTIATIONS

Mr. SHRIVER. The United Nations General Assembly passed a resolution calling for early negotiations among the Cambodians. What has been the effect of that resolution?

Mr. HABIB. The UNGA resolution calling for early negotiations among Cambodians and requesting the Secretary General to use his good offices has produced the following results to date. The PRC permanent representative in New York called the resolution a "scrap of paper" at the end of the debate. President Lon Nol of Cambodia immediately welcomed the resolution and invited the Secretary General to visit Phnom Penh and to go anywhere he wished in the Government-controlled areas. Sihanouk, in turn, rejected the idea of the Secretary General's visit to Peking, if he should go to Phnom Penh. The Secretary General has initiated some preliminary contacts, but has stated that he would not do anything unless he was asked to by both sides. The United States voted for and has expressed full support for the resolution. Although the effect of the resolution has, as yet, been inconclusive, we consider it helpful as a possible step toward a solution and because, for the first time, the U.N. is directly involved in search of peace in Indochina.

FOOD AID

Mr. SHRIVER. Would you describe further the need for additional food assistance to Cambodia? How much are you talking about? That is up to the authorizing committee, is it not?

Mr. HABIB. Cambodia's agricultural production, largely rice, is now less than one-third of prewar levels, changing the country's status from that of a rice exporter to a massive rice importer and making her dependent on the United States for two-thirds of her rice supply and for other critical imports needed for survival. The absolute minimum level of U.S. rice imports required this year is 314,000 tons. Under the current obligational ceiling, we have been able to purchase only 211,000 tons. This is sufficient to carry Cambodia only through June even at sharply reduced distribution levels. This leaves the GKR without rice in July 1975. There are no other rice resources available to the GKR for the July to December period. Other donors cannot fill the gap. Cambodian domestic production will remain insufficient, and 1975 U.S.-crop rice cannot arrive in Cambodia until late November or December. Thus, additional ceiling relief for food purchases, including at least 103,000 tons from the current U.S. rice crop and 34,000 tons of wheat, must be provided now to avert supply gaps and provide a minimum 1-month reserve of rice in the critical July–December period. Cambodia has received no wheat or wheat flour imports since early calendar year 1974. This commodity is needed as a food supplement to its rice requirements. In view of the essential obligations required for military assistance and IPR costs, the balance of the $377 million ceiling leaves no room for the purchase of the additional title I rice and wheat to fill these needs.

Economic and Public Law 480 aid are interrelated. Because of immediate rice needs, we already have used $15.5 million of authority under the Cambodia economic aid/Public Law 480 $177 million portion of the ceiling for Public Law 480 rice purchases that were made at the expense of AID-funded commodity import funds. Lifting the ceiling, or exempting food aid from it, will permit the purchase of the additional rice (at least 103,000 tons) and wheat (up to 34,000 tons) to meet the essential food requirement of the Khmer population, and also permit the $15.5 million in AID funds "impounded" by the present ceiling to be used for other critically needed goods such as petroleum, machinery, and raw materials as well as to provide funds to support freight movement costs.

REQUIREMENTS UNDER THE PARIS ACCORDS

Mr. SHRIVER. Mr. Habib, you commented in your statement about who is and who is not abiding by the Paris accords. I don't think many Americans, or their representatives in Congress, know just what was required from each of the parties in those accords. You have mentioned several violations by Hanoi, but would you provide for the record a more detailed listing of those requirements and what has happened since the signing of the agreement? I would hope this would be presented in such a way which would be useful and understandable to us and to our constituents.

Mr. HABIB. Following is a list of the major violations of the Paris

agreement by North Vietnam and the Provisional Revolutionary Government (Vietcong):

The North Vietnamese have sent more than 170,000 troops into the South, resulting in a buildup of their main force army in the South from about 160,000 at the time of the agreement to about 230,000 now, despite the tens of thousands of casualties they have suffered in the continued fighting and the rotation of some of their troops back to the North. Moreover, the rate of this infiltration has escalated in the past few months. The most recent development in this regard is the movement of the North Vietnamese Army's 968th Division, which had been operating in southern Laos for several years, into the Central Highlands of South Vietnam during December and January. Since the earlier infiltration had been in regimental or smaller size units and as replacements, the movement of the 968th marks the first time since the agreement that an entire division has entered the South as a unit.

The North Vietnamese have sent vast amounts of armament and military supplies into the South, well in excess of the one-for-one replacement level permitted by the agreement. Consequently, the number of their armored vehicles has tripled; their field artillery strength has increased more than 50 percent; their antiaircraft artillery strength has more than doubled; and their armament stockpiles have grown to the point that they could sustain an offensive on the scale of 1972 for over a year without further replenishment.

In Laos, Cambodia, and the delimitarized zone, the North Vietnamese have improved their military logistics systems and base areas; and they clearly continue to make use of Laos, Cambodia, and the DMZ to carry out their aggression against South Vietnam.

The PRG has refused to deploy its personnel to the joint teams which under the agreement were to oversee the cease-fire.

Both North Vietnam and the PRG have refused to pay their prescribed share of the expenses of the International Commission of Control and Supervision.

The Communists have not only failed to cooperate in resolving the status of American and other personnel missing in action, they have actively obstructed United States and South Vietnamese efforts to do so—in December 1973, for example, they ambushed an unarmed United States-South Vietnamese team searching for the bodies of missing Americans, resulting in the death of one American and one South Vietnamese. Moreover, since June 1974, the North Vietnamese and PRG have broken off all negotiations on MIA's by refusing to meet with United States and South Vietnamese representatives in the four-party joint military team.

The PRG in May 1974, broke off all negotiations with the South Vietnamese Government—the political negotiations in Paris and the two-party joint military commission talks in Saigon—which were mandated by the agreement. The Government has repeatedly called for unconditional resumption of these negotiations, but the other side has answered these calls with demands for the Government's overthrow as a precondition for any renewed talks.

The North Vietnamese have rejected out of hand specific South Vietnamese offers to begin the direct North-South negotiations called for in the agreement.

The PRG has rejected several specific proposals by the South Vietnamese Government to hold the internationally supervised elections specified in the agreement.

At the time the agreement was signed, the Communists were conducting a large-scale offensive to seize as much territory and population as possible before the cease-fire could take effect. Although the level of fighting was subsequently reduced as they refitted and reinforced their units and built up their armament and supplies, the Communist forces never ceased to maintain considerable military pressure, and as the months passed they began to escalate this pressure substantially. In November 1973, for example, they launched a division-size offensive in Quang Duc province which brought about the heaviest concentrated fighting of the postagreement period up to that time. Also in late 1973 and the first part of 1974 they attacked and seized several South Vietnamese base camps in remote border areas, such as Tong Le Chan in western military region 3. They escalated the pressure still further in the summer and fall of 1974 with several regional offensives, most notable among which were multidivision thrusts in the Ben Cat area northwest of Saigon and in the Thuong Duc area southwest of Danang. And in early December they launched their most serious attacks thus far, seizing the entire Province of Phuoc Long (including its capital, Song Be—the first Province capital to fall since Quang Tri was captured in the 1972 offensive), and bringing the level of casualties and destruction back up to what it was before the agreement. The North Vietnamese have now overrun 11 district capitals, all of which were indisputably under the control of the South Vietnamese Government at the time of the agreement. Our intelligence indicates that the Communists intend to intensify their attacks even further in the coming months.

SUCCESS IN LAOS

Mr. SHRIVER. The only place where negotiations have appeared to work in Laos. I wonder why that is—why they could get together in that very poor country when none of their neighbors seem to be able to do it. I suppose it is desire on both parts to do it, but I don't know how you can create that desire. Would you comment?

Mr. HABIB. As you have said, the only place where negotiations and an effective cease-fire have worked is Laos. We believe that this is due partly to the circumstances in Laos, which so much differed from those in Vietnam and Cambodia. First, there was the King whom both sides have always recognized. Then, there has been the fact that the Prime Minister is acceptable and respected by both sides. Throughout the fighting of the past few years, it was also noteworthy that there was always a representative of the Pathet Lao in Vientiane itself. As you note, there was, of course, a desire for peace on both sides, but that is something which is hard to create, especially with Hanoi and with the Khmer Communists. Finally, we believe that willingness and desire of the supporters of both sides to see peace restored in Laos had a definite effect. Similar resolve in Cambodia and South Vietnam do not, regrettably, yet seem to be shared by the supporters of the opposition forces in those nations.

MILITARY AID FROM CHINA AND RUSSIA

Mr. SHRIVER. General Fish, you mention Chinese and Soviet-supplied weapons being used by the insurgents in Cambodia. I thought we had sort of an informal understanding with China and Soviet Union that restraint in supplying such weapons would be maintained to keep the hostilities from interfering with our efforts toward détente. Have they sharply increased their military aid to Hanoi and other forces in Southeast Asia? Give some figures on that if you have them.

General FISH. There is no informal understanding with either China or the Soviet Union which would restrain the supply of weapons from these countries to the insurgents in Cambodia. With respect to quantities of military aid Hanoi or forces in Southeast Asia may be receiving from China or the Soviet Union, we cannot speak in precise terms because our knowledge about the exact quantities of military supplies and equipment are incomplete. Neverthless, it is possible to deduce a meaningful military aid comparison by looking at the trends of the military situation in South Vietnam and Cambodia. We know empirically that Soviet and Chinese military aid to North Vietnam is adequate to allow Hanoi to carry out military actions in South Vietnam and Cambodia at about whatever scope and intensity it desires.

NEED FOR SUCH A LARGE INCREASE

Mr. SHRIVER. According to your figures, Cambodia will run out of essential ammunition and other supplies completely in late March or early April. That is, they will use up the $86 million worth of supplies that they now have available in a period of about 2 months. Yet you are requesting $222 million for ammunition and supplies for the following 3 months. That would appear to represent a substantial increase in the rate of use—at least that is the way it looks on paper. Using your estimate of $1.5 million used daily, it would seem they could get along until June 30—the end of the 1975 fiscal year—with about $135 million—$1.5 million times the 90 days from April 1 through June 30. Would you explain this?

General FISH. In addition to the $1.5 million needed for daily ammunition and fuel costs, it is necessary to reestablish a 30-day stockpile of ammunition and fuel in Phnom Penh, to pay transportation costs, and to provide a small quantity of additional equipment needed to clear the Mekong riverbanks and replace combat losses. These additional factors increase the cost from $135 million to $222 million for the remainder of fiscal year 1975.

Mr. SHRIVER. When is the next rainy season in Cambodia?

General FISH. It will begin next May or June.

Mr. PASSMAN. Thank you, Mr. Shriver.

Mr. Long?

APPROPRIATED THUS FAR

Mr. LONG. Mr. Secretary, you say that we have given how much, appropriated $700 million so far this year?

Mr. HABIB. That is the military budget for South Vietnam.

Mr. LONG. And how much for Cambodia?

Mr. HABIB. Cambodia so far on the military side?

Mr. LONG. Yes.

Mr. HABIB. Including the drawdown authority, it is $275 million.

UTILIZATION RATE

Mr. LONG. You say that has all been used up, and that if we do not give these extra appropriations, all the shot and shell will have been used up, and they will be virtually without arms to carry on the fighting between now and the beginning of the next fiscal year; is that right?

Mr. HABIB. No, sir, that is not quite what was said. I think what General Fish was saying was if you account for pipeline and time at some point you could reach——

Mr. LONG. Except for another 30 or 40 days.

Mr. HABIB. It depends on the rate of utilization, as he also pointed out, whether or not there would be adjustments in the rate of utilization, whether it is a few days one way or the other.

Mr. PASSMAN. Didn't you say 60 days at the present rate?

Mr. HABIB. Sixty.

Mr. LONG. Sixty days, and we have 5 months left between now and the beginning of the next fiscal year.

You said if we don't give you this money, then you will be left, the Cambodians will be left virtually without arms for the last 3 months of this fiscal year, right?

Mr. HABIB. It could reach that stage, yes, sir; at the rates of utilization projected, yes, sir.

CONSERVATION OF SUPPLIES

Mr. LONG. Is it possible that they can string out, fire fewer shots?

Mr. HABIB. They have done so. They have been running it out, as they say, and they are firing much fewer shots in the very interests of conserving it, but there comes a limit to what you can conserve when you are under attack.

Mr. LONG. Is there any chance they can string that out?

Mr. HABIB. Not substantially.

Mr. LONG. So they can carry through.

Mr. HABIB. Not sufficiently substantially to maintain——

Mr. LONG. You say there is no chance at all.

Mr. HABIB. Not to maintain their lines, no, sir.

Mr. LONG. Would you say it is a virtual certainty then if we don't give them this money that they will run completely out of the ability to defend themselves for the last 3 months of this year?

General FISH. That would be our judgment.

ADVICE GIVEN CAMBODIANS

Mr. LONG. That would be your judgment. Tell me what advice did the U.S. Ambassador and defense attaché in Cambodia render to the Cambodians so they would not run out of military assistance items which Congress had authorized for this fiscal year? In other words, why did we fail to make them parcel out their shot and shell so it would carry throughout the whole year?

Mr. HABIB. The Cambodians were well aware of the limits placed upon the appropriation by Congress. Our people made them aware of it, and it was clear as to what could be bought with what was provided.

Mr. LONG. Were they allowed to believe that they might get a supplemental appropriation?

Mr. HABIB. No, sir.

Mr. LONG. I know that in Congress it was said, "Don't worry too much about that cut. We will probably vote them some extra money somewhere along the line."

Mr. HABIB. No, sir. The rate of expenditure has been enforced by the rate of conflict.

CONTROL OF AMMUNITION

Mr. LONG. So you say that they have no control really over how much ammunition they use.

Mr. HABIB. Not as long as they try to hold on. For example, when you try to open the river up, opening the river requires an expenditure of ammunition. If they want to open the river, and they have to, they have to expend the ammunition. At the same time there have been some substantial reductions in use, and I think you have some figures on that, haven't you, General?

General FISH. Yes, sir. I would like to make a couple of quick comments and ask Mr. Habib to enlarge on them.

When it became clear that the funding level, as the dialog continued in the Congress, was going to be tight, very stringent measures were put into effect, and they were effective. Ammunition expenditures were reduced to about 270 short tons per way, but since the 1st of January, with the increased level of violence that the Ambassador has referred to, it has reached 570 short tons per day.

Last week, with the much heavier pressure, it reached 700 tons per day.

AMMUNITION USE FORECAST

Our forecasts would say that, owing to the cyclical nature of this war, with the weather controlling some of the activity, May and June would be at a lower level of violence, in spite of what the enemy would like to do. A lower level would be forced upon them.

Mr. LONG. Because of the bad weather?

General FISH. Yes; so we see it tapering off. A reasonably good figure would probably be on the order of 450 short tons a day in May with a still further reduction in June. Our estimates and our requests have taken those figures into account.

Mr. von Marbod, do you have something to add?

Mr. VON MARBOD. Dr. Long, as you know, our request for fiscal 1975 for military assistance to Cambodia totaled $390 million. The Conte amendment which was enacted during the month of December reduced to a total of $275 million the amount we could provide to that country. No encouragement was offered the Cambodians. The timespan since the ceiling was placed on military assistance to Cambodia is relatively short.

Mr. HABIB. I might add also if I could, sir, that the offensive in Cambodia really began on the 1st of January. It has only been running just a bit over a month.

WASTE OF AMMUNITION

Mr. LONG. You are aware that the Inspector General of the State Department did report that the Cambodian Armed Forces were wasting ammunition?

Mr. HABIB. He also reported, I believe, that they had corrected some of the abuses which he felt were necessary to be corrected.

Mr. LONG. When I was in Phnom Penh a year ago August, I was told that they just are shot and shell happy. They just love to shoot their guns off. It makes them feel better, feel more cheerful.

Mr. HABIB. Feel safer.

ABUSES CORRECTED

Mr. LONG. Yes.

Has there been any evidence or documentation to show that the situation has improved since the inspector general reported this waste?

Mr. HABIB. Yes, sir. I had a conversation with the inspector general just last week. On a further checkup they discovered substantial improvement along the lines that they, themselves, had recommended in their previous inspection.

BASIS FOR SUPPLEMENTAL ESTIMATES

Mr. LONG. Does the estimate of your appropriations supplemental request here reflect the idea of what the Cambodians need in view of these suggestions for less waste in the use of ammunition?

Mr. HABIB. As I understand it, and I will let General Fish speak to that, these estimates were based upon a calculation of sort of minimal requirements; am I correct?

General FISH. Yes, sir.

Mr. HABIB. The earlier figures thrown around were a lot higher.

General FISH. We did—we made an estimate of what we considered to be a level that would allow an improved position rather than just one that would keep the situation under control. It would allow the Government forces to distinctly improve their situation. We rejected that.

Mr. HABIB. From what it is at the moment?

General FISH. We rejected that for as the Secretary said——

Mr. LONG. You didn't want to see them improve their position?

Mr. HABIB. It is not that. The amounts are so great, our basic purpose is not to gain military victory which we would think is an ephemeral objective at the moment. Our basic position is to stabilize the military situation so hopefully one can get a negotiated settlement.

CAMBODIAN SENSE OF URGENCY

Mr. LONG. Admiral Moorer, when he presented the 1975 fiscal aid request to this committee, noted that the Cambodian forces "still lack a sense of urgency in dealing with the enemy treats."

What evidence can you provide to indicate that the above statement is valid or invalid at the present time?

Mr. HABIB. I would suppose one would take the casualty rates since the first of the year which would indicate they have a new sense of urgency. They have been fighting quite a battle.

Mr. LONG. You think casualty rates are a reflection of urgency?

Mr. HABIB. Are an indication of willingness to fight, yes, sir. They are the best indication I know of as to the level of conflict.

Mr. LONG. It would be in this country. Whether it would be in Cambodia, I don't know.

Mr. HABIB. I think it is there also. The description of what it takes to run a convoy up the river, in terms of preparation, landings along the bank of the river, running the convoy, supporting it, putting down the Marines and what-have-you to go in to clean the guns, the description of it would lead me to believe—and I have read the descriptions very carefully—would lead me to believe they have met your criteria in that regard.

MILITARY ADVISERS

Mr. LONG. What advice have we given the Cambodians to increase their military effectiveness?

Mr. HABIB. We don't advise the Cambodians on how to increase their military effectiveness. In many ways these people know how to fight. They have had a lot of experience. We don't have any advisers with them. We do have, as you know, the Embassy which, with its small military team that supervises the movement, the delivery of the goods supplied under the military assistance program, but we have not been providing military advice to them. They know how to fight.

Mr. LONG. Of course they are fighting with our resources.

Mr. HABIB. Yes, sir.

Mr. LONG. That does make a difference.

Mr. HABIB. We are enjoined by an act of Congress from giving them advice.

Mr. LONG. Are military leaders ever, say, flown over to Thailand or Saigon to talk and confer with our own military people?

Mr. HABIB. Yes; I think so.

Mr. VON MARBOD. We do conduct training in Thailand for the Khmer Army and Air Forces.

Mr. LONG. That is what I am talking about.

Mr. HABIB. I think there is that general kind of exchange.

Mr. LONG. I don't care whether they get the advice on Cambodian soil or somewhere else.

Mr. HABIB. I took it you meant advice with the Cambodian forces.

Mr. LONG. If they were getting that advice somewhere this might be a factor. I just wondered whether it has been effective at all in our trying to counsel them.

Mr. HABIB. Have we somebody to give the details of that? I think you deserve a detailed answer.

General FISH. We have General Cleland from the Joint Staff who can help us, but the air force specifically has markedly improved its effectiveness during this last year. I will ask General Cleland to address that.

Do you have any comments?

General CLELAND. Good to see you again, sir.

I was running equipment delivery to the GKR when you were in Cambodia.

Mr. LONG. I thought you looked familiar.

General CLELAND. To answer your question, we do not advise in country, sir. We do provide training to the Cambodians outside of country. The classic example is the Cambodian Air Force. It started as a royal

flying club, and to be in the Cambodian Air Force you had to be a member of the royal family. In addition, until August 1973, the U.S. Air Force was employed in country. So the Air Force was not called upon.

However, in the past year the Cambodian Air Force under the leadership of a new and dynamic commander, has developed to the point where they can and do provide the close air support which used to be furnished by the U.S. Air Force.

By this I mean they are putting bombs in front of the Cambodian ground forces where the Cambodian ground forces ask for them. They are providing the escort for the convoys, which in 1973, when the convoys were moving up and down the river, the U.S. Air Force had previously provided.

They are doing this with the T–28, a post-World War II trainer aircraft, and the old C–47's, with a 50-caliber machinegun in the door. They have made remarkable improvement, sir, due to training outside of country, and the really gallant leadership of the new commander of the Khmer Air Force.

EFFECTIVENESS OF ARTILLERY

Mr. LONG. I have heard reports that artillery, the way it is used there, really doesn't kill anybody. It mostly just lands in the jungle, and the same goes with most of the aircraft bombing. If you want to kill anybody, you really have to do it with rifle fire and hand-to-hand combat.

Would you make any comment on that, whether the type of warfare that is being conducted over there is really effective at all?

General CLELAND. Yes, sir. The artillery is quite effective, and has greatly improved since the time when you were in Cambodia. They have established fire control, which was practically nonexistent 2½ years ago. They have done this themselves. If I might digress for a moment, they sent their artillerymen to Thailand to be trained by the United States and by the Thai. This cadre came back, and they in turn trained the Khmer artillery batteries. At the same time we were providing additional tubes to make up for the lack of U.S. air support.

They did this all on their own. They have effective artillery, which is adjusted by forward observers.

PHANTOM ARMY

Mr. LONG. What can you tell us about the ghost payrolls?

Mr. HABIB. The phantom army?

Mr. LONG. It is rumored that we were providing large sums of money on the basis of a—phantom army is a good word for it. Our moneys go out to the leaders' pockets—the generals and so on—but the number of people who are actually fighting may be not more than half or 60 percent of the numbers of soldiers we have been paying for.

What can you tell us about this business of the phantom payroll?

General FISH. This, of course, again is addressed by Mr. Constante, the IG for the State Department. One of his recommendations was that a centralized pay system be established to have better controls.

Mr. LONG. Has that been established?

General FISH. It has. To say there are no phantoms left would be something that I couldn't positively demonstrate, but the information we have is that the problem has been greatly reduced.

You know those soldiers are not paid out of this appropriation though. They are paid out of the aid, I believe, economic and supporting——

CAMBODIAN MILITARY PAYROLL

Mr. LONG. I am not quite clear about that, just how they are paid.

Mr. NELSON. It is generated out of economic aid.

Mr. HABIB. The funds go into the budget and the budget is used to pay them.

This is Mr. Murphy from AID.

Mr. MURPHY. We finance imports, Dr. Long, that are needed to keep the economy turning. These are purchased, brought into the country by commercial importers, who pay for them in local currency, and pay the government the local currency. The local currency in turn is used by the government to support——

Mr. LONG. Are these grants or concession loans?

Mr. MURPHY. Grants.

Mr. LONG. So we basically give the government a substantial amount of stuff which they sell and use that money to pay their troops; is that right?

Mr. MURPHY. Yes.

Mr. LONG. That gives us a pretty loose control over how they use the money, doesn't it?

Mr. MURPHY. As the General said, Dr. Long, there is a centralized pay system that has been established.

Mr. LONG. How do we know? In fact you have already indicated that you can't control all of the things, but how would we be able to say that we have cleaned up much or all of this phantom army business?

Mr. MURPHY. That is something the General knows better than I.

U.S. CITIZENS IN CAMBODIA

General FISH. I think the answer to that question, Dr. Long, is that to the extent that we can create a judgment with the number of people that are allowed in country, you know the total U.S. citizens allowed is 200, and we watch that head count very, very carefully. With the IG from the State Department and his recommendations, which have been implemented, we believe that the problem has been greatly reduced, and to the degree that spot-checks have been able to be made——

Mr. LONG. How do you make these spot-checks?

General FISH. Again it is the matter of the delivery teams and the personnel that are in country. What they can observe.

Mr. LONG. Can you get signed receipts from the people who get the pay?

General FISH. I have discussed it with the IG from the State Department, and he was of the opinion that phantoms are markedly decreasing. He was the one, of course, who defined the problem in the first place.

PAYROLL PADDING NOW MINOR PROBLEM

Mr. HABIB. His general judgment is that there still exists some discrepancies in payroll, but these are now relatively minor and they are often the result of assignment rather than deliberately set. One thing I should tell the committee is that we have often reminded the Khmer leadership in Phnom Penh of the concern we have that this problem be resolved. The strong concern that the Congress has shown in this matter has also been emphasized frequently to the Khmer leadership. We think now they have the political will to resolve the payroll padding problem. We know that they have made it clear that this is to be eliminated, and we enforce the efforts all along.

I think it is fair to say that the Inspector General is better satisfied than he was. Whether it is completely eliminated, nobody is ever prepared to quite go that far, but he does believe that it is of a minor magnitude now compared to what it was before.

Mr. LONG. Maybe I would have to take another trip out there.

Mr. HABIB. We will look forward to that.

CAMBODIAN MILITARY DEPENDENTS

Mr. LONG. At the time I was there we felt it was a very bad problem. Incidentally, I went out and talked to some of the women whose husbands were in the armed services who were killed. You know the women and the kids follow the troops right into battle. They live right in the barracks. They have little curtains drawn up. They have their little cooking things. It is a very pathetic business. If the husband gets killed, the kids and the wife are left out there.

I talked to a woman whose husband was killed. She is left with two children. She never has a chance to marry again. She is left without resources of any kind. She cried a little. It was very heartbreaking. There was no feeling that anybody was worried about taking care of these people as human beings, and the thought that there were phantom payrolls with people making money on them sent me back with a considerable feeling of indignation.

Mr. HABIB. It rankles as it should.

Mr. VON MARBOD. Our investigators found that part of the "phantom" payroll was being used to support the orphans and the dependents of the men carried on the roll. That by no means justifies the fact——

Mr. LONG. You don't find any women and orphans saying so.

REFUGEE CAMPS

Mr. HABIB. You will find them in the refugee camps where we try to take care of them.

Mr. LONG. I was out in the refugee camps.

Mr. HABIB. Fortunately we still have many of the American voluntary agencies who are supporting those people as best we can.

Mr. LONG. Phnom Penh is full of orphan kids who are out shining shoes, hustling any way they can make a dollar. Somehow they get along.

I have one or two more questions.

RUSSIAN SUPPORT

You said, didn't you, that the Soviet Union continues to be a supporter of arms to the North Vietnamese?

Mr. HABIB. Yes, sir, and the People's Republic of China as well.

Mr. LONG. Who are fighting in in Cambodia?

Mr. HABIB. Yes, sir.

Mr. LONG. And as long, of course, as the Soviets continue to support the Red Khmers and the North Vietnamese, that puts a burden on us to help out the Cambodians economically with ammunition and equipment?

Mr. HABIB. It sustains the war.

Mr. LONG. Do you think we can really justify a policy like that when we are providing all kinds of cheap wheat and loans to the Soviet Union—subsidized loans to buy truck factories, computers, and otherwise help the Soviet Union economically—which must, of course, improve their ability to turn around and in one way or another divert resources to continue this war in Southeast Asia?

Aren't we really sort of fighting one hand with the other?

UNITED STATES PURSUING TOTAL POLICY

Mr. HABIB. We are pursuing a total policy with both China and Russia, and I think in the examination of that total policy, you have to presume to make a judgment on any particular aspect of it. Because they are supplying arms to Hanoi, I would not think per se that that means that we shouldn't have other relations with them or pursue other policies. We could use that in effect to attempt to persuade them.

Mr. LONG. I understand you are not in charge of all aspects of foreign policy.

Mr. HABIB. Thank you, sir.

Mr. LONG. But doesn't it fill you with a certain amount of exasperation to think that we don't use our proposed gifts or loans to the Soviet Union as an instrument of bargaining power to get them to stop supporting the North Vietnamese and the Red Khmers?

Mr. HABIB. I think in terms of our total pursuit of policies with the Soviets and the Chinese, we have not neglected that aspect of it.

Mr. LONG. What fruit has it borne when they are still giving Indochina much more support than we, apparently, are able to give——

Mr. HABIB. Insufficient fruit, I would say. It hasn't been sufficient to get them to turn it off. They also endorse the Paris agreement.

Mr. LONG. Who is "they"?

Mr. HABIB. China and the Soviet Union.

Mr. LONG. That leads me to another question.

HOLDING POLICY

You are proposing to give enough resources to Cambodia to hold the line and not for them to go on the offensive in any way. You are setting a modest goal of just holding out, let's say, for the rest of the fiscal year, living from day to day, waiting for negotiation. That is our great hope.

Mr. HABIB. That is their objective.

Mr. LONG. That is our objective.

Mr. HABIB. That is their objective.

Mr. LONG. Whose objective?

Mr. HABIB. The people in Phnom Penh, the Khmer Government. That is their objective.

Mr. LONG. If you were the Communists, Hanoi and the Soviet Union which is helping them and all the others, and knew that policy, and we are an open society, people can read these minutes here, and so on, would you go to the negotiating table?

Mr. HABIB. Not until the military situation has been restabilized. Then I might have to think about it again.

Do I want to go through all this again the next dry season?

QUESTION OF COMMUNIST PRESSURE

Mr. LONG. Wouldn't you say if they are not going to do anything to try to beat us—and all they are trying to do is hold on and on and on—why shouldn't we just keep up the pressure in the hopes that someone will just finally give up altogether? Everyone knows that this war just sort of barely scrapes through from one fiscal year—and parts of fiscal years—to others.

Mr. HABIB. But they, too, have to.

Mr. LONG. If you were the Communists, wouldn't you say, "Let's keep up the pressure"?

ACCOMMODATION NECESSARY

Mr. HABIB. You know your people were saying that in 1973 when the Paris agreement was signed. Why did they come and negotiate then and sign the agreement? You say they might have signed it because they didn't intend to live up to it. I don't think it is necessarily as simple a judgment as that. I think that one must presume some logical approach to end results in this situation, and our opinion is, and the general opinion is, that the end of the war is not possible by simple military victory, that it has to involve some kind of accommodation, adjustment, negotiation, compromise, call it what you will.

PUBLIC OPINION

Mr. LONG. If I were a Communist I would feel pretty darned encouraged at this point. I would say, "The end of the war looks to me to be fairly close, not more than a year or so away, by virtue of the exhaustion of the American public opinion."

Mr. HABIB. You are presuming then that there will not be any funds provided. If that is the case, then they are not going to negotiate, you are absolutely right.

Mr. LONG. I think it is clear to everybody in the country that it is touch and go right now in Congress.

Mr. HABIB. That is why we are here.

Mr. LONG. And if not this year, next year. Why shouldn't the Communists hold on and put on the pressure? Why should they go for negotiation?

Mr. HABIB. It is a real problem.

U.S. TAX DOLLARS

Mr. LONG. If it were your money, would you keep pouring it down the drain?

Mr. HABIB. It is my money, a small portion of it. I feel it too, believe me, as much as anybody. It is my money.

Mr. LONG. I know that sounds good.

Mr. HABIB. No; it is.

Mr. LONG. I haven't found very many people in the high circles, or even the lower circles of our Government, that spend Government money as if it were their own.

Mr. HABIB. I am as conscious of the importance of precaution over the spending of the taxpayer's money as it is possible humanly to be, certainly no less conscious than anyone in the Congress, Mr. Congressman.

Mr. LONG. That would read well in any newspaper.

Mr. HABIB. That is right. I hope it does too. I hope it does.

Mr. LONG. I think I have completed my questions.

Mr. HABIB. I, as a bureaucrat, am not any more spendthrift than anybody else is.

Mr. PASSMAN. Thank you, Dr. Long.

Congressman Ottinger, Congressman Leggett and Congressman Moffett are with us.

After the witnesses have finished their testimony, we will then hear from our colleagues in the Congress.

Mr. Conte?

Mr. CONTE. Thank you, Mr. Chairman.

At the outset, Mr. Chairman, I want to welcome Secretary Habib to the committee. I have known him for a good many years, and he is one of the finest of our career men in the State Department with one of the most illustrious careers of any State Department official.

1975 OUTLAYS WILL NOT BE INCREASED

Mr. Secretary, when the President sent up his message he said, "I ask the Congress to consider a proposed supplemental." He wanted $300 million for military assistance to the South Vietnamese forces and a budget amendment for additional authorizing legislation for $222 million for military assistance for Cambodia in fiscal year 1975. I don't understand his statement that "these proposals will not increase 1975 outlays."

Is it the intent of the administration not to spend any of this money in 1975?

Mr. HABIB. Would you please explain that to the Congressman?

General FISH. First of all, it is primarily ammunition. Under the rules that the Congress has made, we have to charge it as we order it delivered. We put on the MAP orders to provide the ammunition and the fuel to Cambodia. However, the replacement action that will really result in replacing the inventory and result in an outlay, that takes more time, so it will be past the fiscal year before the actual outlay for increased production to replace this ammunition occurs.

Mr. CONTE. The outlay will occur in the following year?

Mr. HABIB. That is correct.

Mr. CONTE. But you are actually giving them the material now, is that right?

Mr. HABIB. We will place orders and we have to have the obligation authority to be able to place the orders, but the actual payment of the expenditure, the outlay to pay somebody for doing this, that is four or five months. It will be some time before the money actually starts flowing on an outlay basis, although we need the authority now to outlay it.

Mr. CONTE. It is just like my buying a new car and postponing the payment of that car for 12 months.

General FISH. If it was a matter of you ordering a new car and you had to commit yourself now, you won't pay for it until it has actually been produced.

We have a lot of ammunition that will be delivered to Cambodia. But the production order to replace it will be placed and the actual outlay will take place as progress payments are made for the products as they come from some manufacturers.

Mr. CONTE. I understand.

POPULATION AND AREA CONTROLLED BY GOVERNMENT

Mr. CONTE. Mr. Secretary, how much of Cambodia is actually under the control of the Lon Nol regime? What percentage of the population and land area?

Mr. HABIB. The best estimate we have of the percentage of population is that 60 to 70 percent of the population is within the control of the Government of the Republic of Cambodia. In terms of territory, I don't know whether anybody has run a planimeter over the ground. As you know, basically the government controls Phnom Penh, the area around it, encalves around major cities, certain areas up around the rice-growing area, around Battambang and the rest of it is either no man's land or land well within the control of the Khmer.

All of the area in the Northeast and all of the area along the border is not government-controlled. They can't get into it even.

MILITARY AID SINCE 1970

Mr. CONTE. General, how much military assistance have you given Cambodia since 1970? And how much assistance of other types?

General FISH. I would have to provide that for the record, sir, for accuracy. If I may, I will do that.

[The information follows:]

MILITARY ASSISTANCE PROVIDED CAMBODIA DURING PERIOD 1970 THRU 1974

As of June 30, 1974, we have provided to Cambodia $753 million in materiel and services and $61.3 million in excess defense articles at acquisition costs.

[In millions of dollars]

	Grant	Excess
Fiscal year:		
1970	4.9	0.4
1971	109.9	12.2
1972	123.6	16.7
1973	174.5	21.5
1974	340.1	10.5
Total	753.0	61.3

ECONOMIC AID SINCE 1970

Mr. HABIB. We will give you the economic figures also.
[The information follows:]

CAMBODIA—U.S. ECONOMIC ASSISTANCE BY FISCAL YEAR

	Fiscal year—					
	1970	1971	1972	1973	1974	1975 (projected)
CIP		70.0	[1] 36.5	45.0	54.4	64.9
Exchange support fund				20.5	18.3	13.1
Humanitarian				1.2	[2] 21.3	[3] 20.0
Technical support			.6	.6	1.2	2.0
AID total	(None)	70.0	37.1	67.3	95.2	100.0
Public Law 480 program	(None)	6.8	20.6	25.8	182.5	[4] [5] 150.0
Grand total	(None)	76.8	57.7	93.1	277.7	250.0

[1] Includes cash grant of $20,000,000.
[2] Includes $17,200,000 in local currency generation under CIP.
[3] Includes $10,000,000 in local currency generation under CIP.
[4] Includes amounts programmed for rice and wheat.
[5] Includes USDA-paid freight ($10,000,000 estimated).

ENEMY INCENTIVE TO NEGOTIATE

Mr. CONTE. You stated in your remarks, Mr. Secretary, that "It has never been our expectation that the conflict would end in a conclusive military victory by Cambodia Government forces." Will you tell us please what incentive there is for the insurgent forces to negotiate a settlement when the other side has no intention of winning?

Mr. HABIB. Congressman Long posed the same problem. I am afraid I have got to give you the same answer. The answer is the judgment as to the willingness and will of the Communists to continue the struggle, while they recognize that their opponents may not be able to win, they are in doubt as to whether they will be able to win. At some point, just as it has been before in this extended conflict, people have to make decisions as to whether to seek their objectives by other means.

In the case of Cambodia, the government in Phnom Penh has offered the other means, the other means being through a negotiated compromise settlement.

The U.N. is on record as favoring it and also willing to facilitate it. The United States, through our President, has made it clear that our policy calls for a peaceful compromise settlement. At what point the other side is prepared to take up that offer is indefinable.

I would say this, as Congressman Long himself pointed out, it is not possible that they will see it clear to take up that option as long as they see the possibility of an early total victory.

STALEMATE

Mr. CONTE. How about the other side of the coin, that by preserving the military balance in Cambodia, they continue the present stalemate.

Mr. HABIB. No. I think that as far as the government in Phnom Penh is concerned, they have made it very clear they are willing to seek a compromise settlement. They have stated it again and again

publicly. They have called upon the other side to meet with them under any circumstances, without any prior conditions, to just discuss how that may come about. Obviously, the first order of business in any such effort would hopefully be a cease-fire so they can stop killing each other.

CONTINUING ASSISTANCE

Mr. CONTE. How long do you think we should give assistance to Cambodia?

Mr. HABIB. It's hard to tell what is going to happen when half the equation is not under your control. I think one has to follow the principle, the principle I would enunciate and the same principle that we have pursued now for many years—that when people are prepared to defend themselves in such circumstances, the United States has been willing and should continue to be willing to provide the resources for them to defend themselves.

HOW MUCH AID NEXT YEAR

Mr. CONTE. In that case, if this thing continues and we give you what you are asking for here, this will get you through this year, and assuming there isn't a negotiated settlement next year, how much assistance do you think we should give Cambodia next year?

Mr. HABIB. The administration has submitted its budget request as of today, I think. The figure is there. The answer is I would hope that your assumption that we cannot move to a negotiated settlement is not a correct assumption. If your assumption is incorrect, we could run down the cost of the thing very quickly. I would hope that we would then do what we have done in other places in such circumstances, and that is help rebuild. So there might be still a requirement for funds but nowhere near the magnitude now expressed nor certainly none for military purposes.

PROPOSAL TO PROVIDE MORE FOOD

Mr. CONTE. You are asking for the elimination of the overall ceiling on Cambodian aid which I introduced in order to provide more food under Public Law 480 programs?

Mr. HABIB. That is correct.

Mr. CONTE. How much food do you propose to send to that country?

Mr. HABIB. About $70 million additional. Am I correct, John?

Mr. MURPHY. Yes; the precise number is 314,000 tons of rice and 34,000 tons of wheat. We have now provided for 211,000 tons of rice. So we need the difference, 103,000 tons. We haven't provided any wheat yet.

Mr. CONTE. Why don't you then come in here before the Foreign Affairs Committee and just ask for an increase in the ceiling by the amount of food assistance?

Mr. MURPHY. We are doing that.

Mr. HABIB. We are doing that. That is part of the proposition.

PUBLIC LAW 480 COMMODITIES

Mr. CONTE. But you are asking for an increase in military assistance also?

Mr. HABIB. Yes. The military and economic are separate. The increase in the ceiling applies in terms to allow us to provide the Public Law 480 commodities necessary to feed the population. The amount that has been provided within the ceiling is insufficient to feed the population.

Mr. MURPHY. But we need no additional authority, Mr. Conte. The authority present under Public Law 480, plus the authorized $100 million appropriation for economic aid, will adequately take care of our needs. The problem is we have now used $92½ million under Public Law 480 and a half million of the dollar appropriation. We are at the ceiling. We still have the Public Law 480 authortiy but we can't use it. So all we are asking under this on the economic side is you simply take that $177 million ceiling off so that we can use authority that is presently in our hands under Public Law 480.

Mr. PASSMAN. That cleared it up. You needed no additional money for economic aid. You only wanted the ceiling lifted to proceed?

Mr. HABIB. That is right.

FOOD REACHES THE PEOPLE

Mr. CONTE. I know that Mr. Long asked you some questions in this regard, but are you convinced that this Public Law 480 food actually gets down to the people?

Mr. HABIB. Yes, sir; we are. The areas in which it goes are fairly limited. The great bulk of it is consumed in Phnom Penh and in the city enclaves to which it goes. It has to be fed to them. They can't live without it.

RECONNAISSANCE FLIGHTS

Mr. CONTE. Mr. Secretary, it has been reported in the newspapers that American pilots are flying reconnaissance missions over Cambodia and other parts of Indochina. If this is so, what happens if one of these planes is shot down?

Mr. HABIB. That has not happened, sir. I don't know.

Mr. CONTE. General, do you want to answer that? Do we get into another Gulf of Tonkin situation?

Mr. HABIB. I wouldn't think so.

General FISH. We would hope not. If one of them were shot down, our reaction would depend upon the actual circumstances. For example, Khmer Armed Forces in the area might be in the best position to pick up survivors. I can't foresee anything like that you referred to as the Gulf of Tonkin. The will of the Congress is clear. I say I think the will of the Congress is clear how they wish us to operate, and we would operate in accordance with that.

Mr. CONTE. Thank you, General.

RIVER BLOCKADE

As I understand the situation, the access to Phnom Penh for food supplies is largely through the convoys through the Mekong River.

General FISH. Yes.

Mr. CONTE. The insurgents largely control the river. Won't that control increase, General, as the river levels drop during the dry season?

General FISH. Certainly that is one of the things that makes it easier for the Communists to choke the river supplies off for limited periods, because there is a narrower channel, a narrower passage. That is what is going on right now, because we are in the midst of the dry season. This is why they make the attempt at this time. It has been possible in spite of this to get convoys up the river, even as recently as over the weekend. It's apparent that the Khmer Government forces have been able to cope with the situation although, as I stated in my statement, this is at considerable cost of men and ammunition and materiel.

Mr. CONTE. If you close off the river, how do you get that food supply into the capital?

General FISH. We don't think they will be able to close it off. Of course, this is a judgment. We think the Khmer government forces have demonstrated a capability and combined knowledge, Army, Navy, and Air Force, to get the river opened up for periods necessary to get the convoys upstream.

DEPENDENCY ON U.S. FOOD

Mr. CONTE. I want to ask Mr. Murphy for what portion of their food is Cambodia dependent upon the United States and how long do you figure this will continue? Would it not be accurate to say that the Cambodian economy will continue in a shattered state as long as we have this military stalemate?

Mr. MURPHY. At the present time Cambodian production of rice, Mr. Conte, is down to one-third what was prewar level. Cambodia, you know, historically was a rice exporter. The war and the plight of the refugees who are afraid to plant into the cities has cut the rice down to one-third. So presumably, with exception of the small quantity that was given by Japan, a few thousand tons, we are making up the two-thirds difference. That is what the 314,000 tons is. That 314,000 tons is required to carry us through November because the first possible convoy that could arrive there from fiscal year 1976 funds would probably be late November or early December.

Mr. CONTE. Of this year?

Mr. MURPHY. Of this year. So we have to provide in this fiscal year for about a 120-day lead time between the time we sign the agreement with the country and the time the rice is off-loaded under the best of circumstances. That is assuming no difficulties with the convoys.

PURCHASE OF AMMUNITION

Mr. CONTE. General, you say that the major Cambodian military need is for ammunition. Why didn't you, and why don't you now, spend your entire military assistance budget on ammunition?

General FISH. Sir, at the present time we only have $15 million left. So even though we have spent the entire remainder, in fact we will spend about 90 percent of it on ammunition, that would not carry us through the period.

Mr. CONTE. $15 million would not?

General FISH. That is correct.

Mr. CONTE. How many rounds of ammunition would that buy?

Mr. VON MARBOD. That would buy roughly 7,000 short tons of ground ammunition.

Mr. CONTE. How many rounds?

Mr. VON MARBOD. I can give you a table providing that information. I can also give you a breakout by class of ammunition. The big items for Cambodia are 60-millimeter mortars, 105-millimeter howitzers and small arms ammunition.

Mr. CONTE. Get that for the record, please.

[The information follows:]

MUNITIONS ITEMS

Based on current prices and recent usage in Cambodia, $15 million would buy approximately: 22,900,000 rounds of small arms ammunition; 193,000 mortar rounds; 686,000 grenades; 119,000 artillery shells; 6,100 mines; 12,300 rockets; 2,500 bombs; and, 5,400 flares.

NATURE OF CAMBODIAN COMMITMENT

Mr. CONTE. I have one or two more questions, Mr. Chairman. Will you tell us, Mr. Secretary, exactly what the nature of our commitment in Cambodia is? In other words, is it a treaty, an executive agreement, or is it something else that commits us to Cambodian assistance?

Mr. HABIB. We don't have a mutual security treaty with Cambodia. I think the Secretary defined the commitment in the most realistic terms when he said, I think not long ago, that when they took up arms to resist what was happening to them, we helped them and we said we would help them and we continued to help them. It's a derivative, in effect, of our participation in the area. But no less an obligation thereby.

REFUGEE ASSISTANCE

Mr. CONTE. Is any of this aid going to assist the refugees? I would like to know how many refugees there are and what sort of program or arrangements there are for the refugees?

Mr. MURPHY. A very substantial amount of the economic aid is for refugees, Mr. Conte, in two ways. We have a program which is direct in which we are giving support to a number of voluntary agencies, such as CARE, Lutheran World Relief, Catholic Relief Services, U.N., and so forth.

Then part of it is indirect, because they are able to get some of the local currencies that are generated by the commodity import program. But we have $20 million out of our $100 million appropriation that has been authorized that is specifically and directly labeled for refugee assistance.

Mr. HABIB. I would like to read into the record a full report. I think the refugee situation is worth the concern and attention of the committee. Could I read something into the record as we anticipate it? I would like to read something on the refugees in Cambodia.

REPORT ON CAMBODIAN REFUGEES

It is estimated that there are almost 1½ million war displaced persons in Cambodia: 520,000 registered in Phnom Penh, 670,000 in the provinces, and 245,000 not registered. Of this number, only about 53,975

are in government camps and centers. The remainder are on their own or living with friends and relatives. An estimated 533,950 persons are receiving assistance in the form of food, shelter, clothing, et cetera, from the government of the Khmer Republic, voluntary agencies or international organizations.

AID provided in fiscal year 1974 approximately $3.9 million through voluntary organizations, you know, the Catholic Relief and CARE, World Vision, and International Committee of the Red Cross. In addition, in local currency the equivalent of $16.3 million was generated by the commodity import program and this has already been made available to these organizations and to a newly established semiautonomous Cambodian foundation for resettlement and development activity.

For fiscal year 1975, $20 million is proposed for dollar and local currency costs of seven direct hired technicians, resettlement equipment and materials, relief services, food and additional grants to voluntary and international agencies.

It's interesting to note that as of January 20, we estimate that 60,000 new refugees have been created by the current offensive which began on the first of January. The offensive has not only generated new refugees, but it also badly set back refugee crop programs. That is, the refugees were planting their own crops. It forced them out of those crop areas and it throws an additional burden on the need for imported Public Law 480 rice.

Mr. CONTE. Thank you, Mr. Chairman.

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

QUESTION OF LEGAL COMMITMENT

Mr. Conte mentioned something about our legal commitments to Cambodia. If we do not provide the appropriation we have not violated a legal commitment, have we?

Mr. HABIB. That is correct, sir, anywhere we have treaty commitments. All treaty commitments are based upon, as you know, the consent and the appropriation by Congress.

Mr. PASSMAN. I want to get that in the record.

Mr. HABIB. That is correct, sir.

Mr. PASSMAN. If we should deny all funds, we have violated no legal commitments?

Mr. HABIB. That is correct.

Mr. ROUSH. I was going to try to avoid any argumentative questions.

Mr. HABIB. They are fun.

Mr. ROUSH. But this response prompts perhaps at least a statement on my part, in that a while ago, during your testimony and during the time I was questioning you, you pointed to those nations, particularly those in the Pacific with which we do have mutual security agreements, as being those nations that would perhaps lose confidence in us because we would no longer keep our word if we backed off from Cambodia.

I am grateful to the Chairman for pointing out that we have no legal obligation to Cambodia in that regard. I can't for the life of me see how, that being the case, that it serves the best interests of this country to spend all of this money. However, the questions I have from now on, Mr. Secretary, are factual.

U.S. MILITARY ASSISTANCE BEGUN

I would like to go back and ask questions which will, I think, prompt short answers. When was it we first provided military assistance to Cambodia? What fiscal year was it?

Mr. HABIB. There were two periods, I think. In the current period, I think 1970.

Mr. ROUSH. That was the fiscal year 1970?

Mr. HABIB. Fiscal year 1970, yes, sir.

General FISH. $8.2 million in 1970.

AMOUNT PROVIDED IN FISCAL YEAR 1974

Mr. ROUSH. What did we provide in fiscal year 1974?

General FISH. $374 million. Fiscal year 1974, my figures here show $374 million.

MILITARY AID IN FISCAL YEAR 1975

Mr. ROUSH. We are proposing, if we should meet your request, to provide for fiscal year 1975 a total of $499 million in military assistance, is that correct?

General FISH. $497 million is my figure, sir. $275 million plus the $222 million that is now being discussed before the committee.

ECONOMIC AID IN FISCAL YEAR 1975

Mr. ROUSH. All right. I have $222 million plus $200 million, plus $75 million. You are correct. Then this year, if we should meet the authorization as far as domestic aid is concerned, through Public Law 480 funds we would provide $77 million. Is that correct? Is that the authorization ceiling for that?

Mr. HABIB. No, sir.

Mr. MURPHY. We have used $92½ million under Public Law 480 and we need another $73 million. So that would be $156 million.

Mr. ROUSH. How much under economic assistance?

Mr. MURPHY. $100 million.

TOTAL AID TO CAMBODIA IN FISCAL YEAR 1975

Mr. ROUSH. We are providing somewhere between $675 million and $700 million then in total aid to Cambodia for fiscal year 1975, is that correct?

General FISH. I make it $762.5 million.

FISCAL YEAR 1976 REQUIREMENTS

Mr. HABIB. I think your figures are in the ballpark.

Mr. ROUSH. What are you asking for, for fiscal 1976? I know this isn't before us right now, but I should think it would be a logical follow-on here. What are you asking for fiscal year 1976 by way of military assistance for Cambodia? I haven't had a chance to read my budget. They just delivered it to my office.

General FISH. It's $425 million.

Mr. ROUSH. Is that just military assistance?

General FISH. Yes, sir.

Mr. ROUSH. What are you asking by way of economic assistance?

Mr. MURPHY. The division of economic assistance for Indochina at the moment as between countries has not been figured out yet, Mr. Roush.

QUESTION OF ADDITIONAL REQUESTS

Mr. ROUSH. Can we be satisfied, Mr. Secretary, in general that you will not be coming in for another supplemental for fiscal year 1976 insofar as military assistance is concerned?

General FISH. I would say it would not be our intention. Of course, to what degree you can forecast the future and the policies that the Congress and the executive branch want to follow?

Mr. HABIB. The amount requested is on the assumption of the requirement for the year, Mr. Congressman.

SIZE OF CAMBODIAN ARMED FORCES

Mr. ROUSH. General, a few questions concerning the military. What is the size of the government forces fighting or under arms in Cambodia?

General FISH. About 222,000. Is that correct, General Cleland?

General CLELAND. That is including territorials.

Mr. HABIB. Break it down for them. Give them the figures for regular forces and territorials.

General CLELAND. For the regular combat forces, about 41,000. For the territorial forces, about 81,000.

Mr. ROUSH. You will have to pardon me, General, but what is the distinction between the regulars and the territorial forces?

General CLELAND. Sir, the regular forces are maneuver units. They are as close as you could get to our regular establishment. The territorials live in their home area and are more like militia.

Mr. ROUSH. Go ahead.

General CLELAND. In addition, there are the headquarters and support forces of about 75,000, a 10,000-man air force, and a 15,000-man navy.

NUMBER OF INSURGENTS

Mr. ROUSH. What are the number of troops, General, that the insurgents have under arms?

General FISH. General Tighe can answer that best.

General TIGHE. The number at the present time is estimated to be around 60,000.

Mr. ROUSH. They are giving the 222,000 a hard time.

General TIGHE. Yes, sir, that is a large body of insurgents.

Mr. ROUSH. You say it's a large body of insurgents, General.

General TIGHE. Yes, the regular combat portion is very large.

General CLELAND. Looking at regular combat forces you have quite a discrepancy.

NORTH VIETNAMESE FORCES IN CAMBODIA

Mr. ROUSH. How many, if any, North Vietnamese troops are in Cambodia? Are they actively engaged in combat?

General TIGHE. We estimate there are less than 2,000 North Viet-

namese actually engaged in combat. There are, however, somewhere around 2,000 to 3,000 North Vietnamese who are involved in logistics activities inside the country.

Mr. ROUSH. Is that in addition to the 2,000 engaged in combat?

General TIGHE. Yes, sir. In addition to that number, there is a substantial additional number up to some 20,000 VC out of South Vietnam working inside Cambodia in the logistics and support fields.

U.S. MILITARY PERSONNEL IN CAMBODIA

Mr. ROUSH. How many U.S. troops do we have in Cambodia? I understand the limitation.

General FISH. None.

Mr. ROUSH. We have a few with the Embassy, don't we?

Mr. HABIB. We have no troops per se.

Mr. ROUSH. People who belong to the Armed Forces then?

Mr. HABIB. General Fish, will you give the breakdown of the military personnel in Cambodia?

General FISH. 113 people in military uniform. It varies from day to day in order to stay within the ceiling. But these are the ones concerned with the logistics, the delivery team activity. 113 military is a good average.

General CLELAND. There is also the military attaché's office.

General FISH. Including the military guards at the Embassy also.

Mr. ROUSH. One said plus and one said including.

General CLELAND. The Marine Guard is included in the 113.

CIVILIAN MILITARY ADVISERS

Mr. ROUSH. Do we have any civilian military advisers?

General FISH. No advisers of any sort.

MOVEMENT OF SUPPLIES

Mr. ROUSH. I just thought I would ask. How do we get our supplies into Cambodia?

General FISH. Mainly through the convoys up the Mekong River. Some limited amounts come in by air.

Mr. ROUSH. Is that which comes in by air in planes controlled by Cambodian forces?

General FISH. I would like to have Mr. von Marbod comment.

CONTRACT AIR CARRIER

Mr. VON MARBOD. At the present time we have a contract with Bird Air, Inc., of the State of Washington. They provide five crews to supply Phnom Penh by air and to air drop rice and other materials into Cambodia. We provide them five C–130 aircraft and they fly approximately 10 to 12 sorties a day.

Mr. ROUSH. At any time are any of these planes piloted by U.S. Armed Forces pilots?

Mr. VON MARBOD. They are not. We discontinued that some months

ago. We have no current plans to reintroduce United States Air Force military crewed flights, either in an air-land or air-drop role.

Mr. CONTE. Will the gentleman from Indiana yield?

Mr. ROUSH. Yes, sir, certainly.

TYPE OF CONTRACT AND COST

Mr. CONTE. Could you tell us what kind of a contract that is with Bird? What is it costing the Government?

Mr. VON MARBOD. The total cost for that contract this fiscal year is currently about $1.8 million.

Mr. CONTE. How much are we paying per trip?

Mr. VON MARBOD. I would have to provide that information for the record, Mr. Conte.

[The information follows:]

BIRD AIR COSTS

The terms of the contract identified a cost of $450 per hour. Based on experience to this date, the average for each round trip has been 2.3 hours. This would equate to a payment of approximately $1,035 to Bird Air per trip.

BACKGROUND OF AIR CARRIER

Mr. CONTE. Also provide for the record some background on the Bird Co.

Mr. VON MARBOD. Yes, sir; I will do that.

[The information follows:]

BIRD AIR CO.

The Bird Air Co. is a division of Bird & Sons, Inc., a Washington State corporation with general offices in Oakland, Calif. On September 27, 1974, the Department of the Air Force announced the awarding of a $1.76 million letter contract to Bird Air Co. for airlift support of the U.S. military assistance program to Cambodia.

Previously, the Bird & Son Co. had a contract with USAID/Laos to provide six jet Ranger helicopters to support the USAID refugee and humanitarian programs in Laos. However, this action is not related to the airlift support of Cambodia.

MATERIAL IN PIPELINE

Mr. CONTE. Thank you. You said we only had $15 million remaining for ammunition. Yet, by your own statement you say the delivery pipeline is $42 million and in-country stock is $29 million.

General FISH. Sir, as I understood your earlier question, it was how much money was left that we could spend for ammunition. That is, the $15 million is all we have left. The rest has already been spent. But the things are in the pipeline getting there. This is the value of the pipeline.

Mr. CONTE. On top of the $15 million, you have $42 million in the pipeline.

General FISH. That is right. It's the value of the material in the pipeline.

Mr. CONTE. And then $29 million in-country stock?

General FISH. Of things in country. That is the value of it.

Mr. CONTE. But it hasn't been fired or anything? It's still there?

General FISH. That is right.

$86 MILLION IN AMMUNITION

Mr. CONTE. Actually, to set the record straight, you have about $86 million here in ammunition.

General FISH. Yes, sir. We have discussed that, and that is right. That is what they are going to have to run on.

Mr. CONTE. So when we change that record, when I ask you how many rounds of ammunition $15 million would buy, I would like to know what $86 million would buy.

General FISH. Yes, sir. Roughly the answer in short tons would be about $2,350 a short ton. So that is the arithmetic of it.

Mr. CONTE. When you are talking about tons I think of gravel or something. Give it to me in rounds.

General FISH. We will.

[The information follows:]

MUNITIONS ITEMS

Based on current prices and recent usage in Cambodia, $86 million of military assistance would buy approximately the following munitions items: 131,300,000 rounds of small arms ammunition, 1,108,000 rounds of mortar ammunition, 3,933,000 grenades, 685,000 artillery shells, 35,518 mines, 70,300 rockets, 14,400 bombs, and 31,000 flares.

AMMUNITION SUPPLY REMAINING

Mr. PASSMAN. I believe you stated categorically for the record earlier that under the present rate of expenditure you have only a 60-day supply.

General FISH. Yes, sir. I tried not to make it categorical.

Mr. PASSMAN. I thought so. I thought you said at the present rate of expenditures.

General FISH. Yes, sir.

Mr. PASSMAN. Then everything would be gone in 60 days.

General FISH. Right.

Mr. PASSMAN. If they drag it out, they will have to use less.

General FISH. That is right.

Mr. PASSMAN. And they can only drag it out up to the 60 days.

Mr. OBEY. Mr. Habib, it's getting late. I think Mr. Roush has asked most of the specific questions that I have been interested in. Let me ask you a couple of general questions.

PRIMARY GOAL IS NEGOTIATED SETTLEMENT

In response to Mr. Early earlier, you indicated that your primary goal is a negotiated settlement. Right?

Mr. HABIB. Yes, sir.

Mr. OBEY. You implied that in the absence of any negotiated settlement that it was the policy of the United States to continue supplying money to Cambodia.

Mr. HABIB. Yes, sir.

MILITARY DEFEAT IN CHINA

Mr. OBEY. If there is no negotiated settlement, then you say the difference between "abandoning" Cambodia and the difference between

what happened in China is simply that there was a military defeat which occurred in China. Is that right?

Mr. HABIB. I suppose if I said that, to talk about the difference between two such circumstances which occurred at two different times in history, it's not a question one answers by saying yes. That is right. I could say yes, that is right; but, on the other hand, I could spend some time with you pointing out the differences that there are in the circumstances in the situations in our own involvement, in our own expectations. In a way, yes; in a way, no.

Mr. OBEY. In defending your original statement—that it was without precedent for us to abandon—your words were, "Such a decision would amount to a conscious act to abandon a small country to a forcible Communist takeover, an action without precedent in our history." When I asked about China you indicated that——

Mr. HABIB. That I didn't consider that a conscious act of abandoning. No; I did not.

Mr. OBEY. Your reason for that is that it was a military defeat?

Mr. HABIB. And also our relationship with the people involved went on. It went on in a different form, but it went on.

NO OPEN-ENDED COMMITMENT

Mr. OBEY. At the bottom line let me simply ask this, I know you said there is no openended commitment. To me it seems that is the only question we have to ask. You have indicated that there is no openended commitment on the part of the United States. You defend that statement by saying that we hope we can get a settlement.

Mr. HABIB. By virtue of the law, there can be no openended commitment. The Congress must appropriate the funds each year. There can be no openended commitment. The United States never makes openended commitments.

Mr. OBEY. Of course that is true. If I go home and justify to my farmers and everybody else in rural Wisconsin why we have to continue to shell it out, they are going to want to know for how long and they are going to want to know whether we do have a definite policy to end our involvement soon. And if the other side isn't nice enough to come to the table, it just seems to me that what you are saying is that, in the event there is no negotiated settlement, we are just going to go on and on and on.

CONSEQUENCE OF DEADLINE

Mr. HABIB. Mr. Congressman, if you set a deadline of 1 year or 2 years or 3 years, then I think you get back to the circumstances that Congressman Long said a while ago—they will never come to the table.

Mr. OBEY. I understand it. That is why I feel if we are going to cut this money off it would be silly to give you some money now and say no more come the next fiscal year.

Mr. HABIB. That is if you have decided that you are prepared to see it go.

Mr. OBEY. Right.

Mr. HABIB. That is a determination for which we have tried to point out to you what the consequences are. I think you understand that.

LOSS OF CAMBODIA

Mr. OBEY. I understand. Again I want to quote the same statement I did before, that General Fish indicated that, "Cambodian armed forces have increasingly had to rely on the superiority of U.S.-provided firepower and logistical systems to offset Communist advantages of supplies and aggressiveness."

In the end, assuming that there is no increase in the annual dollar commitment on the part of this country to Cambodia, and assuming for the moment that there would not be reached a negotiated settlement, in the end doesn't what we have been told about the military situation imply that they will probably go down anyway?

Mr. HABIB. Are you also assuming that the other side will maintain the level of conflict at the existing level?

Mr. OBEY. I am not assuming anything.

Mr. HABIB. But you have to assume that. If the other side maintained the present level of activity, your presumption is correct, and if we do not put the resources into it, your assumption is correct.

HOPE FOR NEGOTIATED SETTLEMENT

Mr. OBEY. It seems to me the only question we have to ask is how much confidence we have in the hopes that there may be a negotiated settlement in the not too distant future. Isn't that really the only question we have to decide?

Mr. HABIB. That is one side of the coin. On the other side of the coin you also have to consider the question as to whether or not you are unprepared to provide those resources which they would require to defend themselves. There is that side of the coin also. They go together.

Mr. OBEY. I for one have absolutely no confidence that a negotiated settlement would be forthcoming. I really think that it is a mighty weak reed for us to lean on.

Mr. HABIB. Let me say very strongly I do not agree with that statement. I base my disagreement upon an understanding of the circumstances of negotiations and what might be involved far beyond what I can discuss in this session.

Mr. OBEY. I understand that. But that is no different than anything we have heard before.

Mr. HABIB. It is quite a bit different.

Mr. OBEY. With all due respect, sir; I don't think so. What I am concerned about is what Mr. Koch indicated earlier. I see my district turning isolationist every day. I come from a State which is in the old La Follette tradition.

Mr. HABIB. I remember it very well.

Mr. OBEY. La Follette was one of the few people who voted against our getting involved in World War I. We have had that tradition in the State of Wisconsin ever since.

SLAVISH ADHERENCE TO COMMITMENT

What bothers me very much is the implication which Mr. Koch raised. I think that my constituents—and I think the same is true for the rest of the country—are losing their ability to differentiate. What I am afraid of is that if we follow the logic of one statement made by

the chairman, for instance, when he said that, to refuse these dollars now would be a repudiation of the policies of Presidents Truman, Eisenhower, Kennedy, Johnson, Nixon, and Ford, and when both you and General Fish have indicated in the words of General Fish:

> Such withdrawal would not only lead to the loss of Cambodia but also to the even more important loss of confidence on the part of other allied and friendly nations in the validity of U.S. commitments to international security.

I am concerned that if not only our allies but our own people feel that we are putting slavish adherence to commitments ahead of consideration of the wisdom through which we both make and review those commitments, that we are going to have just that. We are going to have a return to the nobody but us philosophy that we had in the 1920's and 1930's and which led to World War II.

SENSE OF URGENCY

I realize this is more of a speech than a question, but I can understand the sense of urgency you feel in asking for these funds. But I feel just as deeply and I have a concern which is every bit as serious, that if we continue this, just based on the slim reed that there may be somewhere down the line another negotiated settlement, which as Mr. Bevill earlier pointed out might or might not be more successful than the last one in Vietnam, that our people are not going to support the kinds of commitments we ought to make.

QUESTION OF AMERICAN WILLINGNESS

I talked to four or five groups last weekend and asked each one of them if we went to war in Europe tomorrow, would they be willing to send troops and they said no. I think that that is a very serious situation and I think every day that this continues contributes to that.

Mr. HABIB. Mr. Congressman, I couldn't agree more with almost everything you said. I also am concerned, and I think the United States policy has reflected the concern over this withdrawal mentality which has been growing in this country.

None of us who have anything to do with the foreign policy responsibilities of the United States can have anything but the same sort of concern that you have expressed with respect to the willingness of the American people to support the kind of foreign policy, the kinds of commitments that we have developed in the interests of a stable and peaceful world.

It's a much bigger question than Cambodia. I agree with you in that regard.

U.S. RESPONSIBILITIES

But I would say this, that you and I and others like us who have the responsibility to exercise the authority given to us in these fields have to take into account the totality of the problem and then explain it to our people. I think, for example, that it can be explained to our people that we have responsibilities in the world. I know very well the disturbing effect that the last 10 years have had with respect to the development of the kind of foreign policy that we were used to or we were looking forward to as well. But that doesn't deny the validity of the argument. And it doesn't deny the requirements of the immediate situation.

LACK OF ASSURANCE

It would seem to me that I could solve my difficulty in persuading you if I would say to you, "Mr. Congressman, I swear to you that tomorrow I can produce an agreement and we would get a peaceful settlement." I can't say that, in all honesty. But I can say this to you in all honesty, that it can be done, that it will not be done in the face of military weakness, that it will only be done in the face of the kinds of military circumstances that move people to a compromise settlement.

The elements in the situation over which we have some influence—our own policy, the policy of our allies—have moved in that direction already. The elements of the situation over which we do not have control have not reached that conclusion yet. I think that they can be brought to that conclusion. I have reason to believe they can be brought to that conclusion.

If I could give you blanket assurance of the sort that you ask from me, I would give it to you. But I can't in all honesty give it to you, so I hesitate to do that.

Mr. OBEY. I understand that.

Mr. HABIB. We had a period when people would make promises rather easily about these kinds of circumstances. I am very cautious and very careful not to do that with you.

Mr. OBEY. In light of the past history of this whole problem, I wish I could say that that assurance is enough for me. But it isn't.

Mr. HABIB. I realize that.

CAMBODIA AND UNITED STATES NATIONAL INTEREST

Mr. OBEY. I think there is a very good reason why the American public has lost its ability to differentiate. I think it's because their policymakers have lost an ability to differentiate.

For the life of me I do not see why Cambodia is considered central to our own national interests. I don't even see where other countries in that area see our involvement in that area as central to their own national interest.

Mr. HABIB. When you put the matter in absolute terms, central to our interest, quite obviously I have no response for it. Obviously, Cambodia in and of itself is not central to our national interest. Our national interest is constructed of a whole series of elements, whether it's Cambodia, whether it's Vietnam, whether it's NATO, whether it's our policy in the Middle East. Cambodia, among the influences bearing upon American policy today, is not the central issue.

But in looking upon our responsibilities with respect to Cambodia, the commitments we have made, the obligations we have assumed, the conditions which we have set forth for the Cambodians in respect to our readiness to assist them, when I look at the whole complex of it, I can see where Cambodia fits as one piece in the complex of American foreign policy interests. But to argue that it's central to the interests, I would never argue that in front of this committee.

Mr. OBEY. I can see where every country on that map fits somewhere.

Mr. HABIB. That is correct.

Mr. OBEY. Because we happen to be a piece of the same geography.

WORLD INTERDEPENDENCE

Mr. HABIB. That is correct. The interdependence of the world at the moment and the relationship of the United States per se, the role the United States has played in the world, the role the United States has played in its attempt to bring about some kind of stability and rational peace and equilibrium in this area as well as elsewhere is well known to you. What I am asking you to do is not abandon a piece of it. I am not asking you to change your concept of the whole policy.

Mr. OBEY. All I am suggesting is that the pieces that you are insistent on hanging on to are making it more difficult for us to have an effect in other places which are of greater interest to us.

Mr. HABIB. And I am saying to you that if you let the pieces go it will have an effect in the other areas which are of interest to us, of possibly greater interest to us, also.

Mr. OBEY. The logic of that is simply that we have to continue the same old involvement everywhere, without discrimination.

Mr. HABIB. It's not the same old policy, Mr. Congressman. I think the idea that what we are pursuing in Cambodia is the same old policy is not accurate.

WITNESS COMMENDED

Mr. OBEY. Mr. Secretary, can I just ask you one question. Are you a lawyer?

Mr. HABIB. No, sir. I never took a law course in my life. I am not a political scientist either. I never took a course in political science.

Mr. OBEY. I am not a lawyer either, but let me suggest you probably ought to be one because you make the best defense of a bad case I have seen in a long time.

Mr. HABIB. Thank you. I take that as a high compliment.

Mr. PASSMAN. Mr. Coughlin?

TOTAL COST OF AID TO CAMBODIA

Mr. COUGHLIN. So I am sure I have the figure straight, the total aid to Cambodia for the year was $762 million. Is that everything, lock, stock, and barrel, all the faucets, as the chairman would say?

General FISH. That's roughly what we added up to.

Mr. HABIB. That is on the assumption that we get what has been asked for from the Congress in the current request.

Mr. COUGHLIN. That is everything?

Mr. HABIB. As best as can be told. You had better hedge, yes, sir.

General FISH. We will check for the record.

Mr. HABIB. To our full knowledge, yes, sir.

Mr. COUGHLIN. That amounts to about $100 for every man, woman, and child in Cambodia.

Mr. HABIB. War is one expensive business, as we have learned. As the chairman himself stated earlier, it's something like $150 billion in Indochina since World War II.

Mr. COUGHLIN. Don't they earn only about $90 per capita?

Mr. HABIB. As somebody once suggested, if we took the budget and divided it up to so many dollars per person, you could give every man, woman and child *x* thousand dollars, which is more than they have

seen in their lives. It's the tragedy of the situation, but that doesn't change the nature of the situation. You are right.

Mr. PASSMAN. Would the gentleman yield?

Mr. COUGHLIN. Yes, sir.

Mr. PASSMAN. You had better check your response to these questions before you make it a positive statement, because you do have a pipeline in the aid program and that will have to be added to this total. You had better have a look at the other spigots because you do have other programs.

Mr. HABIB. That is why I hedged a bit. Thank you. No one knows how to add better than you do. I know that.

Mr. PASSMAN. I do know you have a pipeline and you want to make it all inclusive. Is that fair enough?

Mr. HABIB. We will check the figures because as I said, I am not trying to dodge. I am just trying to make sure we don't mislead.

Mr. COUGHLIN. It has been stated in the testimony here that every single penny of the $762 million was vital to Cambodia's survival, so we are talking about an all-or-nothing proposition, $762 million or nothing.

Mr. HABIB. No. Part of the amount that is included in that $762 million has already been appropriated by the Congress—pardon me—has already been authorized. Some of it has not yet been appropriated. Some of it has been appropriated.

Mr. CONTE. On the continuing resolution.

Mr. HABIB. Yes. Some of it has been appropriated and some of it has not been.

Mr. COUGHLIN. It's either $762 million or nothing in terms of Cambodia's survival. That is the decision that we are faced with?

Mr. HABIB. I would put it in another way. I would say that the marginal amount is the supplementary amount. The supplementary amount is necessary given the present level of expenditures.

Mr. PASSMAN. Will my colleague yield again?

CONTINUING RESOLUTION

For the benefit of the new members, under the continuing resolution actually you have obligated or can obligate up to two-thirds of the funds for the year or 8 months. So when we mark this bill up subsequently, we would be really considering only 4 months out of 12, because we have given them the authority to obligate funds for 8 months.

COST TO TAXPAYER

Mr. COUGHLIN. I understand that, Mr. Chairman.

What I am trying to get at is what is it going to cost the American taxpayer for the year to support Cambodia.

Mr. HABIB. Yes.

Mr. COUGHLIN. The total figure.

Mr. HABIB. We will check the figure and see that the accurate figure is in the record.

Mr. COUGHLIN. Mr. Chairman, it's late. That's all I have.

Mr. PASSMAN. Thank you very much.

Mr. Koch?

Mr. KOCH. No questions.

Mr. PASSMAN. Mr. Early?

AMOUNT ORIGINALLY REQUESTED

Mr. EARLY. Mr. Secretary, your original authorization was for $275 million. You are now asking this committee to increase that 80 percent, another $222 million.

Mr. HABIB. No, sir. I think you would have to go back to the original request, if you want to go to what the administration proposed. I think I would ask Mr. von Marbod or General Fish to give you that.

General FISH. $390 million was the original request.

Mr. EARLY. You are getting conservative. You are asking this committee to increase your original request over 30 percent.

Mr. HABIB. By virtue of both the increased level of consumption and the increased costs, yes, sir.

Mr. EARLY. And you say it's not a bottomless pit. Let me ask a question of General Fish.

REVIEW OF COST FIGURES

General, you are requesting that this committee allow Cambodia to increase their military force or their military use of ammunition almost 50 percent over what they have used during the first 7 months. Is that true?

General FISH. Let me see. I will check that figure for you. We are asking for $171.3 million for ammunition, and our initial request to Congress was $299 million for ammunition.

Mr. EARLY. Using that sheet, the second column, based on the current ceiling, $256 million which the other chart shows you have spent, you show that you used $163 million worth of ammunition through 7 months. Is that correct?

General FISH. Yes, sir.

Mr. EARLY. Taking the difference in column 5 of $344 million, you are asking us to use $181 million for the remaining 5 months for ammunition.

General FISH. I think that I should put those figures in perspective, Mr. Congressman. The point here is that we are now in the dry season. The offense started the 1st of January. It's just as with all statistics, you have to seasonally adjust them. And the straight line rate would mislead anybody who would read the record.

Additionally we have called down some of the supplies that were in-country, and we won't in this proposal propose that they run competely dry at the end of the fiscal year. There will have to be a stock to carry on into the next fiscal year, and it's at the modest level that has been maintained in the past. You can't do the straight-line calculation.

Mr. EARLY. Using your figures, these balances, what you have actually spent to date, with your remaining authority, the delivery in the pipeline and the in-country stock, you said roughly we had 60 days?

General FISH. Yes, sir.

Mr. EARLY. Using that, that would get us through to February 2 or to the beginning of February. You are still telling us that you are going to escalate the amount of ammunition that you are going to use over the next 5 months over the previous 7 months.

General FISH. You are reading that $171 million as ammunition we are going to use.

Mr. EARLY. I am not using the $171 million, sir. I am using column 5, which would be the aggregate of your already appropriated $275 million plus your request of $222 million, or $497 million, and you are asking for $344 million for ammunition in that column.

General FISH. That is correct, sir.

Mr. EARLY. That is over column 2, $163 million, that is an $181 million increase?

General FISH. Yes, sir.

Mr. EARLY. Therefore you are saying that over the first 7 months you have been spending at a rate of $37 million. You are now asking us to go to a rate of almost $49 million. You are escalating the amount of ammunition you want to use.

General FISH. No, that is the amount we are going to buy but not necessarily use.

Mr. NELSON. There are two factors here. I am Frank Nelson, on the general's staff here.

First of all, there is a big change in the cycle between the wet and the dry season. We are going to use more ammunition even with conservation.

Second——

WET AND DRY SEASONS

Mr. EARLY. Would you explain the wet and dry season?

Mr. NELSON. All right, sir. I would rather turn to General Cleland, who spent 2 years over there.

Mr. HABIB. This is fairly simple. The current campaign started on the 1st of January.

Mr. EARLY. Is that the wet season?

Mr. HABIB. It happens to be the middle of the dry season. The dry season in Cambodia begins about the end of November and goes until about the month of May. The current campaign began the 1st of January. That is not to say there was not fighting going on between July 1 and January 1.

There was, but it was at a somewhat, a substantially, lower level than the level that has been going on since the offensive began, and it's a substantially lower level than what is anticipated between now and the rest of the dry season, because there is every indication that the Khmer Communists intend to maintain the level of activity at this high level, or even increase it.

QUESTION OF ESCALATION

Mr. EARLY. Mr. Secretary, you are asking this Congress to approve $497 million for military aid to Cambodia for 1975.

Mr. HABIB. That's correct.

FISCAL YEAR 1976 ESTIMATES

Mr. EARLY. You remarked to Congressman Obey that the President has requested $425 million for fiscal 1976. Is this indicative of de-escalation?

Mr. HABIB. The request for 1976 is based upon a certain assumption of requirements for a given level of activity in 1976. You make these estimates as best you can.

Mr. EARLY. I didn't follow that at all.

Mr. HABIB. The request for fiscal year 1976 is made on the basis of the best assumptions that you can as to what will be required and the price levels.

Mr. EARLY. You were pretty specific in your comments that we would lose entirely if you didn't get the $222 million. You are very general when we speak of the $425 million for fiscal year 1976.

Mr. HABIB. That's correct. If you can get the $222 million through and end up this fiscal year with the kind of position that that would produce, the request for next year is at the level of $425 million.

Mr. EARLY. So President Ford is de-escalating?

Mr. HABIB. He is reducing the amount that is being requested of the Congress in the next fiscal year as compared to the total amount requested for this fiscal year, that is correct.

Mr. EARLY. Mr. Secretary, is your department supporting that?

Mr. HABIB. Yes, sir.

Mr. EARLY. You are asking us to increase with the suggestion that we are going to decrease for fiscal year 1976?

Mr. HABIB. That is the arithmetic of the request; yes, sir.

Mr. EARLY. It's strange arithmetic.

Mr. CONTE. Will the gentleman yield there?

Mr. EARLY. Yes, Mr. Conte.

COST INCREASE

Mr. CONTE. In fiscal year 1975 you asked for $362.5 million for the military and now you are bumping that up to $497 million?

General FISH. No, sir. We asked for, in effect, $390 million. When we give the country amount, this does not include the charges for packaging, crating, handling, and transportation, which are carried in a worldwide account. But we do allocate to the country program the value of such services as actually spent for the country during the fiscal year; so in the total there is an additional amount for supply operations, as we call it. For Cambodia, the request is on two lines, the country line and the supply operations line, and that totals $390 million.

Mr. CONTE. Take $390 million. You are still asking for $497 million?

Mr. HABIB. Yes. sir. That was addressed earlier.

Mr. CONTE. $100 million more than you originally came up here for?

General FISH. That's correct, a higher level.

Mr. HABIB. An increase in cost.

Mr. CONTE. Mr. Early asked about the 1976 amount. That could bump up to——

BEST ESTIMATE OF REQUIREMENTS

Mr. HABIB. You are presupposing there will be a requirement for a supplemental in 1976. I think nobody can operate on that assumption. If we had thought there was going to be a requirement for a higher amount in 1976, the presumption would be the people who work up these figures would have included it in the 1976 request. I don't think it's strange arithmetic at all, Mr. Early. I think what it amounts to is

the best estimate as to what is required to maintain a certain level of supply.

Mr. EARLY. Mr. Secretary, what we are talking about, not assuming a supplement from $425 million to reach $497 million, if we approve this figure, but what Mr. Obey was talking about, that sooner or later we have got to tell the public the truth. By this assumption you are going to request $497 million for Cambodia in the budget that was submitted at 12 o'clock today by the President, which says with inflation and all we are only going to spend $425 million for fiscal 1976.

Mr. HABIB. That is not what he said in my understanding of what he is doing. He is requesting the Congress to appropriate $425 million.

TRUTH

Mr. EARLY. He is telling the Congress that he doesn't need as much money as he had in his $497 million request. Can you say we are telling the public the truth?

Mr. HABIB. I certainly believe the President would not intentionally mislead the public on any items of this sort. Neither would anybody who works up the figures. I could assume a situation if you want in which we wouldn't need more than $100 or $200 million of that and you wouldn't need the $25 million either.

Mr. EARLY. Wouldn't you call that lying to the public?

Mr. HABIB. No, I would not. I said I could assume but I don't.

Mr. EARLY. But if you did?

Mr. HABIB. But I don't assume that level.

Mr. EARLY. If you did assume that, would that be lying to the public?

Mr. HABIB. Sir, let me just give you an example. I don't consider any of it lying to the public. Let me just give you an example which I think illustrates the whole thing.

Mr. EARLY. Before you get away from that, Mr. Secretary, you have to tell me about that assumption. You said that if you assumed you told the public you only needed $100 million in the budget which was

Mr. EARLY. Wouldn't you call that lying to the public?

FIGURES ARE BEST POSSIBLE

Mr. HABIB. May I give you the example that I want to and you will see exactly what I mean. When we came up for 1975, the estimate of what was required for Laos was $100 million. That was before the cease-fire and before we knew what the level of requirements was really going to be. The Congress has imposed a ceiling of $30 million after the cease-fire, and we do not intend to ask for, and we do not need, a supplemental for Laos.

The reason I cite that example is it all depends upon the level of conflict. It all depends on the level of utilization of the resources. What the administration has to do when it presents its budget for 1976 is to give you the best possible figures it can as to what it thinks is necessary to be appropriated for the fiscal year which has not yet begun.

Mr. EARLY. You are saying that in the fiscal sense the President says we are going to reduce aid by $70 million in Cambodia?

Mr. HABIB. The net result of all the calculations that went into that was that we should ask the Congress for $425 million to cover the requirements for Cambodia in fiscal year 1976; yes, sir.

Mr. EARLY. Which is a $70 million reduction?

Mr. HABIB. The arithmetic is precisely correct. That's correct.

REDUCED FISCAL YEAR 1976 REQUIREMENT

Mr. EARLY. You think you need $497 million in 1975, but you only think you need $425 million in 1976?

Mr. HABIB. Let me go at it this way, if I could, if it explains it any better. I thought that today we tried to point out the requirements and the manner in which the supplemental that we are considering will be used. When the hearing comes up for the use of the funds for fiscal year 1976, the presumption will be that those responsible must justify the entire amount. What you are saying to me is how do you know what we are going to use?

CREDIBILITY

Mr. EARLY. We have to establish credibility with the people.

Mr. HABIB. The credibility can only be established if we are consistent in our calculations, and the calculations must be based upon the best possible judgment of what is going to be needed. It's easier to judge what is going to be needed over the next 4 or 5 months than it is to judge what is going to be needed over the next 16 months. I might point that out to you also.

SOURCE OF INFORMATION

Mr. EARLY. General Fish, you said in your opening statement that you recognize an improvement in the Cambodian Army. You say that you see improvements in getting the ammunition to our ally. What are your sources for that? From everything I have read through the two statements and in last year's hearings where they said we had no worry about Phnom Penh, we had no worry of losing the war; there are inconsistencies. The information then was inaccurate. What is your source? We have no advisers over there; is that true?

General FISH. That's correct.

Mr. EARLY. Can you tell this committee how you can substantiate the increased efficiency of the Cambodian Army, how you recognize that there is not a misuse of ammunition, as was suggested in the hearings of last year?

General FISH. We do have an attaché's office there. They do make reports. They are on the scene. They are not advisers. But as attaché offices all over the world do, they attempt to keep us advised on what is occurring in the area.

Mr. EARLY. What is the number of personnel in that office?

General FISH. About 25.

Mr. EARLY. Are they restricted to the Embassy or do they have a free wheel anywhere they go?

General FISH. I don't know what you mean by "free wheel." They are not restricted to the Embassy.

Mr. EARLY. But is this the same Embassy that states that the phantom army isn't there any more?

General FISH. I don't believe the Embassy researched that. The IG of the State Department, Mr. Constante, was the individual who reported it in detail, and also has further recommended to the Cambodian Government corrective measures. Those measures have been put into effect and the judgment now is that they have been effective in reducing the degree of phantoms on the rolls.

Mr. PASSMAN. Thank you very much, Mr. Early. I want to commend the new members of this subcommittee for making a very great contribution to the hearings.

ANNUAL BUDGET REQUEST

This is a complicated bill. The budget request that reaches the Congress usually in January of each year is only an estimate, and in thousands of cases, even in our domestic programs they have to come back for a supplemental appropriation, many times 20, 30, or 40 percent over the original estimates, so this is par for the course. You advance your best estimates. If it's insufficient and changing conditions warrant making a supplementary request, you make that request but you leave it up to the Congress to determine whether or not you made a good case. Is that correct?

Mr. HABIB. That has been our practice, Mr. Chairman.

CONCLUDING REMARKS

Mr. PASSMAN. As this grand old gentleman, Dr. Hannah, used to say: "Mr. Chairman, you are wasting time. There is an asking price and a taking price. What we are submitting today is the asking price. We will get around to the taking price subsequently."

Oh, how many times I have repeated that for the record.

Mr. CONTE. It's illustrative and instructive, Mr. Chairman.

Mr. PASSMAN. Oh, yes.

In this entire aid program it has always been an illustrative program based on their best judgment. You have the right to transfer in and out of the AID program as such.

I know that the members of this subcommittee are going to weigh very carefully the testimony you have presented to this committee. As I said earlier, I am only one member of this subcommittee. I have my ideas and these people have theirs. As is often said when two men are in business and they always get along, one is often unnecessary. We need to have these different opinions but we are going to be as considerate as we can be.

I might say for the committee there is a possibility that Secretary Kissinger will appear before the committee. I don't hesitate to say for the record, having a few leaders down at the White House won't get you very much money. And I might say they are very fine leaders. Here is where you had better make your case, and of course the Senate side, too, if you will pardon me for saying that.

Mr. HABIB. We will report your view to him, Mr. Chairman.

Mr. PASSMAN. I am not going to commit suicide if he doesn't come, but he is being invited anyway. This concludes the hearings on the budget amendment for Cambodia. You have been forthright and you have answered these questions.

Mr. HABIB. We thank you for your courtesy, Mr. Chairman, and for your very interesting discussion with the members of the committee. We are ready to come back at any time on any subject you wish.

Mr. PASSMAN. If Mr. Kissinger can add anything to what has been said today he had better say it. That concludes these hearings.

STATEMENTS OF MEMBERS OF CONGRESS

We will now receive statements from Members of Congress on the Cambodia aid request.

If you don't mind we will follow the seniority system. I believe that would put Mr. Leggett first, then Mr. Ottinger, and then Mr. Moffett.

Without objection, I should like to insert in the record a statement by Congresswoman Abzug of New Nork.

[The statement follows:]

STATEMENT OF HON. BELLA S. ABZUG

Mr. Chairman, I am grateful for this opportunity to comment on the administration's request for $222 million in supplemental military aid to Cambodia. This request, in my opinion, ignores the stated will of Congress and of the American people. I hope that the Congress will stand firm in opposing it, as well as the request for $300 million more for South Vietnam.

The United States has already spent $150 billion on the wars in Indochina—dollars that might have helped to stave off the recession at home. For fiscal year 1975, the appropriation for Cambodia alone was $275 million, after the conference committee granted $75 million in drawdown authority which the House had not authorized. Now that money, which was to last until June, is almost gone, and the administration is back asking for more. This new request would bring our military aid alone to $497 million for Cambodia.

Just before recess, the Congress authorized a ceiling of $200 million on military aid to Cambodia, plus another $177 million in economic aid. Now the President asks that that ceiling be lifted so that commodities may be supplied under the food for peace program. In the last few years the Congress has studied that program thoroughly and learned how such money is converted into local currencies and put to military use also. And by various strategems the administration is able to get around these amounts. Congress was told of food for peace allocations of $30 million for Cambodia in fiscal year 1974, but the administration actually sent $192.2 million. I hope there will be no lifting of the congressional ceiling until we have found a mechanism that permits food to go directly to the needy refugees instead of to the ruler and his generals.

About 85 percent of our military aid to Cambodia goes to supply ammunition. Many eye witnesses have reported in our major papers that this ammunition is used wastefully—at the rate of 600 tons a day. Apparently the Cambodians prefer shooting at random rather than engaging their troops. I suggest that this may be due to a reluctance to kill fellow Cambodians. In a recent press report, an American officer complained that the soldiers preferred to shoot into a fish pond. On January 24, the Washington Post reported that barges carrying ammunition to Phnom Penh were stopped partly because their crews refused to go. It seems obvious that there is no great enthusiasm for the war among the citizens.

There is also no international agreement attempting to divide Cambodia. Left to themselves, the insurgents and the Lon Nol regime will be forced to negotiate. The people can only benefit—some 300 Cambodians are being killed or wounded every single day. This is an increase of casualties since the congressionally imposed bombing cutoff of August 1973—and it is being carried on with our tax dollars. President Ford has said that America's objective is "a negotiated peace" but Lon Nol will never negotiate as long as American money keeps flowing into his coffers.

That money amounts, incidentally, to about $1.6 million per day. What could we do with that money in the United States? Why are we using it to kill Cambodians? And why are we getting more deeply involved every day in this new secret war in Cambodia?

I am deeply concerned by the reports of our increasing participation, and by the risks it poses, in violation of the congressional ban against military involvement in Indochina. To at least six appropriation bills the Congress has attached a provision which states in essence that "* * * no funds heretofore or hereafter appropriated may be obligated or expended to finance the involvement of U.S. military forces in hostilities in or over or from off the shores of North Vietnam, South Vietnam, Laos, or Cambodia, unless specifically authorized hereafter by the Congress."

Yet for many months, American pilots in American planes have been furnishing reconnaissance information to the Lon Nol government. The administration claims that this is not a violation of the law because it does not constitute direct military involvement.

We also train Cambodian pilots at Udorn Air Base in Thailand; and from Thailand, U.S. C–130 Hercules transports, piloted by civilians, have been flying about 10 flights a day into Phnom Penh and airdropping supplies to Neak Luong. According to the New York Times, January 16, a so-called civil contractor in Thailand was given several Air Force planes with the insignia painted out. The pilots, so-called civilians, are mostly "returned" U.S. Air Force officers.

Worst of all, our military advisers are directing the war, under the direction of the U.S. Ambassador, according to a report of the House Foreign Affairs Committee. In the Washington Post, June 6, 1974, Phillip A. McCombs states that Ambassador John Dean is "even ordering specific big military operations."

This is obviously a dangerous game which is being played without the knowledge or consent of the American people. Recently a U.S. crewman in a civilian airliner carrying Government reinforcements was wounded. If American lives are lost, the administration might well provide armed escorts for their transports, then "protective" strikes on anti-aircraft positions. The next step could be emergency troop landings or bombings. Secretary Schlesinger stated on January 14 that "Congress * * * might well authorize the use of American force," in Indochina. I believe the Secretary is mistaken in his assessment of the Congress and the public. I do not believe that we will ever again fall into the trap of believing that endless funds and endless killing will solve anything in Indochina.

And what American interest could possibly be served by continuing this risk? Around the world, the United States is now striving for détente with Communist countries—yet these few million Asians in Indochina remain, supposedly, our enemies. Why are we so fiercely intent upon killing them, while making friends with China and Russia and every other Communist country except Cuba?

It is, we are told, a "commitment." In fact, it is a commitment from one government group to another, not from people to people. Americans were never asked whether they wanted to make such a commitment. They vehemently expressed their revulsion to the secret bombing of Cambodia in 1972, when they finally learned of it. And what American harbors hate for any Cambodian?

Yet, Americans are being asked to sacrifice to keep this war going. Mr. Ford has actually asked for a cut of $123 million in cancer research, and a $445.4-million cut for health research and services. While unemployment lines grow longer, while our older citizens and our poor struggle just to keep alive, we are asked to send $222 million more to Lon Nol for ammunition. Why?

To do less, we are told, would destroy our "credibility." Other countries would not believe that American protection can be relied upon. Perhaps it is time that those nameless "other countries"—mostly dictators with corrupt regimes—started relying on themselves instead of on American protection.

There is a principle which should apply to all American aid: Does the country in question practice some form of democratic government? Or, is it repressing its citizens? Does it serve the real interest of the American people—not the multinational corporations—to give aid? Under these conditions the Lon Nol government would not qualify.

In addition to opposing this supplemental request, I am sufficiently concerned about the situation in Indochina that, with 27 cosponsors, I have introduced a resolution of inquiry, House Resolution 1229, directing the Secretary of Defense to supply further information on the extent of our involvement there. I have also introduced in the 94th Congress H.R. 168, which calls for total termination of funding or military involvement of any kind in Indochina.

I believe that there will be no peace in this part of the world—and no ease for the conscience of Americans—until we have ended these useless, dangerous exploits once and for all.

Mr. PASSMAN. Mr. Leggett, we will be very happy to hear from you at this time.

STATEMENT OF HON. ROBERT L. LEGGETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

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

I have a prepared statement. I ask that the statement with the enclosures be inserted in the record at this point.

Mr. PASSMAN. Without objection, it will be inserted in the record at this point.

[The statement follows:]

STATEMENT OF HON. ROBERT L. LEGGETT

Mr. Chairman, I deeply appreciate the opportunity to appear before your subcommittee today on the subject of increased military aid to Cambodia.

I am opposed to sending one more U.S. dollar for war in Indochina in this fiscal year. We have already made our determinations in Congress as to what we thought ought to be spent for these purposes; in the case of Cambodia, the $275 million ceiling is less than 1 month old, and I personally feel that it is extremely presumptious of the administration to keep us under a continued bombardment of such requests as they have since the ceasefire.

Having told you that I am opposed to approving this request, let me give you my reasons.

By continuing to shower money on the warmaking machines we have created in Indochina, we encourage a profliate style of warfare that is expensive, but not very effective. According to the Cambodian military, consumption of ammunition is even higher now than it was at the height of last year's dry season despite supposed austerity measures. Pictures returned to us by newsmen show Cambodian soldiers advancing through empty fields emptying clip after clip of M–16 ammunition ahead of them, and being covered by incessant artillery and tank fire. This blind fire is necessary because the Khmer Rouge don't give away their positions by unnecessary firing, and Cambodian soldiers apparently would rather shoot at nothing than look for something to shoot at. Contrast that with the experience of our own American Revolution, where the proud boast of the Continental soldier was "one shot, one man." If it is true that necessity is the mother of invention, then I believe it is time we started exporting a lot more inventiveness and a lot fewer dollars. If the Cambodians feel they have something worth fighting for, they will find a way to fight it; if they don't, they won't.

There is also the question of where this never-ending flow of dollars comes from. The President's request, he tells us, is vital to "the survival of the Khmer Republic." Yet one day after he submitted this request for $222 million, he submitted a list of proposed rescissions and deferrals for agricultural programs totaling over $265 million. A listing of these proposed domestic cuts include:

	Millions
Agricultural Extension Service	$3.2
REAP	156
Water bank program	22.4
Forestry incentives program	25
Farmer's home administration	7.25
ASCS	22.9
Agricultural marketing service	2.0
Forest service	26.3
Total	265.05

In effect, then, we are being told that Cambodia has a greater claim on $222 million than American agriculture. I do not agree with this assessment of national priorities, I do not believe the House will agree with this assessment, and I hope that this committee will speak for us by not recommending passage of this proposal.

Just how important is this aid to Cambodia? The President's message says that it is vital that we make this money available immediately; yet in this same request he assures us that the proposal "will not increase 1975 outlays", so the money is not needed for at least 5 months. General Sosthene Fernandez, commander in chief of the Cambodia Armed Forces, has said that Cambodia could probably survive if we did not appropriate one more dime. Thus, it appears that the only urgency here is to involve the 94th Congress in Indochina the same way the 93d, 92d, 91st, and other Congresses were involved. It has been said of the elephant that it never forgets anything and it never learns anything. While that is apparently true of this Republican administration. I hope that the Democratic Congress will show itself to be smarter than that.

The President has said that these dollars represent "minimal resources" to Cambodia; yet by every account the Cambodian Army is better equipped than their opponents. He speaks of "adequate assistance" to Cambodia, but no ceiling is in sight. Last Thursday, Lieutenant General Graham, in testimony before the Defense Appropriations Subcommittee, gave his views that the only meaningful comparison of our aid to that given to the other side was whether we were giving them "enough to do the job." This incredibly subjective view, if it is in fact the administration's view, condemns the American taxpayer to eternal payments on an eternal war. The U.S. Arms Control and Disarmament Agency reports that since 1964 we have sent $387 million in direct arms aid to Cambodia, while the Soviet Union and China combined have sent only $22 million; in other words, for the last 10 years we have outspent the other side almost 18 to 1. In that period, both Cambodian sides have received a total of $488 million, 88 percent of which was supplied by the United States. We will be sending to Cambodia more than four times the amount we sent to Laos in the last year received military aid from the Defense Department if we approve this supplemental request; this is simply too much money at a time when we are sorely pressed at home. Mr. Chairman, hard times are upon us: we can no longer afford open-ended commitments to open-ended wars abroad. I urge you not to consider this matter favorably.

TABLE III. WORLD ARMS TRADE-RECIPIENT COUNTRIES BY MAJOR SUPPLIERS, CUMULATIVE 1964–73

[Million current dollars]

	Total	United States	Soviet Union	France	United Kingdom	Czechoslovakia	People's Republic of China	Poland	Canada	Federal Republic of Germany	All others
AFRICA											
Niger	1									1	
Nigeria	131	11	30	2	30	6				14	38
Rwanda	2			1					1		
Senegal	6	1		4						1	
Sierra Leone											
Somalia	77	1	69							3	4
South Africa	327	24		208	87					1	7
Southern Rhodesia											
Sudan	93	3	63		3	2	7			3	12
Swaziland											
Tanzania	81	1	2		1		62		8	1	6
Togo	5			3						2	
Tunisia	39	25		10						1	3
Uganda	23	1	8		3	4					7
Upper Volta	4			4							
Zaire	86	49		17	2					1	17
Zamria	53	6	1		12		1		4	2	27
EAST ASIA											
Total	17,837	13,261	2,858	54	176	24	1,118	10	26	15	295
Burma	57	42		4	5						6
Cambodia	438	387	9	20			13		1		8
China, People's Republic of											
China, Republic of	1,069	1,066									3
Indonesia	429	91	144	1	10	24					159
Japan	674	673									1
Korea, North	805		615				190				
Korea, Republic of	2,625	2,624									1
Laos	686	685									1
Malaysia	263	34		27	102				25	1	74
Mongolia											
Philippines	235	232									3
Singapore	122	42		2	46					8	24
Thailand	456	437			13					6	
Vietnam, North	3,030		2,090				915	10			15
Vietnam, Republic of	6,948	6,948									

CAMBODIA

[U.S. fiscal years, millions of dollars]

Program	U.S. overseas loans and grants—obligations and loan authorizations																
	Postwar relief period	Marshall Plan period	Mutual Security Act period	Foreign Assistance Act period											Total FAA period	Total loans and grants	Repayments and interest	Total less repayments and interest
	1946–48	1949–52	1953–61	1962–65	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1962–73	1946–73	1946–73	
I. Economic assistance [1]—Total			219.9	57.5	(*)	(*)	(*)	(*)	(*)	76.8	57.6	93.1	275.5	177	285.0	481.4	10.6	470.8
Loans											19.9	25.8			45.7	45.7	10.6	35.1
Grants			219.9	57.5	(*)	(*)	(*)	(*)	(*)	76.8	37.7	67.3			239.3	435.8		435.8
(a) AID and predecessor agencies			217.6	57.5						70.0	37.1	67.3			231.9	426.0		426.0
Loans	[2]	[2]																
Grants	[2]	[2]	217.6	57.5						70.0	37.1	67.3			231.9	426.0		426.0
Security supporting assistance	[2]	[2]	(203.6)	(32.9)	(—)	(—)	(—)	(—)	(—)	(70.0)	(37.1)	(67.3)			(207.3)	(395.9)		
(b) Food for Peace (PL 480)			2.3	(*)	(*)	(*)	(*)	(*)	(*)	6.8	20.5	25.8			53.1	55.4	10.6	44.8
Title I—Total										6.8	20.5	25.8			53.1	[3] 53.1	10.6	42.5
Repayable in U.S. dollars—Loans											19.9	25.8			45.7	45.7	10.6	35.1
Payable in foreign currency—Planned for country use										6.8	.6				7.4	7.4		7.4
Total sales agreements, including U.S. uses			(—)	(—)	(—)	(—)	(—)	(—)	(—)	(8.5)	(.7)	(—)			(9.2)	(9.2)	(—)	(9.2)
Title II—Total			2.3	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)			(*)	2.4		2.4
Emergency relief, economic development & world food			2.3													2.4		2.4
Voluntary relief agencies			(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)	(*)			(*)	(*)		(*)
(c) Other economic assistance																		

CAMBODIA

[U.S. fiscal years, millions of dollars]

Program	Postwar relief period 1946–48	Marshall Plan period 1949–52	Mutual Security Act period 1953–61	Foreign Assistance Act period 1962–65	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	Total FAA period 1962–73	Total loans and grants 1946–73	Repayments and interest 1946–73	Total less repayments and interest
	U.S. overseas loans and grants—obligations and loan authorizations																	
Peace Corps																		
Other																		
II. Military assistance—Total			67.6	23.6					8.3	184.0	187.2	138.0	381.3	275	541.1	608.7		608.7
Credits or Loans																		
Grants			67.6	23.6					8.3	184.0	187.2	138.0			541.1	608.7		608.7
(a) MAP grants			64.7	22.2					8.2	175.3	180.0	132.2			517.9	582.5		582.5
(b) Credit sales under FMS																		
(c) Military assistance service, funded (MASF) grants																		
(d) Transfers from excess stocks			2.9	1.4					.1	8.7	5.2	5.8			21.2	24.2		24.2
(e) Other grants											2.0				2.0	2.0		2.0
III. Total economic and military assistance			287.5	81.1	(*)	(*)	(*)	(*)	8.3	260.8	244.8	231.1	658.8	452	826.1	1,090.1	10.6	1,079.5
Loans											19.9	25.8			45.7	45.7	10.6	35.1
Grants			287.5	81.1	(*)	(*)	(*)	(*)	8.3	260.8	224.9	205.3			780.4	1,044.5		1,044.5
Other U.S. Government loans and grants																		
(a) Export-Import Bank loans																		
(b) All other																		

[1] Official Development Assistance (ODA)—Official concessional aid for development purposes.
[2] Includes $44,000,000 in grants under 104(c), Public Law 480.
[3] No programs prior to fiscal year 1955.
*Less than $50,000.

Note: Excludes aid to Indochina prior to partition; these data appear on the page for "Indochina—Undistributed."

VIETNAM

[U.S. fiscal years, millions of dollars]

Program	U.S. overseas loans and grants—obligations and loan authorizations																
				Foreign Assistance Act period													
	Post-war relief period 1946–48	Marshall plan period 1949–52	Mutual security act period 1953–61	1962–65	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	Total FAA period 1962–73	Total loans and grants 1946–73	Repayments and interest 1946–73	Total less repayments and interest
I. Economic assistance [1]—Total			1,544.9	851.6	736.5	568.1	536.7	413.5	476.7	575.7	454.6	501.7	654.1	574.9	5,115.1	6,298.1	228.6	6,069.5
Loans			97.3								59.2	179.0			238.2	330.3	228.6	101.7
Grants			1,447.6	851.6	736.5	568.1	536.7	413.5	476.7	575.7	395.4	322.7			4,876.9	5,967.8		5,967.8
(a) A.I.D. and predecessor agencies [2]			1,466.6	658.1	593.5	494.4	398.2	314.2	365.9	387.7	386.8	313.4			3,912.2	5,016.8	89.4	4,927.4
Loans	(3)	(3)	91.9													86.7	89.4	−2.7
Grants	(3)	(3)	1,374.7	658.1	593.5	494.4	398.2	314.2	365.9	387.7	386.8	313.4			3,912.2	4,930.1		4,930.1
Security supporting assistance	(3)	(3)	(1,394.2)	(622.2)	(583.1)	(483.8)	(391.8)	(293.1)	(361.0)	(383.9)	(385.2)	(312.3)			(3,828.4)	(4,871.8)		
(b) Food for Peace (P.L. 480)			78.3	193.5	143.0	73.7	138.5	99.4	110.8	188.0	67.8	188.3			1,203.0	1,281.3	139.2	1,142.1
Title I—Total			16.4	126.2	98.2	73.3	96.6	60.8	75.6	164.9	62.5	179.0			937.1	993.5	139.2	814.3
Repayable in U.S. dollars—Loans											59.2	179.0			238.2	238.2	138.6	99.6
Payable in foreign currency—Planned for country use			16.4	126.2	98.2	73.3	96.6	60.8	75.6	164.9	3.3				698.9	715.3	.6	714.7
Total sales agreements including U.S. uses			(22.2)	(140.2)	(113.7)	(138.7)	(122.9)	(77.6)	(103.1)	(206.0)	(4.1)	(−)			(906.9)	(906.9)	(−)	(906.9)
Title II—Total			61.9	67.3	44.8	.4	41.9	38.6	35.2	23.1	5.3	9.3			265.9	327.8		327.8
Emergency relief economical development, world food			.7	51.7	38.6		41.7	38.2	35.2	23.1	4.8	7.6			240.9	241.6		241.6
Voluntary relief agencies			61.2	15.6	6.2	.4	.2	.4			.5	1.7			25.0	86.2		86.2

U.S. overseas loans and grants—obligations and loan authorizations

Program	Post-war relief period 1946–48	Marshall plan period 1949–52	Mutual security act period 1953–61	Foreign Assistance Act period 1962–65	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	Total FAA period 1962–73	Total loans and grants 1946–73	Repayments and interest 1946–73	Total less repayments and interest
(c) Other economic assistance																		
Peace Corps																		
Other																		
II. Military assistance—Total			526.3	955.4	875.1	1,208.5	1,153.2	1,710.8	1,727.6	1,895.0	2,398.5	2,168.3	946.0	700	14,092.4	14,618.7	.....	14,618.7
Credits or loans																		
Grants			526.3	955.4	875.1	1,208.5	1,153.2	1,710.8	1,727.6	1,895.0	2,398.5	2,168.3	.....	.....	14,092.4	14,618.7	.....	14,618.7
(a) MAP grants			508.8	870.8	94.1	.....	.....	.....	.....	.....	.....	.....	.....	.....	964.9	1,473.8	.....	1,473.8
(b) Credit sales under FMS																		
(c) Military assistance service, funded (MASF) grants				34.0	767.5	1,203.5	1,054.5	1,608.2	1,684.1	1,874.5	2,159.5	2,144.0	.....	.....	12,529.8	12,529.8	.....	12,529.8
(d) Transfers from excess stocks			17.5	50.6	13.5	5.0	98.7	102.6	35.0	12.5	15.9	24.3	.....	.....	358.1	375.5	.....	375.5
(e) Other grants									8.5	8.0	223.1	.....	.....	.....	239.6	239.6	.....	239.6
III. Total economic and military assistance			2,071.2	1,807.0	1,611.6	1,776.6	1,689.9	2,124.3	2,204.3	2,470.7	2,853.1	2,670.0	1,601.1	1,274.9	19,207.5	20,916.8	228.6	20,688.2
Loans			97.3	.....	.....	.....	.....	.....	.....	.....	59.2	179.0	.....	.....	238.2	330.3	228.6	101.7
Grants			1,973.9	1,807.0	1,611.6	1,776.6	1,689.9	2,124.3	2,204.3	2,470.7	2,793.9	2,491.0	.....	.....	18,969.3	20,586.5	.....	20,586.5
Other U.S. Government loans and grants																		
(a) Export-Import bank loans																		
(b) All other																		

*Less than $50,000.

Note: Excludes aid to Indochina prior to partition; these data appear on the page for "Indochina-Undistributed."

[1] Official Development Assistance (ODA)—Official concessional aid for development purposes.

[2] Excludes reimbursements by the Department of Defense for grants, as follows, in millions of dollars: fiscal year 1967, $43.2; fiscal year 1968, $34.6; fiscal year 1969, $34.7; fiscal year 1970; $54.5; fiscal year 1971; $67.3; fiscal year 1972, $28.3; and fiscal year 1973; $75.1.

[3] No programs prior to fiscal year 1954.

[4] Includes $900.4 million in grants for common defense under Section 104(c), PL 480.

Ford Reveals $349 Billion Budget Total

(By Peter Millus)

President Ford said yesterday that he will send to Congress Monday a $349 billion budget for the coming fiscal year, a spending plan he noted comes to almost $1 billion a day.

The budget would increase total Federal spending about $35 billion or 11 percent over this fiscal year's estimated outlays, with most of that increase attributed to inflation. Without the likely inflation rate the cost of government would not grow much since the President reiterated that he will propose no big spending programs.

Even without such programs, the President told reporters, the projected deficit for fiscal 1976, which will start July 1, is $52 billion, a record for time of peace—and that projection assumes that Congress will go along with $17 billion in spending limitations and reductions Mr. Ford is proposing.

Those limitations include such things as a 5 percent ceiling on this summer's scheduled cost-of-living increase in social security benefits, which otherwise will rise an estimated 9 percent.

Congress has already indicated it will not go along with this. If it balks at all the cost-cutting recommendations he has made, the President said, the deficit will rise to nearly $70 billion.

The President spoke at the start of a budget briefing for reporters in the State Department auditorium. Such briefings are held every year, with the understanding that nothing from either the budget or the briefing will be published or broadcast until the budget is actually sent to Congress. This time, however, the White House permitted use of the President's comments in defense of the budget.

Mr. Ford noted he was the first President to appear at a budget briefing since Harry S. Truman on January 19, 1952. The budget that year, he said, had jumped to $85 billion, a sum then described as astronomical, and Truman called it "the biggest headache I have ever had."

"Harry," Mr. Ford said, "I hope you left some aspirin for me."

The budget and the likely deficit have presented Mr. Ford with both a political and an economic problem. The political problem is that, like other members of his party, he has spent most of his career deploring deficit spending, and now finds he is forced to recommend it. Next year's deficit will be on top of an estimated $32 billion to $34 billion this fiscal year, also a record for peacetime.

The economic problem is to recommend a big enough deficit to stimulate the economy out of the recession, yet not so big as to create future inflation.

Artillery Use Is Issue In Vietnam

(By Philip A. McCombs)

Saigon, February 1—During a 1-week period in January, South Vietnamese government forces fired 13 times as much artillery ammunition as the Communists, according to reliable sources.

The ratio varied in different parts of the country. In the northern quarter and in the populous Mekong Delta, the ratio was 10–1. In the important provinces around Saigon, the government fired 15 times as much artillery as the Communists during that week, and in the Central Highlands 18 times as much.

These figures are not unusual in Vietnam, and most analysts here agree that the government, in defending broad areas of the country against what are often hit-and-run guerrilla tactics of the Communists, must expend more ammunition than the attackers.

But how much more ammunition they need to expend is a subject of debate.

The experts differ sharply, with some saying a 20-to-1 advantage in men, ammunition and weapons, would be appropriate for a war like this. Others say that the South Vietnamese have been so spoiled by American extravagance that they need no more ammunition than they have, and could probably get along on less.

Opinions of military experts also vary on the importance of the $300 million in emregency military aid that the Ford administration is seeking for South Vietnam for the current fiscal year.

"The $300 million is important but not vital," said one analyst. "What will be vital is the appropriation for next year."

In this view, next year's must be at least $700 million, the same amount that Congress has so far appropriated in military aid for this fiscal year, if Saigon is to avoid possible military disasters.

Without the $300 million supplement, according to this analyst, Saigon's forces will be strained to find enough ammunition from April through June—the last quarter of fiscal 1975—but will continue to be able to fight effectively.

Another view is that Saigon's forces will be significantly hampered without the $300 million supplement. In this more dire view, Saigon's forces will be able to survive, but the net effect will be to prolong the conflict with sharp increases in government casualties.

A great deal depends on North Vietnamese intentions. Most analysts here expect that the current limited offensive will continue and intensify during 1975. If it should intensify greatly, as some believe it will, an ammunition squeeze could become pronounced.

Since the fall of Phuoclong Province to the Communists early this month, fighting around the country has lessened, and yesterday the government announced that the number of military incidents, 71, is the least since December 4.

But analysts say this is merely a lull in the Communist limited offensive. Even government officials say they expect that several more district and even province capitals will fall to the Communists during the next half years.

Reports reaching Saigon from Gianghia, the capital of Quangduc Province in the lower Central Highlands, say the most civilians have already been evacuated in anticipation of Communist assaults.

Many civilians have also fled the Tayninh Province capital, 55 miles northwest of Saigon. Other important areas not far from Saigon appear threatened.

If the level of fighting continues at the same intensity as during the past several months, experts say that by June the government's stocks of ground ammunition will be 25 percent below the required minimum.

This minimum is defined as enough ammunition inside South Vietnam to fight without resupply from abroad for 60 days at intensive levels comparable to the 1972 spring offensive, plus 30 more days at a more moderate, normal level of fighting.

This is considered a lower limit because resupply from the United States is said to take a minimum of 60 days once authorization is obtained.

Thus while there appears to be enough ammunition now, a critical shortage could develop quickly should the fighting intensify over a long period and no supplemental aid be granted by Congress.

The Communists, on the other hand, are said to have stockpiled enough ammunition inside South Vietnam to supply intensive fighting on the spring, 1972, level for a year and a half without outside resupply.

The Communists are said to have about 400 artillery pieces inside South Vietnam, and the government to have three or four times that many.

Even if the government fires only defensively, it will tend to fire more than the Communists, the experts say.

"You had 800 incidents in the delta in a recent week," said one analyst. "If the government fires a few rounds of artillery in half of these, you've got an enormous expenditure right there."

A few Communist soldiers firing their rifles at an outpost at night might elicit government artillery fire. Since the government is defending hundreds of outposts, the number of artillery rounds fired mounts quickly.

The 13 to 1 government artillery expenditure during 1 week in January is higher than the 9 to 1 for the last quarter of 1974 or the 7 to 1 ratio in the quarter before that.

During the first quarter of 1974, however, the government fired 17 times what the Communists fired, and during the second quarter 15 times as much, reliable figures show.

For 1974 as a whole, the government fired 12 times as much as the Communists, compared to 17 times as much in 1973. The sources that disclosed the statistics asked that the actual number of rounds fired for these various periods not be revealed.

In general, however, the government fired somewhat less than 5 million rounds each year during 1973 and 1974 while the Communists are said to have fired in the range of a quarter million to half a million rounds.

The actual ratio may tend to show government firepower as less than it actually is, because the government figures include only rounds fired from large artillery pieces while the Communist figures also include mortar rounds.

A study of the ratios and government casualty figures appears to show a direct relationship between lower government artillery fire and higher casualties.

For example, the weekly average of government soldiers killed in action during the first quarter of 1974 was 236, when the artillery fire ratio was 7 to 1. The figures for the other three quarters, in sequence, are: 304 dead, with a 15 to 1 ratio: 389 at 7 to 1, and 344 at 9 to 1.

Mr. LEGGETT. I appreciate that the hour is late and I believe the new rules of the House requires me to summarize.

I have great respect for the previous witness, Phil Habib. I have known him in Korea. I have talked to him in Paris. We have a common viewpoint on a large number of things, but with respect to this supplemental we have views which are diametrically opposed. Normally I think you can say on some of these programs you have got an asking price and a negotiating price, as you have indicated. I think, very frankly, that the limitation that has been put on Cambodia should hold. I say that for a number of reasons.

No. 1, they have got an $85 million pipeline.

No. 2, this country is going broke.

I don't need to tell you about this little red, white, and blue document that came out today. It carries with it a $52-billion deficit. That presumes that the Congress will enact legislation reducing payments to individuals on the order of $17 billion, about which George Mahon said today, "No way."

It assumes that we will steal the $3 billion surplus which is mentioned in here as surplus in the trust funds, so that we have a budget here which is, in general figures, $73 billion out of balance. That's for the next fiscal year. For the current fiscal year I believe we are talking about a budget deficit of something like $35 to $40 billion, and we are swiping $7 billion from the trust funds. Believe me, as far as I am concerned that is intolerable. I think that we have got to cut down everyplace around the block.

I find it extremely incongruous that on practically the very day that the President would ask us for $222 million for Cambodia, that he would offer us a list of reductions for agriculture totaling $265 million because he says we can't afford it.

I think we have to figure out what our priorities are. If you will look at the chart that I have got at the end of my testimony, this is prepared not by my office; it's by the Arms Control and Disarmament Agency, which is full of people from the Pentagon. What that shows, if you look at page 68 of the Arms Control and Disarmament Agency's report, is that for East Asia for the period 1964 to 1973, which is all of this area, Burma, Cambodia, a total has been spent for arms of $17.8 billion.

Of that total, the United States has spent $13.2 billion, the Soviet Union has spent $2.8 billion, France $4 million, the United Kingdom $176 million, the Communist Chinese $1.1 million, and Germany $15 million. I just think we have assumed about as much a role in this general area as we ought to assume.

If you compare the amount that we have spent with the Soviet Union and Chinese, their total is about $4 billion, so we have spent to date 3 to 1 what they have spent in this area, a little better than 3 to 1, $13 billion to about $4 billion.

I don't think we should increase these amounts.

If you look at the next page, that's your Cambodia worksheet. In the period from 1962 to 1965 we spent $81 million. That is economic and military. In 1966 we didn't spend a dime. Sihanouk was in power. In 1967 we didn't spend a dime. In 1968 we didn't spend a dime. In 1969 we didn't spend a dime. In 1970 we practically didn't spend a dime, $8.3 million, and then for some reason when we withdrew from Cambodia, why, Sihanouk was kind of thrown out there, and we made some kind of a commitment that's manufactured by the State Department, if you read the letter that we have got from the Department of State.

They say that:

Because the Cambodians played such a useful role in helping us disengage our forces from Vietnam, first by permitting the disruption of the Cambodian Communist sanctuaries and also by occupying the attentions of the better part of four Vietnamese Communist infantry divisions for 2 years.

I say if you believe in that, you have got to believe that the funny papers are true, because that just didn't happen. There were never four divisions that were occupied with the Cambodians. It just never happened. Then what we proceeded to do was to spend in 1971, including Public Law 480, a total of military and economic aid, $260 million and in 1972, $244 million, and then $231 million in 1973 and that is when we started our peace with honor and we got out of Vietnam.

But then what did we do in Cambodia? In fiscal year 1974 the total amount that we spent was $656 million. So we decided to tone that down with the limitations for the current fiscal year. We set a limitation then of $177 million for economic, $275 million for military, a total expenditure of $453 million, which still amounts to about 10 percent of all of the money we spend in revenue sharing. So now we want to augment this figure of $452 million on the basis of a case that may have been artfully presented to you. But I think it was an ineffective case. We want to augment that by $222 million to bring it up to $676 million for the current fiscal year. We want to give them an additional $70 million of rice, which, of course, as you know, is like cash out in that area, which brings it up to $746 million.

They have got, they admit at the present time, $42 million in the pipeline. God knows how much pipeline money they spent up to February 1. So that gives us a total annual program of $788 million. I would say that they probably spent $100 million of pipeline money. So we get almost up to the billion dollar level for this little country of Cambodia.

On the next sheet we have the Vietnam figures. Of course, that shows you in the last column there on the right after we have pulled out of there we spent in fiscal year 1974, $1.6 billion total program. The total amount for 1975, before we give them any additional $300 million which has been requested, is $1.27 billion. How that is pulling the plug on the Vietnamese by not giving them any more, I just don't understand.

If you look at the next page, I have two things there. No. 1 is a copy of yesterday's Post that indicates the $349 billion budget our country is faced with. Then on the right of that is that little article entitled "Artillery Use Is Issue in Vietnam."

That article explains, particularly over in the second page:

The Communists are said to have in Vietnam about 400 artillery pieces inside South Vietnam and in the government they have three or four times that many.

So it's 3 or 4 to 1 that they are outnumbered as far as artillery in South Vietnam.

"Even if the government fires only defensively it will tend to fire more than the Communists," the experts say. "You had 800 incidents in the Delta in a recent week," said one analyst. If the government fires a few rounds of artillery in behalf of these, you have got an enormous expenditure right there:

A few Communist soldiers firing their rifles at an outpost at night might elicit government artillery fire. Since the government is defending hundreds of outposts, the number of artillery rounds fired mounts quickly.

The 13 to 1 government artillery expenditure during 1 week in January is higher than the 9 to 10 for the last quarter of 1974 or the 7 to 1 ration in the quarter before that.

During the first quarter of 1974, however, the government fired 17 times what the Communists fired, and during the second quarter 15 times as much, reliable figures show. For 1974 as a whole the Government fired 12 times as much as the Communists compared to 17 times as much in 1973.

They continue:

In general, however, the government fired somewhat less than 5 million rounds each year during 1973 and 1974, while the Communists are said to have fired in the range of a quarter of a million to a half million rounds.

Those figures, while they refer to Vietnam, are clearly applicable to Cambodia. It's the reason we are in this situation: we have trained these people. Unfortunately, we would have been much better if they had trained themselves, where we have got this fierce tail for the small amount of tooth. I have been over there and camped out with the troops in Khok He. I wasn't shelled at all but all we heard was massive amounts of artillery being lobbed out by our side.

That is the way we fight. When we hear a rustling in the thicket, we pepper it with $500 worth of ammunition because that little rustling might produce a mortar round or something like that.

There is a secret to ending all this. It doesn't mean you have to knuckle under the Communists. We have to do the same thing we did in Laos. What is the secret there? Why do we have peace there? It's very simple. You have a thing there called a coalition government.

Is Mr. Thieu ready for a coalition government? Like hell. Not one iota will he give as far as any kind of a compromise in that regard. Will Lon Nol form a coalition government, even though we have this tremendous occupation of 90 percent of the countryside by his adversaries? Like hell.

I say that unless we are prepared to make a commitment right now and spend a half billion dollars to $1 billion for Cambodia and $1 billion to $2 billion for Vietnam for the indefinite future, having exactly nothing in mind except the perpetuation of these little governments out there I think it's time to set up a phaseout program.

If this committee doesn't do it, what is going to happen is this: We are going to take this to the Democratic Caucus and I think we can get support for it. We are going to say we are going to terminate our total involvement in this subject area of Indochina over the next few years. Instead of $700 million it's going to be substantially less. That is what I call a reasonable program.

I don't know what the revolutionaries who come in here want. I would say perhaps $500 million, $300 million, $200 million, and then maybe $100 million and restrict everything else to reconstruction.

We must come up with a program like that; Phil Habib ain't, because his commitment is to the Lon Nol government. His commitment is to the Thieu government.

I am not one who criticizes either of those governments. I don't know firsthand whether they are bad or good. But I do know that they are playing a chess game where they can't win the way they are playing. When you are fighting an enemy where you are shooting 17 times as much ammunition as he is shooting, you have to play another game. Unless the South Vietnamese and Cambodians are prepared to invade North Vietnam, and then have them play the game in reverse up there, and I by no means recommend that, I say we can't afford to have them play this game this way.

All of these numbers you get on casualties I think you can forget because we know over in the Armed Services Committee that there is probably a 65-percent exaggeration factor associated with them. We allegedly killed all of the Vietcong years ago. There just ain't that many Vietcong there. So now they have come up with North Vietnamese. You don't find any Vietcong these days.

I think that we just can't be myopic about this little country. There are a lot of people who say, "I know people over there and we can't let them go down the drain." Hell, I know Italians and I tell you the country of Italy is going down the drain and Britain is going down the drain. What are we doing about that? We are not doing a damn thing.

I think we can become myopic about every single little country in the world. We can worry about the Biafrans. We can worry about the hunger in every single country in Africa and we can spend $100 billion trying to solve it. We can become myopic about every dictatorship in South America and try to transform them into our way of life, but I don't think we can do it. I think we've got to recognize what we can do and recognize what we can't do. What we can't do is give these people at this point $222 million. If we have misled them by allowing them to program for 7 or 8 months at the $400 or $500 million rate when they knew that we were going to cut, when we told them we were going to cut and when the amendments are on file that they were cutting last summer, then I think they are just going to have to learn something.

Then to come in in the face of that cut and to ask for $400-something million for next year leads me to believe that this administration just has no appreciation whatsoever as to what the intentions of this Congress are and to what our priorities are.

I would hope that we don't get into a tug of war session. I hope that we stop this right here on this committee and not take it to the floor.

I tell you, the Department of Defense lost its credibility when they brought up the supplemental last year. What happened? They got nothing because that supplemental was conceived in confusion. It was not an urgent supplemental. As a result, they just didn't get what they wanted.

I yield back the balance of my time.

Mr. CONTE. May I ask one question?

Mr. PASSMAN. Yes, Mr. Conte.

Mr. CONTE. In other words, Bob, as I understand you, what you would advocate is that we keep the $200 million ceiling.

Mr. LEGGETT. I think it's critical that we keep that. If we don't say what we mean and mean what we say, I think we are confusing every country that relates to the United States.

Mr. PASSMAN. Thank you, Mr. Leggett. May I assure you, and through you your colleagues, that you're on an eminent basis and that this committee always welcomes the views of our fellow colleagues. We may not always agree on philosophy, but we are always glad to have the information and counsel of our colleagues.

One of our old colleagues returned to Congress this year. That is Dick Ottinger from New York. Dick, we are so happy that you could find time to appear before the committee and furnish your views on the request for Cambodia.

STATEMENT OF HON. RICHARD L. OTTINGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. OTTINGER. I want to thank you very much, Mr. Chairman, for affording this opportunity to me. I recognize that you have been sitting here all day and that the hour is late. I would like to enter my prepared statement into the record and to expand upon some of the points therein.

[The statement follows:]

TESTIMONY OF HON. RICHARD L. OTTINGER

Mr. Chairman, I appreciate your granting me the opportunity to appear before your subcommittee today to present my views with regard to increasing U.S. military assistance to Cambodia.

I appear before this subcommittee to pose two questions to my colleagues in the Congress, with regard to the administration's request for $222 million in military assistance to the government in Phnom Penh.

First, why does the Congress continue to disregard the consensus of the American people, which believes that U.S. involvement in Cambodia is wrong, both legally and morally? And, second, why does the Congress seem so willing to disregard its own edicts regarding our direct and indirect involvement in the war in Cambodia? In either instance, we in Congress are acting in an irresponsible maner, denying the mandate of the people, and ignoring what is in the best interest of the United States.

The administration argument that financial assistance to the Lon Nol regime does not represent "indirect" combat activity in Cambodia is Machiavellian sophistry. Economic and military assistance from the United States is the only prop which keeps that regime in power and maintains the conflict in Cambodia. U.S. financial assistance is directly responsible for the war, and to deceive ourselves otherwise is to ignore the horrid reality of that war. The administration request runs counter to the Paris peace agreement and the specific prohibitions of acts and resolutions by the Congress.

The Congress has already made its decision about the continuation of aid to Cambodia, and it is time that the administration recognize that fact. This request is illegal, and I intend to oppose it and any other attempt to provide assistance for the continuation of the war in Indochina.

Mr. OTTINGER. I will be very brief. I must say that I found the whole discussion here quite mystifying. I don't consider myself as unreasonable. I believe I am a conscientious and thoughtful American trying to look out for the best interests of this country.

From my point of view, it seems to me that the commitment that the United States made, in entering the Paris agreement, was that we were going to get out; that we were going to end our military commitment and all our military activity in Cambodia.

For us to continue military activity, and to have the administration and, the Department of Defense come here and indicate quite early they are up to their eyeballs in military activities right now in Cambodia, seems to me to be a clear break of faith with the American people and a breach of law.

As I see it, in section 307 of the second supplementary Appropriations Act of 1973, there was a specific legal prohibition against the se of Federal funds "to support directly or indirectly to support combat activities in or over or off the shores of Cambodia." That apparently has been violated right along. It mystifies me. It must mystify the American people.

The continuing Appropriations Act of 1974 again said, "None of the funds herein appropriated under this act may be expended to support directly or indirectly, combat activities in or over or off the shores of Cambodia." I think the people had a right to expect that this provision, too, would be carried out.

For the administration to come here and say that if Congress stops these funds we are going to be responsible for the loss of lives in Cambodia seems to me distinctly improper and unfair. What is continuing to cause the loss of life in Cambodia is our continued illegal support of military activity there. It is not going to stop until we stop. I think the likelihood is very great that even if the Lon Nol Government fails and even if the Communists take over, there will be considerably less loss of life than there will be if we continue to perpetuate military activity. But at any rate, the issue has already been decided, and the administration has no right to flout the law. This is a very disturbing aspect of the situation, and the committee should not put itself in the position of condoning the administration's illegal activity.

The administration also made the broader decision or at least announced the decision to the American people, that the United States wasn't going to be the policemen of the world any longer, that the United States wasn't going to continue to take responsibility, nor were we able to take responsibility, for the political situation in all the far-flung places of the Earth. I think this is one place where the line has to be drawn. I don't feel that I am being unreasonable in advocating an end to military aid to Cambodia. Rather, I am forwarding, as I see it, the best interests of the American people in not supporting another cent for military activity in Southeast Asia—not winddown over 3 years, but a complete cutoff. We have had enough of military activity in Southeast Asia, far more than enough.

I will be glad to support moneys to reconstruct an area which the United States helped to destroy, but not 1 more cent for killing people in Southeast Asia. My most sincere view is that this is in the best interests of the United States.

Thank you very much.

Mr. PASSMAN. As I mentioned to Bob Leggett, we are always glad to have Members of Congress appear before this subcommittee and share with us their views. Certainly when we consider this request, all members' views will be taken into account.

I want to commend our new member here, Congressman Moffett. He seems to take an active interest in knowing what is going on before the subcommittee. It certainly indicates that you are looking at what

your people back home sent you here to look at. We are very happy to have you here. Any statement you wish to make, we will be glad to hear from you at this time.

STATEMENT OF HON. ANTHONY TOBY MOFFETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. MOFFETT. Thank you, Mr. Chairman.

I would like my prepared statement to be taken as part of the record.

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

[The statement follows:]

TESTIMONY BY U.S. REPRESENTATIVE TOBY MOFFETT

Mr. Chairman, I appreciate your granting me this opportunity to present my views here today.

The issue before your subcommittee is of paramount importance—not only for world security, but for the future relationship between Congress and the President, and for the current crisis in confidence that pervades the public's attitude toward the Government.

Almost 5 years ago, Mr. Chairman, on April 30, 1970, I like so many Americans, watched with shock as President Nixon committed our Nation to military intervention in Cambodia—intervention of a more massive nature than was stated by the President or imagined by the public at that time.

I resigned my job at the Department of Health, Education, and Welfare over that issue. To me, our so-called incursion was destined to do nothing but help intensify a civil war and devastate a once-peaceful, once beautiful nation.

Only recently have we become aware of the true scope of American involvement in Cambodia—the presence of U.S. military advisors, the saturation bombing that the administration tried to hide from the eyes of the world, and the talk of a possible American airlift to Phnom Penh. Now, in the wake of more than 700,000 dead or injured Cambodians and the transformation of one-half of the entire population into homeless refugees, it is time for people of conscience everywhere to oppose a new round of intervention. It is both shocking and depressing to watch President Ford and Mr. Kissinger proceed in the same mold as the Nixon administration, using the same discredited arguments, the same pressures on Congress, and the same public propaganda techniques that we've been subjected to for more than a decade.

Once again, we hear the dire predictions of destruction that will result if we do not continue our involvement in Southeast Asia. We have been told that Congress will have to shoulder the blame if the Cambodian insurgents succeed. Surely, Mr. Chairman, the last 10 years have taught us the risks of attempting to win a military victory in a land that has already suffered beyond all belief. Regardless of the relatively small size of Cambodia, it has become apparent that the United States cannot—indeed, that it should not—attempt to impose its will on the people of Cambodia, or of any other nation.

Beyond the moral and humane reasons for opposing additional aid to Cambodia, Mr. Chairman, there are impelling economic ones, too.

As you know, my area of the country—New England—is confronted with exceptionally severe economic hardships. We face a rising unemployment rate, soaring utility charges, and the dire threat of reduced fuel availability combined with exhorbitant price hikes. The people hit the hardest of course, are those on fixed incomes—the elderly, the sick, and those on unemployment.

My constituents in Connecticut's Sixth District write me daily about their economic burdens. And yet, we are now being asked to provide $522 million of our tax money to prop up corrupt Asian dictators. At the same time, we are asked to approve the Department of Agriculture's plan to raise food stamp prices. We're being asked to approve new energy taxes and the resultant higher prices for fuel, food, fertilizer, and other petroleum-reliant products, and yet the administration expects us to bear the additional burden of supporting Thieu and Lon Nol, who deny basic liberties to their own people. Mr. Chairman, where are the priorities of this administration? Can they really be so blind to the blatant contradictions of cutbacks and spending moratoriums for the poor, the elderly, and the infirm in this Nation, while simultaneously providing more

millions of dollars for those who cooperate with the Indochinese ruling generals?

There is no mystery as to why people are distrusted, confused, and angered about their Government. After all, they have been victims of a torrent of Government-sanctioned, prepackaged lies about the events in Southeast Asia—and they know it.

In the tradition of the Nixons, the Westmorelands, and the Rostows, our current leaders in the executive branch expect us to swallow the same old cant about how the leaders in Southeast Asia will carry on to victory if only we give them a little more aid, a little more arms, a little more ammunition. And again, we hear the same old cliches about the domino theory. Mr. Chairman, if the domino theory is at work in Southeast Asia, it is at work in reverse. We provide the generals with guns, bullets, and money, but we save our most valuable weapon for the insurgents. We give them their psychological ammunition by our very presence there, thus intensifying their support among the people and their will to win.

Mr. Chairman, many of us would like this to be a "new Congress" in more than a temporal sense. We campaigned last fall on the theme that Congress must reassert its authority and responsibility to oversee the actions of the executive branch, to scrutinize Federal programs, and to cut wasteful spending and terminate programs that are not achieving their stated purposes.

No program is more deserving of termination, no fund request more deserving of denial, than the Cambodian aid request. And no congressional action could be more fiscally responsible nor more patriotic and in the interest of self-determination than flatly saying "no" to the administration's request.

Mr. Chairman, I come here today in the same constructive spirit I tried to reflect when I opposed our Cambodia intervention in 1970. I can only hope that these few words will contribute toward a decision on your part, and on the part of my other colleagues in this body, to reassert our congressional responsibility, and to finally bring to a halt our tragically misguided efforts in Cambodia and the rest of Southeast Asia.

Mr. MOFFETT. Mr. Chairman, let me thank you for the dispatch and openness with which you treated my request. I am most appreciative of that.

Mr. PASSMAN. Thank you.

Mr. MOFFETT. I am grateful also for the presence of the gentleman from Massachusetts, Mr. Conte, whose district borders on mine and whom I have come to respect a great deal in this area of concern as well as others.

I am here today more than anything else to voice my objections to an outmoded foreign policy, one which has been based on lies, misrepresentations, and fantasies. I did it 5 years ago in resigning a position at the Department of Health, Education, and Welfare after President Nixon's so-called incursion, or announcement of his incursion, into Cambodia. I am here again in that same constructive spirit.

I don't have a great deal to add to what Mr. Leggett and Mr. Ottinger said or what Mr. Obey said earlier, except to reiterate something that I feel is happening in my district which is probably not unique. I am holding office hours in places like delicatessens, laundromats, and so forth. I am in touch with people there. There is no question but that people are angry about the requests for increased aid and angry about aid in general to Southeast Asia.

A fellow came up to me who had left Germany as Hitler was about to take over, and he said with sorrow in his face, "I came to this country in the 1930's because we refused to stand behind dictators and we went out to fight them, and now I see that we appear to rush to stand up behind corrupt dictators."

I am not implying that all the virtue in this situation is on the other side. Don't misunderstand me. But there is no question that we are involving ourselves in a civil war there, that we continue to involve ourselves in a civil war, that we continue to be the major factor in

sustaining military activity, and that we continue to be on the side of the more repressive factions in the countries. It's time to put an end to that.

I think you also know from your appearance before the new member group that there is a tremendous interest in oversight, in looking at the executive branch. I know, Mr. Chairman, that you and the members of your committee share that concern for a tough scrutiny of what the executive branch is doing. There could be no more important issue, Mr. Chairman, than the one before your committee, through which you can demonstrate that this is a new Congress in more than a temporal sense.

I would only urge that you pick up on the spirit that I am sure you sensed in those new member meetings, and that you not fall prey, as the administration I think is hoping that you and your committee will, to the imminent possibility that the Congress will be blamed as the Lon Nol government and the government of General Thieu go under.

I would rather that we look upon this as an opportunity to take credit, Mr. Chairman, for forging a new direction in our foreign policy. That can only come with a decision to give not hundreds of millions, not millions, not thousands, but not 1 penny more for aid to Southeast Asia.

I thank you very much for having me here.

Mr. PASSMAN. Thank you very much, Congressman Moffett. I want to repeat what I have previously said to Mr. Ottinger and Bob Leggett. It's a great benefit to members of this committee to have the views of our colleagues. My dear old late mother made a statement one time that I subscribed to, and I hope you do. She said, "Otto, there are three sides to all issues—your side, my side, and the right side." I think what we are looking for is the right side. By working together we will find the right side. I know that you want me to be responsible.

Of course, I am going to look at both sides of the coin. I am going to listen to all the witnesses, and in the final analysis I will have to recommend what I think is proper. What that will be I do not know. But I can assure you that this is your committee. You are Members of Congress. You have the right to take me out or leave me in. I do want to be responsible. You wouldn't want me to be otherwise. Maybe I will disagree with you, but I will not do so violently. We will disagree, but maybe we will disagree without being disagreeable.

I do want to thank you for your comments. Rest assured that when we mark up this bill, they will certainly be considered. Any other time that you want to appear before this subcommittee and express yourself on any item that we handle, you will always be welcome, and we can always find the time.

Mr. MOFFETT. Thank you very much.

Mr. CONTE. Mr. Chairman, let me also join you in welcoming Mr. Moffett, Mr. Leggett, and Mr. Ottinger.

As Mr. Moffett said, we are neighbors. We have adjoining districts, mine in Massachusetts and his in Connecticut. I am well aware of his fine work on behalf of the consumer interests. I know he is going to be a very valuable Member of Congress, and I am looking forward to working with him.

Mr. PASSMAN. Certainly I share those sentiments because this is very well indicated by his presence here.

I want all of you to come back as often as you think you can make a contribution. The committee is adjourned.

TUESDAY, FEBRUARY 4, 1975.

INCREASED AUTHORIZATION FOR ISRAEL, PORTUGAL, AND PORTUGUESE COLONIES IN AFRICA

WITNESSES

HON. JOHN E. MURPHY, DEPUTY ADMINISTRATOR, AGENCY FOR INTERNATIONAL DEVELOPMENT
HON. ALFRED L. ATHERTON, JR., ASSISTANT SECRETARY, BUREAU OF NEAR EASTERN AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE
HON. JAMES G. LOWENSTEIN, DEPUTY ASSISTANT SECRETARY, BUREAU OF EUROPEAN AFFAIRS, DEPARTMENT OF STATE
ALFRED D. WHITE, DEPUTY ASSISTANT ADMINISTRATOR, BUREAU FOR NEAR EAST AND SOUTH ASIA, AGENCY FOR INTERNATIONAL DEVELOPMENT
ANDREW WESTWOOD, ASSISTANT DIRECTOR FOR LEGISLATIVE PROGRAMS, OFFICE OF LEGISLATIVE AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT
SHERIDAN BRINLEY, LEGISLATIVE PROGRAMS COORDINATION STAFF, OFFICE OF LEGISLATIVE AFFAIRS
ELI BIZIC, OFFICE OF ISRAELI AFFAIRS, DEPARTMENT OF STATE
EDWARD ROWELL, OFFICE OF IBERIAN AFFAIRS, DEPARTMENT OF STATE

Mr. PASSMAN. The commitee will come to order.

We shall consider this morning the increase in two items provided for in the Foreign Assistance Act, 1974, namely, the $25 million for Portugal and Portuguese Colonies in Africa that was added by the Congress without a budget request from the administration and the increased amount for Israel, which was increased from $50 million in the budget request to $324,500,000 in the authorizing legislation.

Subsequent to the hearings, we were told that the administration embraced both of these amounts. Is that correct?

Mr. MURPHY. Yes, it is, Mr. Chairman.

Mr. PASSMAN. Let me say as far as I am concerned that I support the increased amount for Israel. It is a small nation struggling for survival. If I read history correctly, it was that great President Harry Truman who recognized Israel 10 minutes after they declared their independence. So we have a responsibility there that few people recognize. They have had their problems almost since they became a nation.

I think the statistics will show that their per capita indebtedness outside the confines of Israel is the highest in the world. I question whether you will find in recorded history any people who have made a greater sacrifice to protect their nation and to see that it survives than the Israelis.

I believe you did answer in the affirmative on both of my statements, Mr. Murphy.

Mr. MURPHY. That is correct, Mr. Chairman.

Mr. PASSMAN. Of course you know my feeling is long standing. I have never singled out Israel as the only nation I feel we should give aid to because the policy statements made by practically every witness appearing before this committee indicate that U.S. aid applies to many nations throughout the world fighting for survival.

I would want the record to show that also.

Now, it has been customary in the past that where there has been a substantial increase in funds there would be an amendment to the budget request sent up.

It would be very helpful if you could prevail upon the Director of the Budget to amend the budget request for Israel and Portugal.

I again make that request because the administration as you said has embraced those increases. Upon that basis I think we should have an amended budget request.

I believe you are working on that, are you not?

Mr. MURPHY. Yes, we are.

Mr. PASSMAN. I would appreciate that.

We are considering unfinished business of the 93d Congress. We will be handling two bills, the one that we are considering this morning or part of it which should have been on the statute books as of June 30, 1974, but the lateness of the authorization bill did not give us sufficient time to handle the bill last year. So what we are actually doing is considering unfinished business of the 93d Congress.

After we dispose of this bill we will immediately come right back into session and start our hearings on the foreign aid bill for fiscal 1976.

Now we have this morning as witnesses the Honorable John E. Murphy, Deputy Administrator, Agency for International Development; the Honorable Alfred L. Atherton, Jr., Assistant Secretary, Bureau of Near Eastern and South Asian Affairs, Department of State; the Honorable James G. Lowenstein, Deputy Assistant Secretary, Bureau of European Affairs, Department of State; and other witnesses.

I would assume, Mr. Murphy, that you would like to make a statement at this time.

We will be happy to hear from you.

GENERAL STATEMENT

Mr. MURPHY. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I appreciate this opportunity to appear before your subcommittee to testify on behalf of several portions of the Foreign Assistance Act of 1961, as amended, which were not fully covered in hearings last year. In particular, I will cover economic assistance for Portugal and its overseas territories, and the increased sums for Israel. The issues involve a wide range of both political and economic matters. I am accompanied by Assistant Secretary Atherton and Deputy Assistant Secretary Lowenstein of the Department of State who will be able to discuss and elaborate on these programs.

PORTUGAL AND OVERSEAS TERRITORIES

Portugal has undergone significant internal changes during the past year which are of great importance to U.S. foreign policy. The simul-

taneous political liberalization at home and rapid decolonization of Portugal's African territories have created substantial political and economic strains. The new government also is developing economic policies to fulfill its pledge to create equity for the lower strata of Portuguese society. Elections for a constituent assembly are expected to take place in April—the first free elections in nearly half a century.

We endorse these goals of our strategically located NATO ally. Our help is needed now during this most difficult transition period. We support the prompt and forthcoming congressional initiatives in authorizing $5 million in grant funds and $20 million in loan funds for Portugal and the overseas territories which have recently or will soon achieve independence. We ask the Congress to appropriate the total amount authorized.

A technical team is now in Lisbon discussing program priorities and projects with the Portuguese on an urgent basis. Several measures have already been announced under presently existing authorities, including the availability of up to $20 million in housing investment guaranties. In recent talks in Lisbon, the Portuguese have said they are interested in financing for detailed project studies in areas such as agriculture and transportation, help in establishing integrated community health services and short-term technical consultants and training in specialized development fields.

Ambassador Carlucci also is consulting with the Portuguese on appropriate aid for the African territories. Mozambique, which becomes independent June 25, 1975, face a difficult transition amid major economic difficulties. Mozambique has already requested U.S. assistance, and a technical team will arrive shortly to examine the needs. There has been serious disorganization of the economy over the past several years. The turmoil has hampered investment, both local and foreign, and has left Mozambique with foreign exchange reserves virtually exhausted, acute balance of payments of problems and pressing food shortages.

ISRAEL

Last spring the administration requested $50 million in economic assistance to Israel. Since we formulated the request, significant changes have taken place in Israel's balance of payments situation. Israel's foreign exchange reserves have fallen by over $800 million due to sharply rising import prices and the internal economic pressures resulting from the heavy defense burden that must still be carried. Foreign exchange reserves now stand at about $1 billion, which is barely enough to pay for 2 months of military and civilian imports, or roughly 4 to 5 months of civilian imports alone. Israel's balance-of-payments deficit has worsened. This deficit has grown by over 40 percent to an estimated $3.5 billion.

Reacting to these pressures, Israel introduced drastic austerity measures. There has been a substantial devaluation. Taxes and custom duties have been increased, to lead to increased prices for a broad spectrum of consumer and essential goods in order to restrict consumption and raise revenues. Compulsory and voluntary war loans have been established. On a per capita basis, some 63 percent of national income now goes for taxes. This is believed to be the highest per capita tax burden in the world.

Congress increased the administration's request to $324.5 million for economic assistance to Israel in the Foreign Assistance Act passed last December. When this increase was introduced, Secretary Kissinger said the increase will help Israel to maintain financial equilibrium. To help meet urgent import needs, AID has developed a $150 million commodity import grant covering such essential needs as chemicals, medical supplies, plastics, rubber products, paper products, textile yarns, and transportation equipment. The use of remaining funds covered by the authorization to help strengthen the Israeli economy is now being explored.

In an aside I should emphasize that these imports are all from the United States.

It was clearly apparent before the authorization bill was voted that a substantial increase over our original request was warranted. Although we cannot project exactly what Israel's economic position will be by midyear, the Israeli economy has been under great pressure this year. The amount Congress has authorized is needed and we are confident that the funds will be put to good use. We therefore support appropriation of the full amount.

We, of course, continue to support appropriation of the full package requested for the Middle East Arab countries.

Mr. PASSMAN. Thank you, Mr. Murphy.

PROTOTYPE DESALTING PLANT

There is one item that has been carried on the books for many, many years. That is the desalting plant appropriation of $20 million for Israel. I believe that has remained dormant for 5 or 6 years but it has not been deobligated. Is there some reason to continue it indefinitely when there is no prospect for it being spent?

Mr. MURPHY. We still have hope that the technical difficulties can be overcome and that this project can go forward.

We are working on that and we expect that something can be worked out. When the joint Israel-United States Commission meets in the near future, there is likely to be an announcement of our willingness to pursue desalting efforts.

Mr. PASSMAN. It is a dormant account that has been carried for many years.

Mr. MURPHY. Yes, sir.

RESCISSIONS AND DEFERRALS

Mr. PASSMAN. Can you tell the committee the total amount of your rescissions for all aid programs throughout the world specifically?

Mr. MURPHY. Item by item, Mr. Chairman, on Indochina——

Mr. PASSMAN. I am not talking about deobligations. I am talking about purely cancellations because of no need for the funds or because it did not have a high priority. Do you know of any?

Mr. MURPHY. I would have to search the record.

Mr. PASSMAN. None has been presented to the Congress.

Mr. MURPHY. That is correct.

Mr. PASSMAN. How about deferrals officially presented to the Congress?

Mr. MURPHY. There have been some but I would have to search the record. I could not read them off one by one.

Mr. PASSMAN. Do you know of any other than the $20 million desalting plant?

Mr. MURPHY. You mean for the desalination project?

Mr. PASSMAN. Yes.

Mr. MURPHY. We have had a history of some loans that have taken an inordinate amount of time to execute.

Mr. PASSMAN. But there have been no rescissions or deferrals.

Mr. MURPHY. No, sir, there have not.

Mr. PASSMAN. Thank you for your very frank answer.

ASSISTANCE TO ISRAEL

Of course, I am in support of an increased amount over the budget request for Israel. Will most of it be spent for U.S. commodities?

Mr. MURPHY. The first $150 million will be and some additional amount will also, but until we sit down and actually have a chance to program the amount out with the Israelis when the final decision of Congress is made known, I cannot, of course, give you a precise figure. But it would be my expectation that the majority of the money will be used for that purpose.

ASSISTANCE TO EGYPT

Mr. PASSMAN. I notice that you make it all inclusive with respect to the amount authorized by the Congress for the Middle East. I believe under the continuing resolution you are able to move at the rate of $150 million for Egypt?

Mr. MURPHY. Yes, sir.

Mr. PASSMAN. Have you obligated any part of that?

Mr. MURPHY. No, sir. We expect within a few days to sign the first loan which also will be for commodity imports from the United States and will amount to $80 million.

In addition with respect to the projects in the Suez area we have two that are pretty well along but they have not yet been signed.

Mr. PASSMAN. Of course, the administration supports the entire authorization of $250 million.

Mr. MURPHY. For Egypt; yes, sir.

Mr. PASSMAN. Under the amount for Israel, what has been the total amount obligated thus far?

Mr. MURPHY. $150 million, the full amount allowed under the continuing resolution.

MIDDLE EAST SPECIAL REQUIREMENTS FUND

Mr. PASSMAN. Now with respect to the $100 million authorized for the special requirements funds for the Middle East, I notice in the paper where you contemplate obligating $25 million to Syria.

How far has that advanced?

Mr. MURPHY. We have engaged in initial talks with the Syrians, Mr. Chairman.

We have suggested or tentatively agreed on a program which would include $20 million worth of imports from the United States for agri-

cultural products, machinery, tools, perhaps some insecticides, and things like that.

Mr. PASSMAN. Any fertilizer?

Mr. MURPHY. I don't believe it will be a major item.

Mr. PASSMAN. This has not been finalized.

Mr. MURPHY. No, sir, but we have sent notification to the Congress including one to you, sir, of our intent to proceed with the obligation.

Mr. PASSMAN. But it is on a tentative basis and nothing has been finalized?

Mr. MURPHY. That is correct.

Mr. PASSMAN. We are getting along in this fiscal year. When we handle this bill you will have only about 4 months to go.

Mr. MURPHY. That is right.

That puts a premium on our having no year funds for this special account.

Mr. PASSMAN. Of course, the Congress has never looked with too much favor on no year funds. I am not too sure they will this year. Of course, that decision will be made by the committee.

Operating on a 1 year basis has been very satisfactory in the past, has it not?

Mr. MURPHY. Yes, sir.

Mr. PASSMAN. I believe the administration over the years has also asked for us to take off the 1 year limitation and asked us to open it up at both ends. I expect you to make that request. It is par for the course.

Mr. MURPHY. This is an unusual situation.

Mr. PASSMAN. I believe you have said this in the past. All these things are unusual. I yield to Mr. Shriver.

SECURITY ASSISTANCE FOR ISRAEL

Mr. SHRIVER. Relative to Israel, what was the final breakdown of the $2.2 billion package to that country last year?

You did not have the figures in regard to how much was grant money and how much was loan money when we had our hearings.

Mr. MURPHY. The precise figure was $2,182.7 million. Of that $1.5 billion was grant, repayment of that was waived. So the difference of $682.7 million was loan.

Mr. OBEY. Could you repeat that?

Mr. MURPHY. The whole statement?

Mr. OBEY. The last sentence.

Mr. MURPHY. $682.7 million of the approximately $2.2 billion was loan and $1.5 billion was grant.

Mr. SHRIVER. What is the difference then?

Mr. MURPHY. It was all for military sales, Mr. Shriver.

Mr. SHRIVER. Does that add up then?

Mr. MURPHY. Yes. The $1.5 billion grant and $682.7 million loan adds to the total of $2,182.7 million.

Mr. SHRIVER. Really, we don't have very much information in your statement as to how this additional money is to be used.

PORTUGAL'S IMPORTANCE

You stress the strategic location of Portugal to our own national interests. What are those national interests?

Mr. MURPHY. Of course, as you know Portugal is a member of NATO and, therefore, aligned with the United States in security arrangements for both the benefit of Europe and the United States.

Mr. SHRIVER. How much have we given to them in prior years?

Mr. MURPHY. Over the years for Portugal, I have the totals here, economic assistance, our loans and grants have totaled $159.9 million and military assistance, $344.8 million, the grand total, $504.7 million.

Mr. SHRIVER. But nothing much lately.

Mr. MURPHY. No, Mr. Shriver.

Mr. CONTE. Will you yield?

Mr. SHRIVER. Yes.

Mr. CONTE. Most of that was for base rights, is that correct?

Mr. MURPHY. That certainly was a consideration.

SOVIET REQUEST FOR BASE RIGHTS IN PORTUGAL

Mr. SHRIVER. What is the latest you have with regard to the reports that the Soviet Union has requested similar base rights from the new Portuguese Government?

Mr. MURPHY. I would like Mr. Lowenstein to answer that if I may, Mr. Shriver.

Mr. LOWENSTEIN. Congressman, the Portuguese Government has denied the reports in the press that the Soviet Government has requested rights for their fishing fleet to call.

As I say, they have denied those press reports and we have no independent information to indicate whether the press reports are correct. But those reports did not refer to military base rights, but to rights for the fishing fleet.

Mr. SHRIVER. It has extended further than that in the reports we have read in the press.

Mr. LOWENSTEIN. Some newspapers have speculated further but I think the original press report was about a request for fishing rights.

The Government's denial responded to that point.

U.S. INTERESTS AND PORTUGUESE COLONIES IN AFRICA

Mr. SHRIVER. What do you consider our national interests in connection with Mozambique and the colonies you mentioned in your statement?

Mr. MURPHY. We believe firmly that a peaceful world is going to depend on the hope in all of the developing countries for reasonable development.

Mozambique is another less developed country in Africa or will be on June 25 when it achieves its independence. Our interest there will parallel our interest for other countries in Africa such as Ghana, and Liberia.

Mr. SHRIVER. We have not been extending aid to those former colonies?

Mr. MURPHY. No, sir, nor in this fiscal year is it likely that we could extend any directly to Mozambique because as I said earlier it would not even be independent until June 25.

So anything we do for Mozambique will have to be done through Portugal.

ASSISTANCE TO THE COLONIES

Mr. SHRIVER. Do you know of other countries that are extending aid to those colonies?

Mr. MURPHY. No.

I think we have reason to believe, however, that there will be other countries that might be willing to extend aid.

Mr. SHRIVER. Such as?

Mr. MURPHY. Such as perhaps Russia. Small amounts have come from Norway and other Scandinavian countries and agreements have been signed with Romania, Bulgaria, and East Germany.

Mr. CONTE. Will you yield?

Mr. SHRIVER. Yes.

Mr. CONTE. There has been aid to Mozambique and Angola from China and Romania and some of the socialist countries. They have given a lot of arms to Mozambique.

Mr. SHRIVER. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Long?

ASSISTANCE TO ISRAEL AND ARAB NEIGHBORS

Mr. LONG. The authorized request for Israel for security-supporting assistance and for foreign military credit sales comes to about $625 million; is that correct?

It is $324.5 for security-supporting assistance and $300 million for the foreign military credit sales program, roughly two-thirds of a billion.

Mr. MURPHY. Yes, sir.

Mr. LONG. Now I would like to find out just what the United States and other countries are giving to Egypt, Syria, and Jordan.

I would like to ask you whether these figures are correct.

For fiscal year 1973, grants of U.S. military and economic aid—for Egypt, $250 million; Syria, $100 million; Jordan, $178 million—coming to $528 million for those three countries.

Mr. MURPHY. Yes, sir, but I would like to emphasize that there is no military assistance for Egypt. The $250 million for Egypt is solely for economic assistance.

Mr. LONG. I said economic and military. I do not draw too fine a distinction because I think when we help them economically we liberate resources which they can use for military purposes.

Mr. MURPHY. Correct.

Mr. LONG. U.S. Public Law 480, food aid, $78 million for Egypt and Syria together. Then the Arab oil producers have pledged to these three countries—$500 million for Syria, $500 million for Egypt, and $60 million for Jordan—coming to $1,160 million.

Now, the total of these three types of aid to these three countries bordering Israel that they are getting from the United States and Arab oil producers—and, incidentally, that is kind of our money, too, in a way—comes to $1¾ billion. That is roughly three times what Israel is getting from us.

Is that correct?

Mr. MURPHY. That is right, sir.

Mr. LONG. Now, in addition to this, isn't it true that the Soviet Government has given very large resupplies of arms to Egypt and Syria since the October war?

Mr. MURPHY. Certainly to Syria.

Mr. LONG. I understand Egypt is not getting very much at this time but she did get very large resupplies immediately after the Yom Kippur war; is that not true?

Mr. MURPHY. Yes, sir; that is my understanding.

Mr. LONG. In addition to this, Syria is getting aid for the Euphrates Dam from the Soviet Union as well as for other economic projects.

Mr. MURPHY. That is correct.

Mr. LONG. So three times as much aid has gone to these three Arab countries from the United States and other sources as we are proposing to give here to Israel; isn't that correct?

Mr. MURPHY. Yes, sir.

Mr. LONG. Wouldn't you agree that this aid to Israel has to be viewed in that context?

Mr. MURPHY. Secretary Atherton, would you like to respond to that?

Mr. ATHERTON. I will be glad to.

I think we always look at the needs of each of these countries, of course, first of all in terms of the requirements of the country and how we might help. But in regard particularly to the aid to Israel, we certainly do keep in mind the fact that it has really no other source of assistance than the United States whereas these other countries do.

We certainly take into account this fact in our economic assistance programs for Israel.

Mr. LONG. I compiled some data earlier last year which I would like to put in the record again, which shows that over the 6 years since the 1967 war we have given 2½ times as much aid to the Arab countries in explicit economic aid, military aid, and invisible aid in terms of our tax credits to the corporations which pay royalties into the Arab treasuries as we gave to Israel in the same period. Thus, the frequent charge that we are giving too much to Israel, that Israel is a client state of the United States, has certainly been vastly exaggerated and has to be viewed in this perspective.

[The information follows:]

Summary table comparison of U.S. assistance and Russian assistance to Arab nations, 1968–73, and of U.S. assistance to Israel, 1968–73

[In millions of dollars]

A. U.S. assistance to Arab nations:	
1. U.S. arms supplies, economic aid, and U.S. share of multilateral aid (28 percent), fiscal year 1968–fiscal year 1973 (table 1)	1,927
2. U.S. "invisible foreign aid" to Arabs—tax credits for Arab royalties (table II)	7,025
Total, U.S. assistance to Arabs	8,952
B. Soviet assistance to Arab nations:	
1. Soviet arms supplies—not including Soviet arms resupply during and after Yom Kippur war (table III)	2,603
2. Soviet economic aid—with estimated figure for 1973 (table V)	1,104
Total, Soviet assistance to Arabs	3,707

Summary table comparison of U.S. assistance and Russian assistance to Arab nations, 1968–73, and of U.S. assistance to Israel, 1968–73—Continued

C. Comparison of United States and Soviet assistance to Arabs, 1968–73:
U.S. assistance to Arabs, $8,952, over Soviet aid to Arabs, $3,707 -- 2.4
Thus, total U.S. assistance to Arabs (1968–73) was 2.4 times total Russian assistance to the Arabs over the same period.

D. Total, U.S. direct and private assistance to Israel, 1968–73 (table IV):

U.S. private assistance	1,807.5
U.S. private funds	2,000.0
Total to Israel	3,807.5

1. U.S. plus Soviet assistance to Arabs (1968–73) = $12,659 million.
2. Thus, U.S. plus Soviet assistance to the Arabs (1968–73) was more than three times total U.S. assistance to Israel over the same period.
3. U.S. assistance to the Arabs was more than twice U.S. assistance to Israel in the period between the last two Mideast wars (1968–73).

TABLE 1.—U.S. ARMS SUPPLIES, U.S. ECONOMIC AID, AND MULTILATERAL AID TO 11 ARAB NATIONS, FISCAL YEARS 1968–73[1]

[Figures in millions of dollars]

Country	Arms	Economic aid	Share of multilateral aid	Total direct assistance
Jordan	$370.5	$73.8	$12.3	$456.6
Saudi Arabia	302.7	25.4	1.3	329.4
Libya	65.2	4.3	1.2	70.7
Morocco	39.4	315.3	70.4	425.1
Tunisia	17.7	272.5	51.5	341.7
Syria	3.7	1.0	11.8	16.5
Iraq	1.8	1.5	38.6	41.9
Kuwait	1.2	0	.5	1.7
Egypt	.7	104.6	36.3	141.6
Algeria	.1	42.4	14.7	57.2
Sudan	.1	26.8	17.4	44.3
Total	803.1	867.6	256.0	1,926.7

[1] Multilateral aid figures are from fiscal years 1968–72 with figures for the World Bank/IDA through fiscal year 1973.
Note: Iran is not included in these figures because although it is a Moslem state it is a non-Arab state and did not participate in the recent Mideast conflict. It should be noted, however, that Iran has maintained a hard-line policy on oil prices and supply. Lebanon is not included as it has not been a participant in the most recent conflicts.

Sources: (1) U.S. arms supplies: (a) "U.S. Overseas Loans and Grants," July 1, 1945–June 30, 1972; AID publication (May 1973); for security supporting assistance and military assistance (MAP) funds, fiscal years 1968–72. (b) "Military Assistance and Foreign Military Sales Facts." May 1973, Department of Defense; for fiscal years 1968–72 deliveries of government-to-government cash and credit arms sales; pp. 21–22. (c) Congressional Liaison, Department of Defense; for commercial arms sales deliveries, fiscal years 1968–73 and fiscal year 1973 foreign military sales (FMS) deliveries. (d) "Senate Hearings on Foreign Assistance and Related Programs Appropriations, fiscal year 1974," pt. II, pp. 1333–1386; for military assistance program (MAP) funds and security supporting assistance funds for fiscal year 1973. (2) U.S. economic aid: (a) "U.S. Overseas Loans and Grants, July 1, 1945–June 30, 1972," cited in (1)(a); for all figures through fiscal year 1972. (b) "Senate Hearings . . . fiscal year 1974," cited in (1)(d); for economic aid for fiscal year 1973. (3) Multilateral aid (U.S. share) (a) "U.S. Overseas Loans and grants, . . ." cited in (1)(a); pp. 177–196, for fiscal year 1968–72. (b) "World Bank/IDA Annual Report, 1973," for World Bank/IDA fiscal year 1973 figures. (c) "Senate Hearings. . . Fiscal Year 1974," cited in (1)(d), pt. 2, p. 1435; for U.S. share in World Bank/IDA.

Table II.—Estimate of foreign tax credits claimed by U.S. oil companies for Arab oil royalties to Libya, Iraq, Kuwait, and to Saudi Arabia (1968–73)

1. Foreign tax credits claimed by U.S. oil companies for oil royalties to 4 Arab countries in 1968:

	Millions
Libya	$262.37
Iraq	14.97
Kuwait	182.01
Saudi Arabia	443.54
Total	[1] 902.89

[1] $903,000,000 is 56 percent of total foreign tax credits claimed in 1968 by U.S. oil companies ($1,609,360,000).

2. Estimate of foreign tax credits claimed by U.S. oil companies for royalties to four Arab countries above—1968–73: (*a*) Take 1968 figure of $903,000,000; (*b*) take 56 percent of total foreign tax credits claimed by U.S. oil companies, 1969–71 (total figures from IRS); (*c*) use 1971 figure for 1972–73; and (*d*) thus total—

	Billions
1968 (56 percent of $1.609)	$. 903
1969 (56 percent of $1.779)	.996
1970 (56 percent of $1.820)	1. 019
1971 (56 percent of $2.444)	1. 369
1972	1. 369
1973	1. 369
Total	7. 025

Source: "Taxation of Income of Multinational Corporations: The Case of the U.S. Petroleum Industry," Glenn P. Jenkins and Brian D. Wright, Harvard University, January 1974, an unpublished manuscript.

TAX CREDITS AS FOREIGN AID

1. U.S. tax credits for royalties paid to Arab governments have enabled American oil companies to continue high levels of investment in the Arab oil states. This investment has led to higher levels of production, and wtih greater reliance by the West on Middle East oil, has greatly increased Arab oil revenues.

A different U.S. tax policy would have encouraged more development of domestic resources and would have averted increased dependenece on imported oil.

2. In fact, it is probable that the United States encouraged these massive investments in Arab oil countries by helping the Arabs write appropriate tax laws.

3. These U.S. tax credits for royalties paid to Arab governments divert dollars from the U.S. Treasury to Arab treasuries through American oil companies There is no incentive for American firms to resist Arab royalty increases, as an increase in royalties may help shield from U.S. taxes the companies' other foreign operations.

A. HOW FIGURE OF TOTAL RUSSIAN ARMS SUPPLIES TO ARAB NATIONS, 1968–73, WAS ARRIVED AT

Table III.—Russian arms supplies to Arab nations 1968–73

1. From table III of ACDA report, obtained proportion of total arms imports (1961–71) by each country that were supplied by Russia:

	Percent
Egypt—$2,080,000,000 Russian arms out of $2,197,000,000 total arms	90
Syria—$388,000,000 Russian arms out of $443,000,000 total arms	88
Iraq—$632,000,000 Russian arms out of $760,000,000 total arms	83
Libya—$60,000,000 Russian arms of $210,000,000 total arms	29
Morocco—$10,000,000 Russian arms out of total arms of $125,000,000	8
Algeria—$286,000,000 Russian arms out of $311,000,000 total arms	92
Sudan—$63,000,000 Russian arms out of $136,000,000 total arms	46
Jordan—No Russian arms out of $289,000,000 total arms	
Saudia Arabia—No Russian arms out of $322,000,000 total arms	
Tunisia—No Russian arms out of $46,000,000 total arms	
Kuwait—No Russian arms out of $46,000,000 total arms	

Source: U.S. Arms Control and Disarmament Agency report, "The International Transfer of Conventional Arms," (a report to the Congress pursuant to sec. 302 of the Foreign Relations Authorization Act of 1972 (Public Law 92–352)), September 1973.

2. From Table II in ACDA report, took total arms imports from 1968–71 and divided by 4 to obtain annual average of arms imports by country. Then multiplied country annual average by 6 to estimate total arms imports to each country for 1968–73 from all supplies. Finally, multiplied estimated total arms imports (1968–73) for each country by proportion of total arms flows to each country from 1961–71 that were Russian to obtain estimated total Russian arms flow (1968–73) to Arab countries:

	Millions
Egypt	$1,679
Iraq	375
Syria	324
Libya	77
Algeria	94
Morocco	4
Sudan	50
Total	2,603

Table IV.—U.S. arms supplies, U.S. economic aid, multilateral aid, and private funds to Israel, 1968–73 [1]

	Millions
A. U.S. direct contributions to Israel, 1968–73:	
U.S. arms supplies (prior to the Yom Kippur war)	$1,352.6
U.S. economic aid	420.5
U.S. share of multilateral aid (28 percent) [2]	34.4
Total	1,807.5
B. Bond purchases and private contributions by U.S. citizens to Israel, 1968–73: [3] Israeli bond purchases by U.S. citizens 1968–73	1,294.0
Private contributions by U.S. citizens to Israel, 1968–72 (UJA)	706.0
Total bond purchases and private contributions	2,000.0
C. Total U.S. direct and private assistance to Israel, 1968–73:	
U.S. direct assistance	1,807.5
U.S. private funds	2,000.0
Total to Israel	3,807.5

[1] Figures for U.S. arms supplies, economic aid, and multilateral aid from World Bank/IDA are for fiscal years 1968–73.

[2] Total multilateral aid to Israel, 1968–73 equals $122,700,000.

[3] Figures for bond purchases are for calendar years 1968–73. Figures for private contributions are for 1968–72 and are derived from a total of $1,053,000,000 in contributions for private groups of Jews in 26 countries. According to the United Jewish Appeal, Israel has received roughly two-thirds of this total, or $706,000,000.

Sources for A: Same as those cited for table I.

Sources for B: (1) For Israeli bond purchases, Israel Bond Office, New York City; (2) For private contributions, United Jewish Appeal (UJA), New York City.

TABLE V.—*Soviet economic aid to Arab countries, 1968–73*

	Millions
Algeria	$189
Morocco	44
Sudan	42
Egypt	196
Iraq	365
Syria	84
Kuwait	0
Libya	0
Saudi Arabia	0
Jordan	0
Tunisia	0
Total (1968–72)	920
Estimated 1973 Soviet economic aid	[1]+184
Total Soviet economic aid to Arabs, 1968–73	1,104

[1] 1973 Soviet economic aid to Arabs was estimated by dividing total Soviet economic aid to Arabs, 1968–72 by 5 to obtain annual average. The annual average ($184,000,000) was added to the 1968–72 total to obtain total Russian economic aid to Arabs, 1968–73.

Source: "Communist States and Developing Countries: Aid and Trade in 1972," State Department, Bureau of Intelligence and Research, table 2.

U.S. ASSISTANCE TO THE ARABS, 1968–73

I. Summary of the Data

A. INTRODUCTION

U.S. foreign policy in the Middle East has not been what it appeared to be. As the figures that I am presenting to you will show, the United States provided more assistance to the Arab arms buildup that preceded the October 1973 Yom Kippur war than did the Russians, generally thought to be the principal Arab supporter.

Taking the 11 Arab countries that participated in some way in the Yom Kippur war (Jordan, Saudi Arabia, Libya, Morocco, Tunisia, Syria, Iraq, Kuwait, Egypt, Algeria, and the Sudan), one finds that from 1968 to 1973 (prior to the Yom Kippur war) total U.S. assistance to the Arabs was 2.4 times total Russian assistance to the Arabs over the same period.

B. DIRECT U.S. CONTRIBUTIONS TO THE ARAB ARMS BUILDUP—1968–73. TOTAL DIRECT CONTRIBUTIONS=$1,927 MILLION (TABLE I)

1. U.S. arms supplies (see table I)

From fiscal year 1968 to fiscal year 1973, U.S. arms supplies to Arab countries totaled $803 million. Included are figures for the military assistance and security supporting assistance programs and figures for deliveries of arms sales.

2. U.S. bilateral economic aid to the Arabs (table I)

From fiscal year 1968 to fiscal year 1973, U.S. bilateral economic aid to the Arabs amounted to $868 million. This economic assistance came from AID programs, the food for peace program. Export-Import Bank loans, and other official loans.

3. U.S. share of multilateral aid to the Arabs (table I)

Total multilateral aid to the Arabs from fiscal year 1968 to fiscal year 1973 was $914 million. Most of this aid came from the World Bank and the International Development Association (IDA) in which the U.S. share was 28 percent. Therefore, the U.S. share of multilateral aid to the Arabs was estimated to be $256 million, or 28 percent of the total.

C. INVISIBLE U.S. FOREIGN AID TO ARAB COUNTRIES—TAX CREDITS CLAIMED BY AMERICAN OIL COMPANIES ON ARAB OIL ROYALTIES, 1968–73 (SEE TABLE II)

1. Total tax credits claimed by U.S. oil companies on royalties to Arab oil producers from 1968 to 1973 are estimated to have been $7.025 billion.

This $7 billion estimate is probably low. First, Arab oil production has jumped sharply since 1968. Thus, 56 percent, as the estimated part of total foreign tax credits claimed by American oil companies that go to Arab oil producers, may well be low. Second, both oil prices and the take per barrel by Arab governments have jumped considerably since 1971. Therefore, foreign tax credits claimed by American oil companies for Arab royalties in 1972 and 1973 should be substantially higher than the 1971 level. However, the 1971 level of tax credits was used to estimate "invisible foreign aid" to the Arabs for 1972 and 1973.

Question. Are the U.S. tax credits for Arab oil royalties "invisible foreign aid" or simply part of a higher price per barrel which the United States is willing to pay for Arab oil?

Response. The U.S. system of dollar-for-dollar tax credits for royalties paid to Arab governments has enabled American oil companies to continue high levels of investment in the Arab oil states. This investment has led to higher levels of production and, with greater reliance by the West on Middle East oil, has greatly increased Arab oil revenues.

A different U.S. tax policy would have encouraged more development of domestic resources and would have averted increased dependence on imported oil.

In fact, it is possible that the United States encouraged these massive investments in Arab oil countries by helping the Arabs write appropriate tax laws.

These U.S. tax credits for royalties paid to Arab governments divert dollars from the U.S. Treasury to Arab treasuries through the American oil companies. There is no incentive for American firms to resist Arab royalty increases. In fact, an increase in royalties may help shield from U.S. taxes other foreign operations of the companies, such as refining and shipping—for years to come.

D. RUSSIAN ASSISTANCE TO ARAB NATIONS FROM 1968–73 (SEE TABLES III AND V)

1. Russian arms supplies to Arabs (see table III)

From 1968 to 1937, Russian arms supplies to the Arabs were estimated to have been $2.6 billion, not including the Soviet resupply of Arab armies during and after the Yom Kippur war.

This $2.6 billion estimate is probably low, for it uses the annual average of arms imports from 1968 to 1973 as a base for estimating total Russian arms imports from 1968 to 1973. However, Russian arms supplies increased substantially in 1972 and 1973 as the Arabs prepared for the October 1973 war.

2. Russian aid to the Arabs (see table V)

Russian economic aid to the Arabs from 1968 to 1973 came to $1.1 billion. Among the four largest recipients (1968–72) were Egypt, Syria, and Iraq, the three major Arab belligerents in the October 1973 war.

3. Total U.S. assistance to the Arabs compared to total Russian assistance to the Arabs (see summary table)

Total U.S. assistance to the Arabs 1968–73, was $8.95 billion. Total Russian assistance over the same period was $3.7 billion. Thus, total U.S. assistance to the Arabs was 2.4 times total Russian assistance.

E. U.S. ECONOMIC AID TO THE SOVIET UNION, 1972–73

1. The figure of total U.S. assistance to the Arabs of $8.95 billion does not even include $1.1 billion in various forms of economic aid which the United States has provided to the Soviet Union over the last 2 years:

(*a*) Three hundred and sixteen million dollars in Export-Import Bank loans with associated private financing.

(*b*) Seven hundred and fifty million dollars in Commodity Credit Corporation loans over 3 years (July 1972–July 1975).

I. E. 2. The Soviet economy has been starved for decades in order to build up a vast military machine. Therefore, this $1.1 billion in U.S. economic aid enabled the Soviets to avoid shifting resources from military expenditures to agriculture and industrial development and thus enabled the Soviets to give more aid to the Arabs than would otherwise have been possible.

II. Proposed Actions

In general, we must rethink American foreign policy, especially in the Middle East. We must weigh the effects of our actions toward other countries, such as the Soviet Union, on our Middle East policies.

We must revise our tax policies, as they affect oil.

(*a*) First, I am calling for an International Conference to Limit Military Assistance and Arms Sales, especially to the Middle East. I have introduced a resolution in the House under the terms of which the United States would call such a conference and would use all its influence to secure agreement by arms exporters to a substantial reduction or arms shipments, arms aid and military training to the Middle East.

Why is such action needed?

Because the oil revenues pouring into Arab countries are creating an explosive situation. European nations, such as Britain and France, are begging the Arabs to barter arms for oil. Russia is always willing to sell arms. Thus, the Middle East arms race will accelerate.

The higher the price of oil, the more valuable are the untapped oil supplies, and the more insecure these Arab countries will become. Conflict may erupt among the Arab countries themselves.

Finally, another Middle East conflict may ignite World War III.

What pressure can we bring to bear? We can withhold further economic concessions to the Soviet Union—grain sales, loans for truck factories, supply of computer technology, et cetera—until the Soviets are willing to help us calm tensions in the world, especially in the Middle East.

(*b*) The second thing we must do is to change our tax policies in regard to oil to stop encouraging U.S. investment capital to go abroad.

I have introduced a bill to eliminate U.S. tax credits for oil royalties paid by American firms to foreign governments, thus ending the major source of our assistance to the Arabs and providing an incentive for oil companies to develop domestic energy resources.

In October 1973, I introduced a resolution calling for long-term solutions to our energy problem by increased domestic exploration and development of alternative energy sources.

U.S. GOVERNMENT ROLE IN ESTABLISHING "INVISIBLE FOREIGN AID"

"In fact when Saudi Arabia initiated an income tax they received considerable help in drafting of the tax legislation from the American Government so that the tax could be used by American firms as tax credits, thus initially transferring tax revenue from the U.S. Treasury to the Saudi Arabian Government rather than increasing the total tax burden of the oil companies." [1]

Mr. LONG. I believe I have used up my time.

Mr. PASSMAN. May I make this statement?

Of course, the Arab States or the three States you named, Syria, Jordan, and Egypt, are getting some aid from Russia, substantial aid from the Arab States, and aid from the United States, whereas Israel has no other aid source than from the United States. Is that a statement of fact?

Mr. MURPHY. That is correct. In fact, Egypt is also getting substantial aid from Iran.

Mr. PASSMAN. Of course, Iran is not an Arab State. But they do have aid coming in from many different sources, possibly some we have no knowledge of, whereas as far as I know there is no aid available for Israel other than from the United States.

Mr. MURPHY. That is correct.

Mr. PASSMAN. Mr. Conte?

ASSISTANCE TO PORTUGAL

Mr. CONTE. The Foreign Assistance Act authorized $25 million for Portugal. Did Portugal request these funds?

Mr. MURPHY. I think maybe Mr. Lowenstein should answer that.

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[1] From "United States Taxation and the Incentive To Develop Foreign Primary Energy Resources," Glenn P. Watkins, Harvard University, prepared for Ford Foundation energy project, July 1973, pp. 35–36 (citing J. E. Hartshorn, "Politics and World Oil Economics," Praeger, 1967, pp. 198–200).

It is my impression that they did.

Mr. LOWENSTEIN. Congressman, the Portuguese President and Foreign Minister, in meetings with American officials, did request American assistance without mentioning specific amounts.

Mr. CONTE. I see about $1 million accounted for in your justification. What about the other $24 million, can you give me a breakdown?

Mr. LOWENSTEIN. The aid experts who have been in Portugal since mid-January consulting with the Portuguese Government have come up with a number of tentative proposals. The proposals include a $500,000 grant for technical consultants and training, a $1 million loan for feasibility studies to speed preparation of projects suitable for international financing and a $5 million multisector development loan.

Ambassador Carlucci reported by telephone last night (February 3) to the Department that a number of other proposals totaling several million more are under discussion but he cannot send them into the Department until there is preliminary agreement within the Portuguese Government on them.

DROUGHT IN GUINEA-BISSAU

Mr. CONTE. I recently attended a conference of Africans and Americans in Kinshasa held by the Carnegie and Ford Foundations, and I met there the new Ambassador to the United Nations and the United States from Guinea-Bissau, as well as representatives from some of Portugal's African colonies. They were very upset about the terrible drought they have. They would like to have some corn flour, sugar, milk, vegetable oil, and trucks which have a total value of $5 million. I certainly would appreciate it if you would look into this.

I know some of the other Congressmen who were there were quite impressed. These colonies are really in bad shape, with starvation and all. It seems like the type of program that would be very, very helpful to Cape Verde in particular and very good for the United States, to get off on the right foot with these new, independent colonies.

RELATIONSHIP OF PORTUGAL TO ITS AFRICAN COLONIES

What is your analysis of the relationship between Portugal and these African colonies: Angola, Mozambique, Guinea-Bissau?

Is Portugal helping them?

Mr. LOWENSTEIN. It is our impression that Portugal is trying to disengage itself while still trying to maintain good will and good relations.

Mr. CONTE. I think we need something for the record. I think it is very, very important that we have good relations with these countries.

[The information follows:]

PORTUGAL'S RELATIONS WITH ITS AFRICAN TERRITORIES AND THE REST OF AFRICA

The Portuguese and the various African nationalist groups have reached independence agreements for each of the former Portuguese colonial areas. Guinea-Bissau became independent September 10, 1974. Mozambique is to become independent June 25, 1975. Until that time it is being ruled by a transitional govern-

ment that is one-third Portuguese and two-thirds Mozambique nationalist (FRELIMO). The Cape Verde Islands and the islands of Sao Tome and Principe will gain independence July 5 and 12, respectively. Finally, Angola will be a separate nation as of November 11, 1975, being governed in the meantime by a transitional administration that is three-fourths nationalist.

In view of the speedy decolonization effort and the responsible manner in which Portugal has been trying to carry it out. Portuguese relations with the rest of Africa have improved markedly since April 1974. Senegal, Congo (Brazzaville), and Gabon have reestablished diplomatic relations with Portugal, Zaire, the Ivory Coast, and a number of other African countries have opened friendly communications with Portugal.

The nationalist groups in Mozambique and Angola are now participating directly with Portugal in the maintenance of public order. Portugal's efforts to assure an orderly transition have included some economic support both to prevent any suffering due to previous economic dislocations and to try to discourage any undue exodus of skilled persons. Portugal has continued financial support to the Cape Verde Islands (normally about $40 million per year), but this is unlikely to continue after the islands are independent. Portugal also has made some emergency transfers to Mozambique because of critical foreign exchange shortages there.

Mr. CONTE. As you know better than I, there is tremendous mineral wealth in Angola and Mozambique. We are having enough trouble now with the Arabs and if they form cartels on copper and zinc we are going to be in serious trouble.

Our Secretary of State seems only to be interested in China and the Soviet Union and the Middle East and to hell with Africa.

We try to explain that we have problems economically at home, but I think if we are going to make our dollars count this is a place we ought to be concentrating on at this time.

I will have further questions later.

Could I have a report later on Cape Verde?

Mr. LOWENSTEIN. Yes, sir.

[The information follows:]

THE SITUATION IN THE CAPE VERDE ISLANDS

The Cape Verde Islands suffer from perennial drought-related problems. As one of Portugal's overseas territories the islands have received substantial balance of payments and other assistance from the Metropole. Portuguese aid is expected to drop sharply after the Cape Verde Islands become independent July 5, 1975, but flows during the first half of the year are continuing at their normal rate.

The present situation in the islands is especially difficult. According to the Portuguese High Commissioner for the islands, Almeida D'Eca, supplies of milk, sugar, and corn were almost exhausted in early February 1975, and bean supplies may run out by mid-March. Unemployment has grown. Portuguese drought-relief efforts include subsidizing the salaries of 60,000 workers, subsidizing food prizes, and donations of food and medicines to those who cannot buy them.

There are close ties between the inhabitants of the Cape Verde Islands and many people of the United States. Some Portuguese officials concerned with the Cape Verdes have suggested that the islands' new government will want U.S. help. AID is prepared to consider a request for economic assistance, but as of this date it has received no such request from the transitional government of the islands.

Mr. PASSMAN. Mr. Roush?

STATEMENT AND JUSTIFICATIONS

Mr. ROUSH. Mr. Chairman, I did not receive an advance copy of this testimony.

When did you deliver your testimony, Mr. Murphy?

Mr. MURPHY. Late yesterday afternoon, sir.

Mr. ROUSH. How long have you been with AID?

Mr. MURPHY. On this tour since May 1, 1974.

Mr. PASSMAN. If the gentleman will yield, I think you should correct the record.

You were with AID for many years prior to that.

Mr. MURPHY. Yes, sir. I said on this last tour.

Mr. ROUSH. How do you expect people like me to, in good conscience, vote for such requests, which I will not vote for, but how will you expect me to when you come with a presentation which I did not have in my hand until I arrived at the committee room for which you did not give any backup information except what was solicited by the questions, particularly of Mr. Conte, this morning. How do you expect us to do our work if we don't have this information in advance? I cannot understand it, Mr. Murphy.

Mr. MURPHY. I apologize, Mr. Roush. I did everything I could to get the statement up on Friday but this is an extremely delicate diplomatic situation and it required the personal attention of the Secretary of State.

I am not in a position to control the time and the movements of the Secretary of State.

I was not empowered to deliver this statement until he saw precisely what words I was going to use.

Mr. ROUSH. I appreciate the position you are in. However, I do not find anything in this statement which is informative, nor do I see the sensitivity of it. I suppose there must be some.

Mr. MURPHY. If I may turn to the detailed part of your question, Mr. Roush, I agree the statement does not go into detail. The reasons are, I think, perfectly valid. The Congress increased the amount of the administration's request for aid to Israel. We welcomed the increase but we obviously have been unable to sit down and talk with the Israelis in any detail until we have a final outcome of the decision of the Congress which this committee will have a big bearing on. We cannot seriously talk to them in details without knowing that the money is going to be available.

The same is true in Portugal. We are talking on a very iffy basis. These things came very late in 1974.

Mr. ROUSH. But you are asking us in effect to write a blank check. Let me point out a simple example.

I sit on another subcommittee. For example, we handle the budget for Veterans' Administration. They come in and they justify every penny, whether it is for a hospital in Fort Wayne, Ind., or the number of employees in a hospital in Houston, it doesn't make any difference. They have to justify every penny of that.

We come in here and you are asking us to appropriate millions with what I consider totally inadequate justification.

The chairman asked you about rescissions.

There is not a single rescission in any foreign aid program. Yet I have to go back home to my little town and tell people that this has happened when in fact the President has asked for a rescission of Hill-Burton funds upon which my town was counting in order to provide health services to their people.

It may sound provincial to you, but it certainly is not to a person like myself who has to make these judgments.

It is very, very difficult. I know I have taken my time, Mr. Chairman.

Mr. PASSMAN. Would you yield?

Mr. ROUSH. Certainly.

CONGRESSIONAL ACTIONS ON BUDGET REQUEST

Mr. PASSMAN. I think you have made a very, very excellent statement. I certainly hope that in the future we may get these statements at least 24 hours in advance of the hearings. The administration requested $50 million for supporting assistance to Israel and submitted justifications for the $50 million.

Subsequently the Congress took it in its own hands to authorize $324 million. That happened just a little over a month ago. The Congress authorized you to get moving and to come up with a program for $324 million and it gave you very little time to do it.

I believe that should be in the record.

Of course, Portugal was not in it at all. But the Congress said our wisdom regarding the need is superior to yours and therefore we put it in. I know the gentleman would like to have that in the record.

In this one instance there is one reason for your not having detail, because this is a vehicle of the Congress and not the administration. But I think the gentleman has made an excellent statement. We should, as far as possible, have this detail and have the statements at least 24 hours in advance.

Mr. MURPHY. I agree in principle, very much, Mr. Chairman.

Mr. PASSMAN. Thank you.

Mr. Coughlin?

Mr. COUGHLIN. Thank you.

FISCAL YEAR 1975 PROGRAM FOR ISRAEL

I share some of Mr. Roush's dismay at the general difficulty of the statement. Perhaps this has been covered before but I cannot determine what the overall aid program to Israel is.

Could you elaborate on this point? Has that been covered in the record?

Mr. MURPHY. The request is $324,500,000 for economic assistance. Then on top of that there is military assistance requested for military sales for $300 million.

Mr. CONTE. Credit sales?

Mr. MURPHY. That is right.

Then an addition to Public Law 480 program plan of $9.3 million. And we would expect to enter into a housing investment guarantee of $25 million. That is not appropriated funds.

Mr. CONTE. Of the $300 million credit sales there, the first $100 million is forgiven?

Mr. MURPHY. That is correct. It includes a forgiveness of $100 million on the sale.

Mr. COUGHLIN. The final figure was $25 million for what?

Mr. MURPHY. Housing investment guaranties.

Mr. COUGHLIN. How about the aid, $25 million?

Mr. MURPHY. That is part of the $324.5 million. That is the first transaction.

Mr. COUGHLIN. This is a 1-year program, is that right?

Mr. MURPHY. That is correct.

Mr. COUGHLIN. And that is the total program proposed at this time?

Mr. MURPHY. That is correct for fiscal 1975.

Mr. COUGHLIN. And there are no further military aid over and above the $300 million for fiscal 1975?

Mr. MURPHY. That is correct.

Mr. COUGHLIN. No grant aid except for the $100 million of forgiveness.

Mr. MURPHY. On the $300 million sales, $100 million would be grant and $200 million would be loan.

PIPELINE FOR ISRAEL

Mr. PASSMAN. Would you place in the recoord at this point the amount that is in the pipeline both economic aid and especially military aid for Israel? It is my understanding that you have about one billion and a half of military assistance in the pipeline, isn't that correct?

Mr. MURPHY. I don't remember, but I will be glad to place those numbers in the record.

[The information follows:]

Economic and military pipelines

Unexpended balances (pipelines) as of Dec. 31, 1974:	
Security supporting assistance	0
Military assistance	$1,148,270,255

PROGRAM FOR PORTUGAL

Mr. COUGHLIN. The program that you propose for Portugal of $25 million, is that for both Portugal and its overseas territories or is that just for Portugal itself?

Mr. MURPHY. The title of the appropriation is Portugal and overseas colonies.

Mr. COUGHLIN. What overseas colonies does that include?

Mr. MURPHY. It includes both the present and former colonies—Mozambique, Angola, the islands of Sao Tome and Principe, the Cape Verde Islands, and Guinea-Bissau.

As Mr. Conte pointed out, Guinea Bissau has already achieved its independence. Mozambique will achieve its independence on June 25. The date for independence of Angola is November 11, 1975.

Mr. COUGHLIN. Those are three colonies we are talking about.

Mr. MURPHY. That is correct.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Obey?

LACK OF JUSTIFICATION

Mr. OBEY. I would like to reemphasize what Mr. Roush said. I think it is kind of ironic, I just came from breakfast this morning at the State Department where the question of better congressional-executive relations was discussed.

It seems to me that the most fundamental thing which can be done on that end to achieve a better understanding on this end of your problems is to get us information earlier than this.

I am frankly insulted by the idea that especially as a new member of this subcommittee I am supposed to review a four or five page statement or whatever it is and on the basis of that, especially not having had it earlier so I could review it and do some checking myself, determine how I am to vote.

Mr. MURPHY. I understand and I apologize again.

Mr. OBEY. I think we are entitled to more specificity in terms of where the money is going to go.

I know serving on Labor-HEW with Mr. Shriver and Mr. Conte that if justifications came in from NIE which were this vague they would be laughed out of the room as they were a year ago.

Mr. MURPHY. Mr. Obey, if I may, I would like to say that as the chairman indicated, our formal practice is to supply very very considerable detail for the Executive request. But the Executive request was upped in both these instances.

Mr. OBEY. I understand, but that is an authorization and I feel no obligation to vote for the authorized amount in the absence of any detailed information from the administration.

Mr. MURPHY. I understand. I hope you also appreciate that when we get an authorization in December, that an awful short time has elapsed for us to talk specifics with the countries involved.

Mr. OBEY. But I take it you are asking us to support the authorized amount for Israel and Portugal.

Mr. MURPHY. I am.

Mr. OBEY. How can I justify that without knowing where it is going to go?

Mr. MURPHY. It will be our practice continually as we plan to use this money, Mr. Obey, to keep the committees, both the Appropriations committees and authorization committees, advised in advance of our plans, of the precise details.

We are required to do this under section 114 of the Appropriations Act and we want to do it in the spirit that you just indicated earlier of a desire for congressional consultation.

ASSISTANCE TO PORTUGAL

Mr. OBEY. Let me ask you a specific question on Portugal. Do you have any funds in the 1976 budget for Portugal.

Mr. MURPHY. No, sir; we do not specifically at the moment.

Mr. OBEY. My question is this: It would seem to me that this has been rushed into to such a degree on Portugal that we really do not know very much about what we are doing right now. Other than the diplomatic problem that you would have if this money were not voted after they were told there is an authorization, what justification is there for appropriating the full amount at this time? Can you really use practically, more than 10 or 15 million?

Mr. MURPHY. Yes, sir. As far as the political justification for the money, I would like to turn again to Mr. Lowenstein from the State Department who can tell you what this really intends to accomplish.

Mr. LOWENSTEIN. We are trying to support the moderate elements in a very fluid, confusing, and uncertain situation.

Mr. MURPHY. There are elections coming up in April. The Communist elements in Portugal at the moment are the best organized. We are

doing the best we can to try to indicate an interest of the West in supporting the liberals.

Mr. OBEY. That is my point. Aside from that general question you speak of you don't really have any plans for the entire $25 million; do you?

I am not blaming you for it, but I am just trying to get the facts on the record.

Mr. MURPHY. That is right.

Mr. SHRIVER. Mr. Carlucci has not been there very long; has he?

Mr. MURPHY. He arrived on January 18.

Mr. SHRIVER. He is a good administrator.

Mr. MURPHY. Very good.

Mr. SHRIVER. He will be very helpful to you.

Mr. LOWENSTEIN. He could not complete the talks with the Pentagon in time to submit the projects at this time.

Mr. OBEY. I am sure I have taken my 5 minutes, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Obey.

Mr. Bevill?

Mr. BEVILL. Mr. Murphy, you are the Deputy Administrator of AID, right?

Mr. MURPHY. Yes, sir.

Mr. BEVILL. Who is the Administrator?

Mr. MURPHY. Daniel Parker.

Mr. BEVILL. Mr. Parker could not be here today?

Mr. MURPHY. No, sir.

REQUEST FOR PORTUGAL

Mr. BEVILL. But this is an emergency, this request.

Mr. MURPHY. This is a very vital item, both of these items.

Mr. BEVILL. I would like to join what has been said here. I think this statement questions the intelligence of this commission.

What you have testified here as I understand it and I have been listening, you have testified and the testimony that was added by Mr. Lowenstein there, I believe they suggested they wanted some help, no amount requested, just suggested they wanted to have some help. So AID said, "All right, we will give you $5 million and loan you $20 million and this money is for Mozambique and some other colonies." This is a summary of your testimony if I am reading it right here.

Mr. MURPHY. Mr. Bevill, you left out one very important item and that is that the Congress in its wisdom decided to authorize the appropriation of $25 million for this purpose, for Portugal and its present and former territories in Africa.

Mr. BEVILL. So your philosophy is that when the Congress authorizes money you are supposed to come up here and get it.

Mr. MURPHY. We have a request from the Portuguese for help. We have an indication from the Congress that they think it is in the U.S. interest to give that help.

We are involved in negotiations with the Portuguese as to how we can effectively use the money to accomplish the purposes we have spelled out here this morning.

USE OF $25 MILLION

Mr. BEVILL. Let me see what the purposes are. I am looking here and cannot find it. I see housing investment guarantees up to $20 million.

Mr. MURPHY. That has nothing to do with the present request.

Mr. BEVILL. What is this $25 million going to be spent for?

Mr. MURPHY. I will go over it again, sir. At the moment the discussions have indicated that a half million dollars would be used for grants, for technical consultants and training. Examples of the types of things they are talking about is establishment of integrated community health services——

Mr. BEVILL. How much for established integrated community health services?

Mr. MURPHY. There are no dollar amounts. The overall sum——

Mr. BEVILL. Could be $1 million and could be $20,000.

Mr. MURPHY. They are talking about using a half million for technical consultants and training.

There are a series of items they are looking at now.

Mr. BEVILL. But you do not know how much it is going to be and you do not have any plan on how much to spend on each project.

Mr. MURPHY. No, sir.

Mr. BEVILL. No breakdown?

Mr. MURPHY. No, sir.

Mr. BEVILL. We just need $25 million.

Mr. MURPHY. We believe the $25 million authorized by the Congress could be effectively used.

Mr. BEVILL. What is the reason for tying this to the Israeli request?

Mr. MURPHY. It is not tied to the Israeli request. It happens to be another item authorized by the Congress but did not appear in the President's budget request last year. The Israeli request was increased substantially over the President's budget request.

We are trying to make a record; we hope a convincing record.

Mr. BEVILL. We on the Appropriations Committee don't even hear the testimony that is presented to the authorizing committee. What is authorized is one thing and what is appropriated is another. You are very much aware of that.

Mr. PASSMAN. Will the gentleman yield?

Mr. BEVILL. Yes, sir.

Mr. PASSMAN. Do you know of any instances where the administration did not request funds but the Congress subsequently put funds in and you said you didn't need them and were not going to ask that the authorization be permitted?

Mr. MURPHY. In the foreign aid program?

Mr. PASSMAN. Yes.

Mr. MURPHY. No; I know of no such instance.

Mr. PASSMAN. Thank you.

Mr. BEVILL. Taking that a step further, you do not know of any instance where you all have been appropriated more money than you could use? You never send any money back to the Treasury, do you?

Mr. MURPHY. Not intentionally.

We had some instances where we failed to get something obligated at a particular time.

Mr. BEVILL. Where you slipped up.

Mr. LONG. An honest answer.

DATES FOR TERMINATION OF ASSISTANCE

Mr. BEVILL. Speaking of the President's budget, in this room just a few months ago Secretary Kissinger told us that in this budget this time, and I haven't had a chance to see it—maybe you can answer this question—that he would put a target date on all these countries that we have been aiding all these years.

Do you know whether that is in there this time or not?

I was at Mr. Roy Ash's meeting yesterday morning when he brought the budget over here, but I haven't read it yet.

Mr. MURPHY. Of course not. In fact the detailed budget presentation hasn't been prepared yet for the Congress, Mr. Bevill.

Mr. BEVILL. Are you all aware of that?

Mr. MURPHY. We are very much aware of that interchange, and we have it in mind: yes, sir.

Mr. BEVILL. You do have it in mind?

Mr. MURPHY. Yes, sir.

Mr. BEVILL. You are going to give us a target date on each country?

Mr. MURPHY. On each country?

Mr. BEVILL. Yes, sir, on each country. If you will read that, that was the question and his response was he thought that was a fair request.

Mr. MURPHY. I do remember the interchange. I will look it up again.

Mr. BEVILL. Yes; I wish you would, because we want to know when we are going to get through helping these countries and when they are going to be able to help themselves. There must be some goal in the year 2000 or something, you know.

Mr. MURPHY. I see.

Mr. BEVILL. Would you check that?

Mr. MURPHY. Yes, sir, I will.

Mr. BEVILL. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Bevill.

Mr. Koch?

Mr. KOCH. Thank you, Mr. Chairman.

SYRIAN JEWS

Mr. Secretary, about a year or more ago a commission chaired by former General Lucius Clay prepared a report on the actions of the Syrian Government with respect to Syrian Jews.

As you may recall, the report indicated that the Syrian Government had enacted laws which were comparable to the Nuremberg laws of Nazi Germany—laws which confined Syrian Jews in a ghetto, prohibited them from participation in certain professions, and caused them severe brutality.

As a result of that report, the Congress, in its last authorization, placed restrictions of a very general nature on moneys that might go to Syria.

Would you tell us basically what those restrictions are, as you understand them, and what we are doing to further the goal of Congress with respect to these limitations, since there is an authorization and appropriation requested for Syria?

Mr. ATHERTON. Are you directing this question to me, Mr. Congressman?

Mr. KOCH. Yes.

Mr. ATHERTON. As I understand it, the provision of the legislation which was passed this year is that it is the sense of Congress provision that assistance should not be extended under this act to countries which place restrictions on the emigration of persons from their countries.

In the committee's report, Syria was cited as an example of what was meant under this provision of legislation.

I would say first that the administration is taking very seriously this sense of Congress.

Second, it is a situation that we have been aware of for some time, and have been concerned about for some time, and have been in diplomatic dealings with the Syrian Government trying to find ways to ameliorate the situation.

I think, because of the delicate stage of our Middle East negotiations at the present time, and these involve a very important role for Syria in the peacemaking process, that it is a delicate subject for me to try to get into detail about on the record.

Mr. KOCH. I appreciate that and I don't want to press you, but if I may, I would like to ask some general questions. If you find that my questions bear upon sensitive material, then don't hesitate to indicate that and I won't press you on it. I am quite concerned because as I understand it, there are about 4,500 Syrian Jews who are now barred from leaving Syria. Their lives are in great danger. They would like to leave Syria but they continue to be denied that opportunity. I know the Secretary has attempted to alleviate this problem on a number of occasions in the past. Do you know whether, as a result of our intercession—their plight been eased to any degree?

Mr. ATHERTON. Our impression is, as a general statement, that there has been some amelioration in the condition of life of the Jewish community in Syria.

MIDDLE EAST SPECIAL REQUIREMENTS FUND

Mr. KOCH. As I understand it, it is a $25 million appropriation that is requested at this point. Is that correct?

Mr. ATHERTON. It is the $25 million that has been appropriated under the continuing resolution under the special requirements fund. We are developing programs with Syria for the expenditure of that, and the appropriate committees of Congress, of course, have been notified of the programs we have in mind.

Mr. KOCH. What I am driving at is whether the appropriation request is $25 million. Is that right, or am I wrong on that?

Mr. ATHERTON. No.

Mr. MURPHY. The appropriation request is $100 million for Middle East special requirements.

Mr. KOCH. But for Syria?

Mr. MURPHY. $25 million is now being programed for Syria.

Mr. PASSMAN. Would the gentleman yield?

Mr. KOCH. Yes, sir.

Mr. PASSMAN. You may or may not at a subsequent date program more. The $100 million is unattached.

Mr. MURPHY. That is true.

AMOUNTS FOR SYRIA

Mr. PASSMAN. You can give it all to Syria or you could stop at $25 million.

Mr. MURPHY. That is correct.

Mr. PASSMAN. Thank you.

Mr. KOCH. Do I understand then that if this committee votes the appropriation of $100 million, some of us might be thinking that Syria is restricted to $25 million when in fact you could give $100 million to Syria. Is that correct?

Mr. ATHERTON. Certainly I should say I think that we are contemplating, at least in discussing with the Syrian Government, additional programs out of that total of $100 million, of which only $25 million have so far been appropriated and earmarked for programs in Syria, but our intention certainly would be that there would be additional programs for Syria in this fiscal year.

Mr. KOCH. So if I were to vote this appropriation, I would in fact be authorizing you to provide $100 million to Syria even though at this moment you have indicated that you actually engaged in a curtailed appropriation, from your point of view, to $25 million. Is that a fair statement?

Mr. ATHERTON. There is one point I think that needs to be noted. Under the special requirements fund we are required to present to the Congress any programs we intend to implement using funds from that fund, and they have to rest for 30 days with the Congress before we can conclude an agreement with the country concerned.

My understanding is that during that period the Congress can disapprove the use of the moneys for that purpose.

Mr. KOCH. So if you desired to allocate to Syria the balance of $75 million, which is not now specifically earmarked, you would first have to present your program to the Congress. We would then have an opportunity to reject it. Is that a fair statement?

Mr. ATHERTON. That is correct.

Mr. OBEY. Could I ask a question, Mr. Chairman, just as a naive new member?

Mr. PASSMAN. Yes.

REPORTS TO THE CONGRESS

Mr. OBEY. Maybe I am confused on this, but you have indicated that this information comes up to the Congress and it may or may not approve. Exactly where does that come? Does it just come to the chairman of the subcommittee or does it come to all members?

Mr. PASSMAN. Would the gentleman yield?

This committee has had a policy ever since I have been chairman, ever since this law has been in effect, that when these requests come down addressed to the chairmen of the respective committees they are immediately sent to this office, turned over to the clerk, and he is instructed to make them available to any member of this subcommittee. Every letter even though it is addressed to me is immediately sent to this committtee room and the file is available.

There are certainly no secrets withheld by the chairman of the subcommittee.

Mr. OBEY. Are we notified when those come down?

Mr. PASSMAN. No.

Mr. OBEY. Will we be notified?

Mr. PASSMAN. They are too numerous and there are too many letters to make a notification each time. We just make them available here.

I am glad this came up so I can inform the members of the subcommittee of this procedure. Always come in and ask the clerk to show you if you want to, on a weekly basis or every 2 weeks, any letters we have received from the AID agency notifying us of these obligations.

Mr. OBEY. With all due respect, Mr. Chairman, it would just seem to me in the absence of any policy of notification that is automatic, I don't want to have to be sending my staff people here every week to check on that. It would seem Mr. Koch's point is correct. While in fact there may be a technical reporting to the Congress in fact there is very little reporting.

Mr. PASSMAN. Under the legislation they have discharged their duties when you notify the respective committees and subcommittees, and I shall make them available. We are protected for security. We will have a special file here and you can come see them at any time, within 24 hours after I receive them, in this office. However, the agency has discharged its full responsibility under the law when they notify the chairman, but they will be made available any time you want them.

Mr. MURPHY. In this particular instance, if I may, Mr. Obey, we have a difference. In this particular instance, unlike the procedure which the chairman outlined which we follow under section 114 of the Appropriation Act, we have a specific requirement to submit to the Congress, as differentiated from the committee's, any proposals for the use of the Middle East special requirement fund.

In those instances the notification would be addressed to the Speaker of the House, and it will be referred to the Foreign Affairs Committee as well as to the Appropriations Committee for action. This is the special Middle East special requirement fund, and a special provision of law.

Mr. KOCH. I think my time has expired.

Mr. PASSMAN. Would you yield, before I go to Mr. Early?

Mr. KOCH. Of course.

ILLUSTRATIVE BUDGET REQUEST

Mr. PASSMAN. This is a strange package that we look at every year, gentlemen. With a few exceptions, it is all on the illustrative basis. Under the basic legislation you could ask for funds for a hospital in Guatemala and build a summer resort in Morocco and be within the law. I think we got an affirmative answer, so with few exceptions, this is presented on an illustrative basis.

You say "We think we need this money for this project," but you have the right to transfer it to another project; is that correct?

Mr. MURPHY. That has been the practice. We are tightening up on that, Mr. Chairman, very much.

Mr. PASSMAN. We are tightening it up, but we still have a lot of slack there.

Mr. MURPHY. Right.

Mr. PASSMAN. And we are in hopes that maybe by the time we get around to fiscal 1976 it will be a little tighter. I think the time is overdue to have more control because the last count that I had, we had over 4,000 projects and subprojects still going on in 100 nations of the world of different brands and types of foreign aid. We may get around to a line item bill.

Thank you, Mr. Koch.

Mr. BEVILL. Mr. Chairman, if I may ask on that, could you write a line item bill on this $25 million? Really I am curious.

Mr. PASSMAN. We could put certain restrictions on it. As it is now, you may subsequently see fit to provide additional money for Syria, and you may not.

Mr. MURPHY. That is right.

Mr. PASSMAN. You can spend it wherever you need it in that area; can you not?

Mr. MURPHY. That is correct.

Mr. PASSMAN. You have to come to Congress for approval.

Mr. MURPHY. Yes, sir.

Mr. PASSMAN. I don't know of many times that Congress has objected and when they did I don't know that you have paid too much attention to them. We hope you will start paying more attention to the desires of Congress.

Mr. MURPHY. Mr. Chairman, we hang on your every word.

Mr. PASSMAN. Mr. Early?

LACK OF DETAILED JUSTIFICATIONS

Mr. EARLY. Mr. Murphy, not to belabor a point, but in the State legislature that I was involved in, when a request came in with a lacking backup material it was usually because it was of a very low priority.

Are we to feel this is a very low priority?

Mr. MURPHY. Quite to the contrary, Mr. Early. Unlike the State legislature and the State of Massachusetts, the foreign aid program is dealing with a host of foreign governments. There are a lot of diplomatic considerations, political considerations as well as economic considerations involved.

What Mr. Roush pointed out about the Veterans' Administration a little while ago, I thoroughly sympathize with his point, because it is very easy for the Veterans' Administration, operating within the United States, without these problems in international relations, to work out in detail very refined budgets for presentation to the Congress.

We normally do that in advance, when we are going to present a request to the Congress for specific sums, but in this particular instance, both the additional amount for Israel, and the total amount for Portugal and the colonies was added by the Congress in its wisdom. Both additions have the full support of the administration, but in neither case in the absence of an appropriation can we sit down and seriously discuss in detail with the countries in question what our plans are, without working in the international environment.

LATENESS OF PROPOSAL FOR PORTUGAL

Mr. EARLY. In that environment, Mr. Murphy, it would appear to me, following up on Mr. Conte's question, that building up good will in Portgual at this time of turmoil appears to be for public relations resources. We would have more credibility if we were funding it in the 1976 budget.

Here we are funding something in February that is going to terminate June 30, and we are trying to P.R. for elections which I understand are going to be held in March and April. It would appear to me that the request should be in the 1976 budget and not now.

Mr. MURPHY. The request for the three colonies or former colonies that Congressman Conte spoke about will appear in the 1976 budget as well.

Mr. EARLY. I thought I heard you say there was no money in the 1976 budget.

Mr. MURPHY. I said there was not yet money in the 1976 budget for Portugal but there is money in the proposed 1976 budget for the three African colonies and we will be appearing before this committee with detailed statements of how we would propose to use that money.

In fact, that is the reason why the technical team is now in Mozambique talking with the government, so that when we come here in March, April, or May, whenever the schedule permits, we will have for you specifics that we can talk from.

Mr. EARLY. Why, Mr. Murphy, wouldn't it be in our best interests for Portugal's money to be in 1976 too?

Mr. MURPHY. That would not help us in March or April of this year, Mr. Early.

Mr. EARLY. Do you really feel that you can expend this $25 million in 3 months when you can't even tell us what you are going to use it for?

Mr. MURPHY. We don't have to expend it, Mr. Early. We simply have to show that the United States is interested and ready to provide the assistance. The impact that comes from that act is what is important in the first instance.

Of course it is important to spend the money wisely and usefully and for the benefit of Portugal and, to the extent possible, for the colonies, but the initial impact that is desired here is an impact in Portugal.

Mr. EARLY. Wouldn't you have to expend this money before June 30?

Mr. MURPHY. We would have to obligate it, sir, but we would not have to spend it. The expenditures undoubtedly will run into fiscal year 1976.

PORTUGUESE AID TO CAMBODIA

Mr. EARLY. I read yesterday that Portgual was one of the countries that participated with the United States in aid to Cambodia.

Mr. MURPHY. That is correct.

Mr. EARLY. Do you know what kind of aid Portgual gave to Cambodia, or in what amount? Are you going to give the economic aid from the United States just to Portugal?

Mr. MURPHY. Portugal is no longer in the position of a contributing or a donor nation.

Mr. EARLY. Have they withdrawn?

Mr. MURPHY. Yes, sir. They have. They have changed their status in the development assistance committee from a donor nation to a recipient nation, but I don't have the details on what they did in Cambodia. I know it was for humanitarian purposes. My impression was it was a small amount of money, but I would be glad to insert it in the record at this point.

Mr. EARLY. Would you please?

Mr. MURPHY. Yes.

[The information follows:]

PORTUGUESE AID TO CAMBODIA DURING 1974

Portugal contributed 61 Swiss francs to the Indochina Operational Group of the International Committee of the Red Cross (ICRC) for its humanitarian programs in Indochina, including Cambodia.

Mr. EARLY I have no further questions.

USES OF FUNDS REQUESTED FOR ISRAEL

Mr. PASSMAN. Thank you, Mr. Early.

The administration submitted to the Congress a budget request of $50 million for supporting assistance to Israel and you had a shopping list attached to the $50 million. Subsequently, late in December if I remember correctly, the Congress reached an agreement on an authorization bill for $324,500,000 for Israel. You just haven't had time to work with Israel and develop a shopping list for the entire amount, have you?

Mr. MURPHY. No, sir; we have not.

Mr. PASSMAN. That is just the way it is.

Now you are going to need time to be able to come up with a shopping list.

I notice in your news release from the Office of Public Affairs, you made this general statement regarding Israel:

This grant will be made available to Israel in the form of credits for the purchase of chemical products, agricultural products, pharmaceuticals, textile, medical, structural, computer hardware, manufacturing machinery, electrical transmission equipment, trucks, medical equipment and other goods.

This is a general statement but the detail as to what quantity of each will have to be worked out subsequently; is that correct?

Mr. MURPHY. That is correct.

Mr. PASSMAN. So the $324.5 million could be an over- or underestimate. You have to wait for the detail.

Mr. MURPHY. Yes.

Mr. PASSMAN. Let's just be realistic. You are going to have to go back and try to compile a shopping list between now and June 30 in order to obligate this money. Is that a fair statement?

Mr. MURPHY. Yes, sir.

Mr. PASSMAN. Thank you very much.

SOVIET REFUGEES

You have another item that we haven't touched and that is the Soviet refugees. I think there is in the original authorization bill $40 million.

Mr. MURPHY. That is another bill, Mr. Chairman.

Mr. PASSMAN. I know that it is.

Mr. MURPHY. Yes.

Mr. PASSMAN. It has nothing to do with this item.

Mr. MURPHY. No, sir.

Mr. PASSMAN. But nevertheless there have been a lot of changes that have taken place since we dropped the curtain on our hearings last year. Briefly what is the status of the Soviet refugees, those being permitted to go to Israel and those going to other parts of the world? What is your division and what is your total obligation?

Mr. MURPHY. The amount, Mr. Chairman, according to my records, is $10 million, and of course that is made available to the State Department, the Bureau of Refugee and Migration Affairs.

Mr. PASSMAN. What is the amount?

Mr. MURPHY. $10 million.

Mr. PASSMAN. That is in the continuing resolution?

Mr. MURPHY. No. That was in the basic authorization act; was it not?

You are right, it was the continuing resolution.

Mr. PASSMAN. $40 million is in the authorization, $10 million in the continuing resolution.

Mr. MURPHY. You are right.

Mr. PASSMAN. How much of the $10 million have you been able to obligate?

Mr. MURPHY. On January 27, Mr. Chairman, all $10 million was obligated, and, I believe that the $10 million has been disbursed.

Mr. PASSMAN. Please put some additional information in the record concerning the Soviet refugee movements.

[The information follows:]

REFUGEE EMIGRATION FROM THE SOVIET UNION

The repudiation of the trade bill by the Soviet Union does not seem to have stopped the departure of Soviet refugees who have been issued exit permits to go to Israel. During the month of January 1975, the number leaving the Soviet Union was 1,430, of which 530 opted for resettlement in countries other than Israel. This compares with 1,378 in December 1974, of which 511 decided to go to other countries.

The number of refugees that have left the Soviet Union over the last 4 years is as follows:

	Total	Destination		
		Israel	United States	Other countries
1971	14,320	14,100	200	20
1972	32,130	31,600	500	30
1973	35,200	33,500	1,500	200
1974	21,650	16,850	4,100	700

Mr. PASSMAN. Mr. Bevill?

Mr. BEVILL. Yes, sir. Is there possibilities of just continuing these hearings until they can get the information we would need so that we could intelligently pass upon this?

Mr. PASSMAN. That is a good question. It is uncertain just at this time how many refugees will be permitted out of the Soviet Union.

Mr. BEVILL. Mr. Chairman, I am not talking about the refugees. I am talking about the $25 million of this money here.

Mr. PASSMAN. On Portugal?

Mr. BEVILL. Yes.

Mr. PASSMAN. I want to get around to that, and then I am going to yield.

ASSISTANCE TO PORTUGAL

I think we have a meeting of the minds on a shopping list for Israel. I think you should get busy because you know the feeling in the Congress about this item. If we may return to Portugal. If I remember correctly, for many, many years Portugal declined to accept any economic aid other than the rent on the bases in the Azores; is that correct?

Mr. MURPHY. My impression is the same as yours, Mr. Chairman.

Mr. PASSMAN. Will you state for the record why we are getting back into Portugal after they declined any type of aid for many years?

I know there have been some changes in that country, but could you state specifically why it is necessary now to get back into Portugal with an aid program?

Mr. MURPHY. I will have to turn to Mr. Lowenstein on that, Mr. Chairman.

Mr. EARLY. Mr. Chairman, will you yield?

Mr. PASSMAN. Yes; I yield.

Mr. EARLY. Didn't we hear an earlier comment that Portugal received $159.9 million in economic aid and $344 million in military aid?

Mr. PASSMAN. Maybe in the cultural field, little dribblings.

Mr. CONTE. A half billion dollars is dribbling?

Mr. PASSMAN. This is for the base rights. I am talking about your actual program other than base rights.

Mr. BEVILL. They were a little vague about it.

Mr. CONTE. I asked that question.

Mr. PASSMAN. I missed it, Mr. Conte. I am sorry. I think I made a statement of fact because I followed this for years, that as far as outright economic aid as we thought of it there was not any. We paid rent on those U.S. bases.

What is your statement on that?

POLITICAL AND ECONOMIC SITUATION IN PORTUGAL

Mr. LOWENSTEIN. Mr. Chairman, as you know, there is a completely different political and economic situation in Portugal now compared to the last 50 years. Portugal had lived under what was a conservative dictatorship which had no desire to see the public educated, and which was trying to make sure that many of the normal democratic processes were suppressed.

The situation now is very different and very uncertain. The constituent assembly elections are scheduled for April. The Communists have suggested that these elections be postponed indefinitely, probably because they feel that their voting strength is slipping. Other radical leftist groups have begun to use violence in an attempt to intimidate the democratic political parties.

If I might just say a word about the economic situation that has arisen since this change in Portugal's government, unemployment

rose rapidly in the second half of 1974, and we believe will continue to rise in 1975 as the armed forces shrink—and they are shrinking because they are pulling back from the colonies and coming back to the homeland where they are demobilized. Western Europe's economy is no longer able to absorb workers from Portugal because of the contraction of the West European economies due to higher oil prices. The political uncertainties which I talked about before have caused foreign vendors to withdraw normal supplier credits, and liquidity problems in Portugal are pushing many basically sound businesses to the brink of bankruptcy.

Inflation in 1974 ran at about 30 percent toward the end of the year. Tourism is down sharply, partly because of nervousness about the political situation, but mainly for the same reason tourism has been down everywhere—inflation and the high cost of travel as a result of high oil prices.

All of these things, we think, add up to a situation in which Portugal is really at a very important crossroads. The Secretary of State thinks so and the President thinks so, that it is very important to give whatever support we can quickly to the moderate elements by aiding Portugal, and that if we don't do so soon, it may be too late.

Mr. Chairman, that in brief is why we think that there is such a drastically different situation today compared to that which obtained really since Salazar took power before World War II.

I might add that I think some of the American aid to Portugal that was previously mentioned goes back to the Marshall Plan aid days, doesn't it?

AID TO PORTUGAL IN PRIOR YEARS

Mr. MURPHY. A lot was before 1961.

Mr. LOWENSTEIN. The immediate postwar aid program.

Mr. PASSMAN. Let's go to the record because we want to keep the record straight.

I was in Portugal and they indicated very strongly they did not want to accept any economic aid. If we look at the record, in 1962 all the way through to 1973, there was not a nickel of economic aid of any kind; is that correct?

Mr. LOWENSTEIN. That is correct.

Mr. PASSMAN. The total amount over all the years when we picked it up is only $17.5 million; is that correct?

Mr. LOWENSTEIN. And I believe most of that was given in the period 1950–51.

Mr. PASSMAN. That is correct.

I wanted the record to show that you had a long lapse there of many, many years when they wouldn't even consider any type of technical aid. Let that be as it may. The record speaks for itself.

In all probability in fiscal 1976 you will be asking for aid for four nations, Portugal and the three colonies which will become nations.

Mr. MURPHY. As I said earlier, Mr. Chairman I am aware of a request for the three colonies in 1976. There is not yet a formal request for Portugal.

Mr. PASSMAN. I think we had better cross that bridge when we get to it.

Mr. MURPHY. That is right.

Mr. PASSMAN. I don't think this is the place to make the record,

but you are thinking of colonies today but you will be thinking of nations when you come before the committee.

Mr. MURPHY. In 1976, yes, sir.

Mr. PASSMAN. And only time will determine whether or not you will have an additional requirement for Portugal.

Mr. MURPHY. That is correct.

USE OF FUNDS FOR PORTUGAL

Mr. PASSMAN. At this time you don't actually know whether you can utilize the $25 million if you had it, do you?

Mr. MURPHY. We are confident, Mr. Chairman, that we can use the $25 million for good purposes in Portugal and the colonies.

Mr. PASSMAN. Do you have a shopping list?

Mr. MURPHY. Yes, sir.

Mr. PASSMAN. Where this committee may have some knowledge of what it is going to be spent for?

Mr. MURPHY. Yes, sir, but it is extremely tentative. It is under discussion and I would want to emphasize that, Mr. Chairman, because it is subject to change and negotiation.

Mr. PASSMAN. Mr. Murphy, we have serious problems in this country. We have a deepening recession, and in all probability we could be facing a deficit of some $70 billion. There are a lot of projects in this country that are going to be put on the shelf. You are of course familiar with the rescissions and deferrals on U.S. programs. We will have a meeting this afternoon on it. It is going into billions of dollars. I don't know just how this Congress is going to feel about these increased requests for foreign aid. We do hope that you will take into account that you couldn't get 30 cents for any project in the United States on the weak testimony you have presented today for Portugal. You have no shopping list. You just believe that you may have some requirement for it.

Could you place in the record as quickly as possible as much information as you can showing where you think you will utilize the $25 million?

Mr. MURPHY. Yes, sir, we will do that.

[The information follows:]

ILLUSTRATIVE LIST—$25 MILLION PROGRAM FOR PORTUGAL AND THE AFRICAN TERRITORIES

The following is illustrative of the proposed program for Portugal and the African territories based on the best information to date. We will, of course, provide the Congress with detailed project descriptions before actually obligating funds.

Grants:	
Technical consultants and training	$500,000
Technical assistance related to housing	250,000
Activities in the fields of agriculture and integrated rural development; health centers; tax collection; educational materials; and public and business administration (breakdown to be determined)	3,250,000
African territories (uses to be determined)	1,000,000
Loans:	
Feasibility studies	1,000,000
Low-cost housing	8,250,000
Municipal water and sewerage	6,750,000
African territories (uses to be identified)	4,000,000

Mr. PASSMAN. I know you are going to be fair with us. If you don't have a requirement for it, just level with us.

Mr. MURPHY. Right.

Mr. PASSMAN. You do have a requirement but you don't know for what.

Mr. MURPHY. Yes.

Mr. PASSMAN. Am I being fair?

Mr. MURPHY. We are certain that we can use $25 million effectively.

Mr. PASSMAN. I know, but for what, Mr. Murphy?

Mr. MURPHY. We are in the process of discussing it, Mr. Chairman.

Mr. PASSMAN. Could you give us some general idea at this time what it is going to be for?

Mr. MURPHY. Yes, sir.

Mr. PASSMAN. Name a couple of items.

Mr. MURPHY. The first item is for technical consultants and training.

Mr. PASSMAN. How much?

Mr. MURPHY. A half million dollars.

Mr. PASSMAN. What kind of technical consultants?

Mr. MURPHY. We are talking to them about a project in community health services. Another possibility is an agricultural cooperative; a third is agricultural research.

Mr. PASSMAN. Are you negotiating with the Portugal people, Mr. Murphy, or is this some one-sided list?

Mr. MURPHY. We are talking very intimately with the Portuguese Government.

Mr. PASSMAN. How much?

Mr. MURPHY. That was a half million dollars.

Mr. PASSMAN. The next?

Mr. MURPHY. The next item is $1 million for a loan for some feasibility studies for projects that need to have studies done.

Mr. PASSMAN. Again technical aid field?

Mr. MURPHY. Right, technical assistance.

Mr. PASSMAN. What else?

Mr. MURPHY. To help qualify these loans for World Bank financing and so forth.

Mr. PASSMAN. To establish whether they would be eligible for a World Bank loan?

Mr. MURPHY. Yes, sir.

Mr. PASSMAN. Couldn't the World Bank make that decision with their technicians?

Mr. MURPHY. Normally, Mr. Chairman, before they make a loan, they have to have a feasibility study showing that. It has to be submitted by the Government to show that the project is, in fact, practical.

Mr. PASSMAN. The World Bank has their own team of experts, do they not?

Mr. MURPHY. But they don't do the feasibility studies.

Mr. PASSMAN. The next. You are up to $1.5 million.

Mr. MURPHY. We are also talking about a multisector development loan.

Mr. PASSMAN. That hasn't been finalized and you don't know for what purpose yet?

Mr. MURPHY. No, sir.

Mr. PASSMAN. You are just talking about making a loan.

Mr. MURPHY. Let me give you some additional specifics insofar as I can. We think part of that would be for integrated community health services. A part might be assistance to their Audio-Visual Materials Institute, and part might be combined with our housing investment guarantee for some low-income housing.

Mr. PASSMAN. All this is very tentative.

Mr. MURPHY. It is all very tentative.

Mr. PASSMAN. And we are getting close to the end of this fiscal year. You have accounted for $5.5 million. How about the rest?

Mr. MURPHY. The multisector loan, Mr. Chairman, the amount has not been determined. That could be anywhere from $5 to $15 or $20 million.

Mr. PASSMAN. And it could be $3 million.

Mr. MURPHY. It could be several loans; yes, sir.

Mr. PASSMAN. You see how uncertain it is.

Mr. CONTE. Will you yield there, Mr. Chairman?

Mr. PASSMAN. Yes, I yield.

Mr. CONTE. That $324 million for Israel, is it any firmer than this assistance for Portugal?

Mr. MURPHY. No, sir.

PRESENT SITUATION IN PORTUGAL

Mr. CONTE. One is shuttle diplomacy that we are using to get peace in the Middle East, and the other is the critical situation in Portugal today. The Communists are about to take over. They have got Communists in their Parliament. They have been thrown out of NATO nuclear planning.

I have just come back from a conference in Africa. You should talk to Mr. Young or John Anderson or some of the other Members who were with me. The situation in Mozambique and Angola is critical. They are looking to channel this money through Portugal and help those countries get on their feet.

Mr. PASSMAN. Mr. Conte, I appreciate your contribution. We made it abundantly clear a little earlier that they have no shopping list for the $324.5 million to Israel. You are going to try to establish a shopping list. We soft-pedaled that.

The reason I am asking these questions about Portugal is we are going to have to have some information to pass this bill. Conceivably, we could move on faith, but it is a question of getting the bill through the Congress. I think you are going to have to make a case. The only way you are going to be able to make a case is to show for the record that you do have a serious situation over there, and here is where the money is going to be spent.

Mr. MURPHY. Right.

Mr. PASSMAN. The type of information you furnish may satisfy me, but I don't know about 434 Members of this House. They may be rather exacting on where the money is going to be spent. That is the purpose of asking these questions, and I think you understand.

Mr. MURPHY. I understand.

Mr. PASSMAN. We need to make a record.

USE OF FUNDS

Could you tell the committee in detail what these funds will be used for?

Mr. MURPHY. Not completely, since detailed discussions are still underway in Lisbon on this point. However, we have already arrived at agreement with the Portuguese Government to finance short-term consultant services in a variety of development fields to assist them with their development plans and programs. This would include experts in such fields as health administration, production of educational materials, transportation planning, grain shortage and marketing, et cetera. Likewise, we have agreed to provide training and consultation in the United States for Portuguese specialists in similar fields.

We have agreed to make a loan to the Portuguese Government to finance feasibility studies for several projects they are developing for external financing.

We are now discussing projects in health—community health clinics—the production of educational materials, agriculture development, low-cost housing, and water and sewerage facilities, and possible allocations to the colonies, but we have not yet arrived at a definitive list. An early allocation probably will be made to the housing sector to be mixed with the recently announced housing investment guaranty money which will be provided at commercial rates. Discussions are well enough along that we fully hope to authorize the $10 million contained in the continuing resolution by the end of February.

PORTUGAL AND PORTUGUESE COLONIES

Mr. PASSMAN. Will most of the funds be used in the development of the former Portuguese colonies in Africa, and which colonies are involved in this development effort?

Mr. MURPHY. No; we expect most of the funds will be used for development projects in Portugal. We have discussed with the Portuguese Government the possible use of a portion of these funds in its colonies. Remember most of the African countries concerned, especially Mozambique which is very hard pressed, have not yet officially received their independence. Therefore, the Portuguese Government must be involved in the discussions. We are waiting for a final response from the Portuguese Government on this question, so it is impossible to give a detailed breakdown of the amounts or recipients involved.

The other colonies or former colonies are Guinea Bissau, once Angola. It is unlikely that they will receive aid in fiscal year 1975.

AID TO PORTUGAL

Mr. PASSMAN. How much of this assistance would go to Portugal and for what use and would this be the total U.S. aid planned for Portugal in fiscal year 1975?

Mr. MURPHY. We expect that the bulk of the money will go to Portugal but, as indicated above, we cannot at this time give an exact breakdown between allocations to Portugal and to the former territories gaining independence.

Assistance to date this fiscal year includes up to $200,000 from existing education and cultural exchange programs and the recently an-

nounced $20 million housing investment guaranty. Other than these activities, the proposed funding represents total U.S. economic assistance planned in fiscal year 1975.

OBLIGATION OF CONTINUING RESOLUTION FUNDS

Mr. PASSMAN. As you know, we provided $10 million for this purpose in the continuing resolution. Could you tell the committee how much of this has actually been obligated and list the detailed programs?

Mr. MURPHY. None of the funds has been obligated. The continuing resolution was only passed in late December and Ambassador Carlucci arrived in Lisbon only several weeks ago. Extensive discussions have been held on the programing of the money and we expect to be able to authorize the full amount contained in the continuing resolution by the end of February.

ADMINISTRATION SUPPORT

Mr. PASSMAN. Does the administration support this program?

Mr. MURPHY. The administration welcomed the initiative taken by Congress to include assistance to Portugal and the Portuguese colonies in Africa gaining independence. It strongly supports the program. We welcome the program because we want to demonstrate our support for Portugal's transition to democracy.

We want to lend strong encouragement to the non-Communist political parties, to signal our interest and moral support to them. Portugal's non-Communist leaders have asked for direct U.S. assistance for their country.

The economic assistance which the Congress has authorized and appropriated is a clear demonstration of U.S. support. We will program that assistance so as to help Portugal tap major sources of international financing as quickly as possible, and to help—insofar as we can—to restore investor and business confidence so that economic deterioration can be arrested.

FISCAL YEAR 1975 OBLIGATIONS AND EXPENDITURES

Mr. PASSMAN. Do you feel you can effectively obligate the $25 million in fiscal year 1975? Also, how much will actually be expended in fiscal year 1975?

Mr. MURPHY. Portugal's need and that of its African colonies for funds is far in excess of $25 million and its ability to administer and implement programs ultimately identified is very good. Therefore, we do not foresee any problems with obligating $25 million in fiscal year 1975 for activities which could be carried out in a reasonable manner. Some portion of the technical consultants and services grant and the feasibility studies loan probably would be spent in fiscal year 1975, although the bulk of the money would be spent in fiscal year 1976. If housing is selected for early implementation, some funds might possibly be spent in fiscal year 1975.

ISRAEL ASSISTANCE BREAKDOWN

Mr. PASSMAN. Could you give the committee a detailed breakdown of what the $324,500,000 will be used for?

Mr. MURPHY. Of this amount $150 million has already been obligated for the commodity import program, and we are developing the necessary details for further expanding this program. We expect that the commodity import program will be the largest portion and will be somewhere between $200 million and the full appropriation. As for the balance of the appropriation, if any, we are exploring the possibility of providing this as a cash grant to help offset the Israeli balance-of-payments deficit and reduce the drain on Israel's limited foreign exchange reserves.

ADMINISTRATION SUPPORT FOR INCREASED ASSISTANCE TO ISRAEL

Mr. PASSMAN. Does the administration fully support this increased amount for supporting assistance for Israel and if so, why didn't you send up a budget amendment?

Mr. MURPHY. Yes; the administration supports the increased amount for Israel as well as the full amount requested for the Middle East Arab countries. As I indicated in my prepared statement, we believe Israel's present economic situation warrants the increased amount. We have submitted a budget amendment and it is in process now.

FISCAL YEAR 1975 OBLIGATIONS

Mr. PASSMAN. How much have you obligated for supporting assistance to Israel as of today for fiscal year 1975?

Mr. MURPHY. $150 million has been obligated thus far. The full amount was used to finance a commodity import program, with the commodities coming from the United States.

OBLIGATION AND EXPENDITURES RATES

Mr. PASSMAN. Do you feel you can effectively obligate the balance of the increased funds for Israel in the remaining months of fiscal year 1975 and how much will actually be expended in fiscal year 1975?

Mr. MURPHY. Yes we do. As for expenditures, that would depend on how the $324.5 million was utilized. We expect that at least $225 million to $250 million would be expended before the end of the fiscal year.

OTHER SUPPORTING ASSISTANCE PROGRAMS

Mr. PASSMAN. If $250 million for Egypt and $324,500,000 for Israel is earmarked out of supporting assistance funds for fiscal year 1975, that would leave $85,500,000 in new obligational authority for all other supporting assistance programs. Could you tell the committee what other programs are involved?

Mr. MURPHY. Yes, sir. In addition to Israel and Egypt, other supporting assistance programs are Jordan, Malta, Spain, and support of the U.N. forces in Cyprus. Supporting assistance is also used to fund a portion of the agency's support, or overhead, costs.

REDUCTION IN SUPPORTING ASSISTANCE AUTHORIZATION TOTAL

Mr. PASSMAN. If the amount for security supporting assistance is reduced below the authorization amount and the earmarking for Israel and Egypt is retained, then we would in effect be cutting the funds for Jordan, would we not?

Mr. MURPHY. Well, in this situation we certainly would need to cut somewhere. The combined programs in Jordan, Malta, Spain, the Cyprus U.S. forces, and the supporting assistance overhead costs are budgeted at $97,500,000, so even without a reduction in the authorization amount, with the earmarking of $574,500,000 for Israel and Egypt we still would need to cut these programs by about $12 million to stay within the $85,500,000 figure.

INCREASED FUNDING FOR ISRAEL IN SECURITY SUPPORTING ASSISTANCE

Mr. PASSMAN. Do you feel the programs in supporting assistance for Jordan, Malta, Spain and the U.N. Forces in Cyprus are as important as the programs for Israel and Egypt?

Mr. MURPHY. It is, of course, difficult to place relative degrees of importance on supporting assistance countries. Our assistance to Israel and Egypt is critical to our overall efforts to help to bring about peace in the Middle East. These programs are, therefore, absolutely necessary. The same is true of our assistance to Jordan. The other programs mentioned—Malta, Spain and U.N. Forces in Cyprus—have strong justifications also which have been spelled out previously and should be examined independently on their own merits.

TOTAL FISCAL YEAR 1975 SECURITY SUPPORTING ASSISTANCE OBLIGATIONS TO DATE

Mr. PASSMAN. What are the total obligations as of today for all of the security supporting assistance items for fiscal year 1975?

Mr. MURPHY. Total obligations to date for all of the security supporting assistance items for fiscal year 1975 are as follows:

Near East and South Asia:	
Egypt:	
Loan	----------
Grant	$12,326,000
Jordan:	
Loan	----------
Grant	45,000,000
Malta:	
Loan	----------
Grant	9,500,000
Israel:	
Loan	----------
Grant	150,000,000
Total	216,826,000
East Asia Bureau:	
Philippines:	
Loan	----------
Grant	104,000
Multilateral programs:	
United Nations Forces in Cyprus:	
Loan	----------
Grant	4,800,000
Operating expenses	1,200,000
Grand total[1]	222,930,000

[1] Does not include Indochina postwar reconstruction.

MIDDLE EAST SPECIAL REQUIREMENTS FUND

Mr. PASSMAN. During the regular fiscal year 1975 hearings, we were told that at that time you really did not have any firm plans on the use of the Middle East special requirements fund. Have your plans materialized now? If so, please tell the committee in detail what these funds will now be used for and what countries will receive these funds?

Mr. MURPHY. We plan to use the $25 million provided under the continuing resolution authority for development activities in Syria in the following areas:

Agricultural inputs and production loan—$20 million.—We plan to provide a concessional AID loan to cover essential imports from the United States, such as tractors, farm trucks, irrigation equipment, seed, pesticides, and other agricultural machinery and related inputs needed for Syria's agricultural development program.

Technical services and feasibility studies—$4 million.—This project is designed to provide technical advisory services, short-term training visits to the United States, and feasibility and preinvestment studies in priority development areas. Some of the specific assistance activities will be in the fields of animal husbandry, irrigation, cereal production, mechanization of agriculture, land reclamation, use of pesticides, fertilizer, saline soil technology, industrial processing of agricultural outputs, and plant disease control.

General participant training—$1 million.—AID plans to finance the graduate level training in the United States of Syrian students in key technical and management areas. This training will be in such fields as engineering, medicine, petroleum technology, chemistry, crop production, irrigation, geology, banking, and finance.

The balance of the special requirements fund will be used for UNRWA to assist Palestinian refugees in accord with the $6 million earmarking in the authorization legislation and for additional projects in Syria. A project review team has just completed a survey of development needs in Syria and is now completing its report. It is expected that the team's recommendations will include additional assistance for needed agricultural inputs and production commodities as well as technical assistance and some capital projects in land technology, land reclamation, plant disease control, irrigation, animal husbandry, and fodder production. These projects will be further defined in continuing discussions with the Syrian Government and through the use of feasibility and engineering studies.

FISCAL YEAR 1975 SA LOAN AND GRANT LEVELS

Mr. PASSMAN. Will all the supporting assistance funds be provided to the various countries in fiscal year 1975 on a grant basis?

Mr. MURPHY. No, sir, some of these funds will be provided on a loan basis. $80 million in loan funding is budgeted for the Egypt commodity import program, and $10 million is budgeted for two agricultural development loan programs in Jordan, each for $5 million. One is a 30 village resettlement project in the Jordan Valley, and the other is for an agricultural sector loan. There may, of course, be additional loans but we are unable to specify at this time.

ECONOMIC SITUATION IN ISRAEL

Mr. PASSMAN. What is the present economic situation in Israel?

Mr. MURPHY. Israel is undergoing heavy inflation and its balance of payments situation has deteriorated considerably due to rapidly increasing import costs and internal economic pressures stemming from the heavy defense outlays. The Government of Israel has imposed drastic austerity measures on the economy, but these can only be pushed so far.

ISRAEL'S FOREIGN DEBT

Mr. PASSMAN. Is Israel having difficulty keeping up with the repayments on this eternal debt at the present time?

Mr. MURPHY. Israel's foreign debt, which was already among the world's highest measured on a per capita basis, increased 20 percent during the last year to over $6 billion, or $1,800 per capita. Israel is having an increasingly difficult time keeping up with this burden. Repayments were $712 million in 1973, and estimated at nearly $900 million in 1974. The Israeli Government projects an increase to about $1 billion in 1975. The levels of debt servicing come at a time when import costs are increasing while foreign exchange availabilities are decreasing.

Mr. PASSMAN. I yield to Mr. Koch.

Mr. KOCH. I appreciate that.

ISRAEL'S USE OF AID FUNDS

I would just like to clarify one matter, because so much has been made of the fact that you don't have a detailed statement with respect to the $324 million. You did tell us, did you not, that Israel's trade deficit is over $3 billion. Isn't that right?

Mr. MURPHY. Yes, sir.

Mr. KOCH. And it has that tax deficit with a tax rate of 54 percent. Fifty-four cents of every dollar goes into taxes in Israel. Is that right?

Mr. MURPHY. Yes, sir.

Mr. KOCH. With your information what could you tell us Israel bought in the United States in the last fiscal year with the money that was made available from AID? Can you give us some facts on that?

Mr. MURPHY. I can insert it in the record.

Mr. PASSMAN. Insert it in the record, if you will.

[The information follows:]

COMMODITIES PURCHASED BY ISRAEL UNDER CIP AGREEMENT IN FISCAL YEAR 1974

Chemical products
Agricultural products
Agricultural implements
Pharmaceuticals
Textiles
Metal products
Structural steel
Computer hardware
Manufacturing machinery
Electrical equipment
Trucks
Medical equipment
Paper products
Chemical products
Other goods

A detailed breakdown by product and expenditure is provided in the attached table.

PROGRAM ASSISTANCE, COMMODITY EXPENDITURE ANALYSIS BY AGREEMENT FROM JULY 1, 1973, TO JUNE 30, 1974—ISRAEL AGREEMENT NO. 271-K-603

Comm. Code	U.S. source	Offshore	Current period Expenditure	Current period Tons	Cumulative Expenditure	Cumulative Tons
	Agreement total		$16,777,285.26		$50,000,000.00	
0116010	Beef livers, fresh or frozen	0.00	271,798.95	0	271,798.95	0
1210015	Tobacco burley LF unstemmed	.00	322,010.19	0	322,010.19	0
	Total	.00	593,809.14	0	593,809.14	0
2511000	Paper, waste and old paper	.00	5,988.90	20	5,988.90	20
3323000	Distillate fuel oils	.00	376,955.96	0	376,955.96	0
5333240	Interior oil-type paints, etc	.00	50,161.50	0	50,161.50	0
5419940	Pharmaceutical goods, nec	.00	1,109.00	0	1,109.00	0
5811035	Polyester including diallyl phthal	.00	527,547.24	0	527,547.24	0
5811071	Syn resin mstl lam sheets	.00	1,154,388.46	0	1,154,388.46	0
5811091	Polyester film, strips, and	.00	523,701.89	0	523,701.89	0
5812006	Polyeth resin, high density	.00	1,153,500.39	0	1,153,500.39	0
5812046	Polymr & co syn resn exc auh	.00	528,929.11	0	528,929.11	0
5819910	Sht & lam of artfcl rsn, pls	.00	1,393,586.82	0	1,393,588.82	0
	Total	.00	5,281,653.91	0	5,281,653.91	0
5995110	Corn starch	.00	23,698.03	0	23,698.03	0
6119660	Lea, nec, exc rough cr crust	.00	47,145.13	0	47,145.13	0
6516629	Nylon fil yrn ex hi ten nec	.00	263,261.20	0	263,261.20	0
6517633	Ray reg fil yrn thrn nt text	.00	6,661.43	0	6,661.43	0
	Total	.00	269,922.63	0	269,922.63	0
6522915	Cot sheeting nec blchd etc	.00	18,444.39	0	18,444.39	0
6522930	Cotton denims	.00	6,534.35	3	6,534.35	3
6522935	Cot yrn-dyed shrtngs nec	.00	336,287.70	0	336,287.70	0
6522976	Brd wvn fab nec blchd etc	.00	21,896.13	4	21,896.13	4
	Total	.00	383,162.57	7	383,162.57	7
6535261	Wv fab bl nec spn p-ester	.00	9,600.00	3	9,500.00	3
6638160	Asbest mfrs ex frctn mat nec	.00	17,860.00	4	17,860.00	4
6744320	Stainless st sheets, hot-rld	.00	5,081.92	0	5,081.92	0
6840110	Alum and alum al extr ing and bi	.00	409,936.30	0	409,938.30	0

PROGRAM ASSISTANCE, COMMODITY EXPENDITURE ANALYSIS BY AGREEMENT FROM JULY 1, 1973, TO JUNE 30, 1974—ISRAEL AGREEMENT NO. 271-K-603—Continued

Comm. Code	U.S. source	Current period			Cumulative	
		Offshore	Expenditure	Tons	Expenditure	Tons
6911015	Fabr structural iron an steel	.00	241,322.00	0	241,322.00	0
6911080	Pref and port bldgs of I and S	.00	6,900.00	10	6,900.00	10
	Total	.00	248,222.00	10	248,222.00	10
6922230	Sh gun nec, ing bxs etc, al	.00	1,235,694.00	0	1,235,694.00	0
6923200	Comp gas cyl of aluminum	.00	6,984,974.82	0	6,984,974.82	0
	Total	.00	8,220,668.82	0	8,220,668.82	0
6941120	Nails, tacks, etc, nec, I. S	.00	6,858.70	0	6,858.70	0
6942200	Bolts, nuts, etc, of copper	.00	5,550.00	0	5,550.00	0
	Total	.00	12,408.70	0	12,408.70	0
6352350	Hand tools, and parts nec	.00	543,140.95	0	543,140.95	0
6381240	Buildr hrdwr etc bas mtl nec	.00	26,694.48	0	26,694.48	0
6983110	Pole line etc hrdwre I dr st	.00	953,017.26	0	953,017.26	0
7111030	Wtr tb pwr blr 100001-400000	.00	778,814.36	0	778,814.36	0
7111060	Steam gen powr boilr pts nec	.00	447,183.51	0	447,183.51	0
7115020	Dsl engns nec, ov 200 to 500	.00	22,515.16	6	22,515.16	6
7115037	Gas engs, nec, UN 6 BHP	.00	71,094.73	25	71,094.73	25
	Total	.00	1,319,607.76	31	1,319,607.76	31
7122015	Field forage harvesters	.00	15,803.50	5	15,803.50	5
7125041	Cntr offhwy whltrac max 300HP	.00	863,554.70	0	863,554.70	0
7125060	Tracklaying tractors, under 60	.00	164,227.50	47	164,227.50	47
7125068	Tracklaying tractor 200 & OV	.00	401,528.75	0	401,528.75	0
7125080	Tracklaying tractors, used	.00	418,852.04	0	418,852.04	0
	Total	.00	1,863,966.49	52	1,863,966.49	52
7142050	Cash regstr wth calc dev new	.00	33,978.00	0	33,978.00	0
7149209	Str DV (X RD AC) el cmp & Pl	.00	279,142.95	0	279,142.95	0
7149216	Pts and acces F BSC elctr comp	.00	1,044,141.59	0	1,044,141.59	0
7149218	Pts and acc F computer rldt MS	.00	16,920.00	0	16,920.00	0
	Total	.00	1,374,182.54	0	1,374,182.54	0

7151014	Drillg machs nes $1,000 and OV	.00	252,042.69	0	252,042.69	0
7151086	Threading mach $1,000 and over	.00	561,224.24	0	561,224.24	0
	Total	.00	813,266.93	0	813,266.93	0
7171325	Pts, etc F fbr mach ex extrd	.00	636,501.74	0	636,501.74	0
7171530	Wash mch etc, commrcl N coin	.00	27,760.00	0	27,760.00	0
	Total	.00	664,261.74	0	664,261.74	0
7184248	Attch nec for mntng on trctr	.00	16,600.00	10	16,600.00	10
7185155	Mach for mkng cement prodcts	.00	40,000.00	10	40,000.00	10
7185160	Mach for wrkng minrl prodcts	.00	414,949.23	0	414,949.23	0
7185220	Gls-working mach, nec, and pts	.00	6,290.53	0	6,290.53	0
	Total	.00	477,839.76	20	477,839.76	20
7191520	Centrif refrig unit open-typ	.00	281,385.94	0	281,385.94	0
7191973	Ind proc vessls nec, pts nec	.00	79,444.00	8	79,444.00	8
7192126	Cntfgl pump SS-SS-FM und 3in	.00	10,281.06	0	10,281.06	0
7192328	Centr extractors & comm undr	.00	11,363.72	0	11,363.72	0
7193112	Shov ldrs 4 wh dr 1-1-1/2CYD	.00	908,854.10	0	908,854.10	0
7193142	Pts, attach nec ldg etc mchs	.00	484,063.50	0	484,063.50	0
7195420	Jigs and fixtures	.00	5,880.00	2	5,880.00	2
7196221	Food cang etc mach, nec	.00	399,463.37	0	399,463.37	0
7198095	Mch and mech apl, nec, pts nec	.00	554,635.43	0	554,635.43	0
	Total	.00	2,735,371.12	10	2,735,371.12	10
7221056	Dsl-eng AC gen sts 50-250 KW	.00	247,503.41	0	247,503.41	0
7221063	Generator sets, nec	.00	9,700.00	0	9,700.00	0
7221084	Transformers, nec	.00	20,361.86	0	20,361.86	0
7221090	Coils, trans etc, pts, el cmp	.00	207,838.26	0	207,838.26	0
7222024	Trns mtr and gen cntrl eq, pts	.00	529,286.00	0	529,286.00	0
7222036	DC mtr strtrs and cntctrs, all	.00	7,631.70	0	7,631.70	0
7222066	Connectors, nec	.00	218,606.53	0	218,606.53	0
7222068	Curnt carryng wirng dvcs nec	.00	800,499.75	0	800,499.75	0
7222074	Resistors, fixed, wire-wound	.00	1,400.80	0	1,400.80	0
7222076	Resistors, varble wire-wound	.00	9,422.34	0	9,422.34	0
7222080	Resistors, nec					
7222089	Relays, nec; and parts, nec	.00	22,095.43	0	22,095.43	0
	Total	.00	2,080,923.43	0	2,080,923.43	0
7249240	Pa systems, speaker, amp, mic	.00	72,063.15	0	72,063.15	0
7249905	Transmit and pwr amp, ex brodst	.00	472,623.79	0	472,623.79	0
7249935	Comm equip nec, and parts, nec	.00	473,695.78	0	473,695.78	0
7249961	Rad and TV pts and accesrs, nec	.00	176,345.31	0	176,345.31	0
7249965	Intercomm equip except wire	.00	1,010,529.23	0	1,010,529.23	0
7249975	Electr search appar and radar	.00	979,415.53	0	979,415.53	0
	Total	.00	3,184,672.79	0	3,184,672.79	0

PROGRAM ASSISTANCE, COMMODITY EXPENDITURE ANALYSIS BY AGREEMENT FROM JULY 1, 1973, TO JUNE 30, 1974—ISRAEL AGREEMENT NO. 271-K-603—Continued

Comm. Code	U.S. source	Offshore	Current period Expenditure	Current period Tons	Cumulative Expenditure	Cumulative Tons
7291255	Parts, nec, for storage bait	.00	242,408.60	0	242,408.60	0
7293051	Transistors, silicon	.00	1,440.00	0	1,400.00	0
7293058	Semicon rect and rect assmbls	.00	18,358.17	0	18,385.17	0
7295100	Electricity supply meters	.00	42,244.38	0	42,244.38	0
7295202	Oscilloscopes	.00	8,334.53	0	8,334.53	0
7295205	Waveform analyzing instr nec	.00	5,488.26	0	5,488.26	0
7295220	Test instr for ele cir and mut	.00	3,465.00	0	3,465.00	0
7295236	Ele qty indinstr nonrec nec	.00	20,236.89	0	20,236.89	0
7295266	Phy prop test etc, instr ele	.00	432,978.93	0	432,987.93	0
7299540	Capacitors, nec	.00	139,800.50	0	139,800.50	0
7299910	Signal generators	.00	9,689.70	0	9,689.70	0
7299930	Elec apparatus nec and pts nec	.00	11,809.85	0	11,809.85	0
	Total	.00	936,281.81	0	936,281.81	0
7320206	Trucks unas gas 6,000 lb and un	.00	2,957,818.12	169	2,957,818.12	169
7320220	Truks asm gas 16,001–19,500 lb	.00	44,559.36	18	44,559.36	18
7320224	Truks asm gas 19,501 to 26,000 lb	.00	22,089.20	9	22,089.20	9
7320252	Trucks asm dsl over 33,000 lb	.00	3,351,592.01	30	3,351,592.01	30
7320254	Truks unas dsl over 33,000 lb	.00	1,977,885.33	187	1,977,885.33	187
7320320	Trucks and trailers, off-hiway	.00	38,129.00	16	38,129.00	16
7328920	Pts and acc, nec, whl tractors	.00	16,778.98	3	16,778.98	3
	Total	.00	8,408,852.00	432	8,408,852.00	432
7333040	Truck trailers and parts, nec	.00	780,010.50	0	780,010.50	0
7349230	Pts and access, nec for A/C	.00	1,149,288.73	0	1,149,288.73	0
8121040	Cent heat app nec and pts nec	.00	26,302.50	0	26,302.50	0
8613910	Searchlights and spotlights	.10	686,579.99	0	686,579.99	0
8617125	Dental equipment nec	.00	7,510.00	0	7,510.00	0
8617150	Med surg etc and vet inst nec	.00	12,125.82	0	12,125.82	0
8619110	Aircraft flight instruments	.00	882,847.32	0	882,847.32	0
8619330	Draw inst etc not for autus	.00	1,260.50	0	1,260.50	0
8619734	Ind inst for meas flow etc	.00	8,400.00	0	8,400.00	0
	Total	.00	1,598,724.63	0	1,598,724.63	0
8929320	Advertising printed matter	.00	43,704.00	2	43,704.00	2
8995230	Stods and similar articles	.00	7,848.90	0	7,848.90	0
8999990	Manufactured articles, nec	.00	4,778,631.96	0	4,778,631.96	0
	Total	.00	4,786,480.86	0	4,786,480.86	0
	Agreement total		49,723,876.79		49,723,876.79	

Mr. MURPHY. I didn't bring that with me.

Mr. KOCH. Wouldn't their purchases be machinery, food stocks, and the various items that Israel needs to import on an economic basis for its domestic economy? And aren't most of these bought here in the United States with those moneys?

Mr. MURPHY. All of it was bought in the United States.

Mr. KOCH. All of it?

Mr. MURPHY. Yes, sir. It would cover what you have described.

Mr. KOCH. From various parts of this country?

Mr. MURPHY. Yes, sir.

Mr. PASSMAN. That is a great contribution to the hearings, but I still say that I had a very pertinent request, and that is to complete your shopping list, because I don't know what the feeling of the House is going to be and I think we should show where the money is going to be spent.

As Mr. Conte said, it is a very serious situation in Portugal, but nevertheless regardless of how serious it may be we should have more information on what the money is going to be spent for.

You don't disagree, do you?

Mr. MURPHY. Mr. Chairman, we will give you everything that we possibly can, as long as you understand that some of it is in a very tentative discussion stage.

Mr. PASSMAN. And the economic situation in Portugal may be extremely bad.

Mr. MURPHY. That is right.

Mr. PASSMAN. As far as I am concerned, there may be instances, like in Israel, where you have to go directly to budget support.

Mr. MURPHY. There may be.

Mr. PASSMAN. Yes, Mr. Secretary?

SUPPORTING ASSISTANCE FOR ISRAEL

Mr. ATHERTON. I would like to elaborate a little bit in response to the Congressman's question with respect to Israel because I think there is one point that has not been brought out in this hearing and I think it is important to bring it out.

As I understand it, the basic concept behind security supporting assistance in particular we should keep in mind particularly countries that are bearing an extraordinary defense burden. I don't think anyone can question that this is the case with regard to Israel where 40 percent of the national budget goes for defense, 30 percent of GNP is defense related, and in 1974 defense imports alone amounted to $1.8 billion.

We have in the past considered this basically as a budget support program to help compensate for the heavy defense expenditures that Israel bears.

Having said that, we have always, I think, had a very good experience in terms of Israeli use of these funds.

The programs that have been worked out, such as the commodity import program, have been good programs. They have been well managed programs. Our experience has always been that the money has been well spent. It has been spent in this country, but I think we ought to keep in mind the basic consideration that these are require-

ments of an extraordinary nature because of the extraordinary defense requirements which are a result of the unfinished conflict in the Middle East.

ISRAEL'S DEBT REPAYMENT

Mr. PASSMAN. You understand we want to complete this shopping list. I can't read the minds of the majority of the 435 Members of Congress but we should make a good case in every area where you have requests for funds. I think we should state for the record that Israel is up to date on all of its loans. They haven't defaulted, as far as I know, on one repayment on any of their loans; is that correct?

Mr. MURPHY. That is correct, sir.

Mr. PASSMAN. Mr. Conte?

Mr. CONTE. The only point I was trying to make, Mr. Chairman, is that last year when we had requests for $2.2 billion for Israel, we voted $1.7 billion. I was for the $2.2 billion and you and I worked it out and we got the $2.2 billion, so I happen to be very practical about this, but I don't want to set the two types of ground rules here.

I can see that Portugal has no constituency, and I sort of get that feeling here as we progress today.

Africa gets the smallest percentage of foreign aid of anyplace in the world.

I am sorry that Secretary of State Kissinger isn't here. I think he should be here, not only to tell us in a closed session how his shuttle diplomacy is going out there in the Middle East, but why we have to give $25 million to Syria, and where this fits in in trying to bring peace to that troubled part of the world. I think it is very important that we have this. It is unfortunate he isn't here.

I also would like him here to talk about this money to Portugal. I happened to be apprised of that situation. I understand that Portugal no longer is in the European group discussion on NATO nuclear strategy; is that right, Mr. Secretary?

Mr. LOWENSTEIN. They did not participate in the last Nuclear Planning Group meeting.

ROLE OF AZORES BASES

Mr. CONTE. What is our situation now with regards to refueling in the Azores? When we had secret sessions here in regards to the airlift to Israel, we saved them at that time. If we hadn't moved in there with the C–5A's they would have gone under. We stopped in the Azores to refuel.

I understand the Arabs tried to buy our base rights for $50 million. These are the things that we ought to be discussing here today.

Tell them about Angola and Mozambique. The great liberals are on the floor of the House making speeches, the Democratic study group, about the colonization of Angola and Mozambique.

Now they have independence and they need money badly down there.

Why don't you speak about these things?

PROPOSALS FOR USING $25 MILLION FOR PORTUGAL

Mr. LOWENSTEIN. We couldn't do nearly as good a job as you have done, Congressman.

Let me also talk about the shopping list problem. The money for Portugal was authorized in December by the Congress. Ambassador Carlucci had to stay in Washington until early January because he had some hearings he had to complete in connection with his old job. He got to Libson on the 17th, I think. We held the technical team until he got out there. We felt there was no point in their being there until the new Ambassador arrived.

The technical team got out there on the 20th of January, so they have had 12 days now, or 13 days, to consult with Ambassador Carlucci, to consult with the Portuguese Government, and to decide what projects they are going to recommend jointly. That is why we don't have specific information on the projects, but we will have, within a couple of weeks.

I don't see how it could have been done any more quickly.

Mr. PASSMAN. You understand, Mr. Secretary, that we have had to postpone a lot of projects?

Mr. LOWENSTEIN. Of course I do.

Mr. PASSMAN. We are canceling out prior appropriations. I don't know what we are confronted with. I think we are going to have to make the case that we are only asking the Congress to pass a 4 month's bill because two-thirds of the year will have elapsed under the continuing resolution. I am thoroughly convinced that we had better make a good case.

ASSISTANCE TO ISRAEL

With respect to Israel the gentleman from Massachusetts always supported Israel. Here is what transpired last year. We had just reported out the defense bill from full committee and had cut it $3 billion. Several days thereafter we were going to mark up the foreign aid bill and I thought it was best to provide $1.7 billion to feel this thing out.

By the time we reached the full committee, the atmosphere had cleared a little and I offered the amendment to put the other $500 million back in.

As I say, I have always tried to be just as considerate as possible, and I think as far as possible this year we are going to have to establish a shopping list even though it is tentative.

If much of this money is going to be for budgetary support let's put it on the record so that when these questions are asked we will have good answers for them.

It may well be that you would have to transfer additional funds over to Israel. I don't know. I know I want to be responsible and I think every member of this committee wants to be responsible.

I wonder if we can take a break for lunch. I am going to ask Mr. Long to preside this afternoon.

Mr. CONTE. Why can't we finish this now?

Mr. PASSMAN. We may finish if it is agreeable.

Mr. ROUSH. I have no other questions.

FOREIGN MILITARY CREDIT SALES

Mr. LONG. On the foreign military credit sales program, in which $300 million is earmarked for Israel, $100 million is a grant, I believe, but the other $200 million could be DOD-guaranteed loans from com-

mercial banks at a fairly high interest rate (10–12 percent). Is that correct?

Mr. MURPHY. Dr. Long, you have us at a disadvantage because there is no one here from the Pentagon that administers this foreign military sales program, and I really don't believe we are competent to testify on this.

ISRAEL'S DEBT BURDEN

Mr. LONG. Can you tell me then what the debt burden of Israel is at the present time? I do think that is relevant to the request that you have. They have a large debt burden, do they not?

Mr. ATHERTON. I have some figures on that, Mr. Congressman.

For 1973 and forecasted for 1974, and then the estimated actual burden for 1974, the first figure, Israel's foreign debt in 1973 was $5,093 million. The forecasted figure for 1974, I presume this means forecasted in the Israeli budget, $5,700 million.

Mr. LONG. You are talking about the total debt, actual debt?

Mr. LONG. I am talking about their principal and interest repayments.

Mr. ATHERTON. Again the information I have on that indicates that the annual debt services payments, including interest, have risen from $712 million in 1973 to nearly $900 million in 1974, and are expected to pass the $1 billion mark in 1975.

Mr. LONG. So that of the resources that we are making available to Israel, much more than that is in fact absorbed for debt service that Israel has to maintain on its external debts.

Mr. ATHERTON. Of course I think one has to clarify that what we provide is only a part of Israel's total capital imports. There are the private transfers which are substantial. The figure I have in round figures, capital imports of roughly $3 billion plus earnings from export have helped Israel to maintain its credit worthiness.

Mr. LONG. These are investments made in Israel?

Mr. ATHERTON. Contributions to a large extent, sale of Israeli bonds and contributions to United Jewish Appeal.

Mr. LONG. What is that? I wasn't aware that it was that large a sum of money. I would be surprised if that were a major part of Israel's capital imports.

Mr. ATHERTON. I don't have the totals here on either of those sources of capital, but it is not inconsiderable. I do have it.

Let's take 1973. Israeli bonds, $502 million. Forecast for 1974 is down, and I think this is understandable.

Mr. LONG. They are paying interest on those bonds, are they not?

Mr. ATHERTON. Oh, yes.

Mr. LONG. What I want to discover is to what degree the resources that we give or loan Israel will be offset by debt-service payments. I am not talking about profit-seeking investments being made in Israel, but bonds that were issued for their past needs, on which they have to pay interest, as well as any loans that are made.

Mr. MURPHY. Amortization of loans.

Mr. LONG. Of the kind that I just mentioned here in this DOD-guaranteed loan. Israel does operate under a staggering burden of external debt service, does it not?

Mr. MURPHY. Yes, sir.

Mr. LONG. Their debt service is absorbing a very large part of whatever we are able to make available to them.

Mr. MURPHY. We will develop a table, Dr. Long, and insert it in the record with your permission at this point.

Mr. LONG. I would appreciate that.

That is all I have to ask, Mr. Chairman.

[The information follows:]

ISRAELI EXTERNAL DEBT STATEMENT[1]

[Millions of U.S. dollars]

Repayments by year[2]	Principal	Interest
1975	$329.5	$130.4
1976	351.7	106.8
1977	327.4	90.1
1978	369.9	79.3

[1] Total external debt as of Dec. 31, 1973, $5,100,000,000. Total estimated external debt as of Dec. 31, 1974, $6,300,000,000 (no data available on repayments of borrowings in 1974).

[2] No data available beyond 1978.

Source: IMF report: Israel—Recent Economic Developments, dated July 8, 1974.

NATIONAL DEBT

Mr. PASSMAN. I think possibly we should state for the record that our true public debt is $2 trillion, when you include our statutory obligations. Interest on our public debt is, in all probability, going to approach $40 billion in fiscal 1976.

Mr. LONG. Would the chairman yield on that?

Mr. PASSMAN. Yes; I yield.

Mr. LONG. I think a distinction has to be made between an internal and external debt. We are fortunate at least that most of our debt is an internal debt, so that although money is paid out by the Government, it is paid to Americans, and therefore results in income to Americans who are able in fact to pay taxes on that to the Government, whereas virtually all of the Israeli debt is an external debt. External debts constitute a terrible burden on countries. Very few countries have ever succeeded, I believe, in paying off completely a very large external debt. I think that ought to be made clear.

Mr. PASSMAN. It hasn't lessened my enthusiasm to help our friends, but I think we should occasionally point out for the record just how tremendous our public debt and public obligations are.

I think we should also show for the record that whatever we give in foreign aid in fiscal 1975 and fiscal 1976 has to be borrowed, doesn't it?

Mr. MURPHY. It depends on how you look at the budget, Mr. Chairman, but certainly a good part of our total Federal budget is financed from borrowed money.

Mr. PASSMAN. Foreign aid is something that comes after we have provided funds to the regular U.S. agencies, so it has to be said it falls in the category of borrowed money.

I want to be fair about this but I think certainly we ought to say something about the problems of borrowing in America.

Mr. Coughlin, any more questions?

Mr. COUGHLIN. Yes, Mr. Chairman.

I would like to get back to the question that Mr. Conte raised about the use of the Azores, and whether we still have our base rights in the Azores, and whether or not they were vital to supplying Israel in the last go-around over there.

I think this is a very critical question.

Mr. LOWENSTEIN. Yes, Congressman, they were vital last time. I should point out that the Portuguese authorities have declared their intention to remain in NATO so that the base situation remains unchanged from that which has prevailed so far.

It is our feeling that if we don't support Portugal now, that if things go the wrong way in Portugal, there won't be a question of future NATO relationships and possible base agreements.

Mr. COUGHLIN. And was this base vital to our resupply of Israel?

Mr. ATHERTON. It was an essential part of the resupply, Congressman. I think there is no question about that.

Mr. COUGHLIN. So that if that were denied us, any future situation such as that in Israel, we would have real difficulty getting supplies there on time.

Are there alternatives to these bases?

Mr. ATHERTON. This was the best available under the circumstances at that time. The question of whether or not a resupply of the kind we had in 1973 could be done without the use of those bases is one I don't feel competent to address. I would want to consult my Department of Defense colleagues, but I am quite certain that it would be a much more difficult job and certainly a much more costly job. Whether it would be impossible is a question I am not really prepared to answer.

Mr. CONTE. Will you yield there?

The Greeks wouldn't let us land there, would they, the last time?

Mr. ATHERTON. No; we didn't.

Mr. CONTE. This was the only place that we could refuel.

Mr. COUGHLIN. The Spanish wouldn't?

Mr. CONTE. Spain wouldn't let us land.

Mr. ATHERTON. What I am not sure that I can recall without checking the record was where else we made specific requests.

Mr. CONTE. We heard behind closed doors, Mr. Chairman, that was a very, very serious time, that that was the only place we could refuel.

Mr. COUGHLIN. If it is not possible to discuss that at this time I think it should be discussed at another time.

Mr. PASSMAN. I think possibly these questions which are raised should possibly have answers.

Could you do research and maybe furnish a letter on it?

Mr. ATHERTON. I think, obviously, it is a very serious question and I would like to undertake to see what we can provide.

Mr. PASSMAN. Are we in a classified area?

Mr. ATHERTON. Yes.

Mr. PASSMAN. I think we should insist that Mr. Kissinger come down tomorrow.

Mr. ATHERTON. Mr. Chairman, could we undertake to provide you a letter on this? I think we would probably want to make it a classified letter.

Mr. PASSMAN. Is that acceptable to you?
Mr. COUGHLIN. Yes.
Mr. ATHERTON. To give you fully the information you are asking for.
Mr. PASSMAN. You can give us a classified letter on it.
[The letter was supplied to the committee.]
Mr. COUGHLIN. Thank you, Mr. Chairman.
Mr. PASSMAN. Mr. Obey?
Mr. OBEY. Let me just ask a couple of questions, and let me start by stating a couple of thoughts.

I happen to think that it is probably a pretty good idea to provide some aid to Portugal. I happen to think it is probably a pretty good idea to provide some aid to Israel, but anybody who knows anything about me knows that I value procedure every bit as much as substance on the committee and anyplace else.

There are a few things that bother me about procedure here and maybe it is just because I am a new guy on the block on this subcommittee and I don't understand things fully.

Let me ask some dumb questions anyway.

BUDGET AMENDMENT FOR REQUESTS

Has the administration sent up a specific budget amendment in support, if the administration is in support of these funds?
Mr. MURPHY. It has not yet done so.
Mr. OBEY. Will it?
Mr. MURPHY. It is in the works, Mr. Obey.
Mr. OBEY. Will we get one?
Mr. MURPHY. It is my expectation that you will get one, yes.
Mr. OBEY. Because if I can speak very frankly, I have wondered and I know some other people have, whether in fact there will be one because I think there is the assumption in some quarters that because of the emotion and because of the political punch that the Israel money has that it could probably be pushed through Congress without an amended budget request.

This is just one Member who, in the absence of any specific budget request, would have no intention of voting for money for Israel, for Portugal, or anybody else. I think it is very important in terms of procedure, just in practical terms. I am a practical politician. I know that one of the arguments the next 2 years is going to be how much of a budget buster the Congress is. I am not going to vote for money in this case so that when the net pluses and minuses are totaled up a couple of months from now that this is just one of those items where we are listed as being above the budget when in fact the administration is specifically in support of both the items.

Mr. MURPHY. You need not have any concern on that because these requests, when they come to the Congress, will still leave the action of the Congress below what the administration requested for foreign aid.
Mr. OBEY. I understand that.
Mr. MURPHY. So there are offsetting reductions.
Mr. OBEY. I understand. I am looking at the total package.

I just want it clear if there is in fact any doubt anywhere about the intention to send up an amended budget request that I am not going to vote for anything unless there is one.

IMPORTANCE OF BUDGET AMENDMENT

Mr. PASSMAN. Will the gentleman yield at that point?

Mr. OBEY. Yes, sir.

Mr. PASSMAN. I have been in touch with the administration and I have mentioned this to them several times regarding the importance of sending down an amended budget request.

I want the members of the committee to understand that we are holding these hearings only because the continuing resolution is going to run out and we are going to have to move this bill. I think it is vital, Mr. Murphy, and Mr. Secretary, that you get this information back to Mr. Ash or to the President and Mr. Kissinger and just state that there is some question as to whether or not you can get this approved unless you have an amended budget request.

I do not think you made a valid point that this increase will be offset.

We have to deal specifically with the items under consideration. There has been no budget request for the increased amount for Israel or for Portugal.

Will you get that message through to them?

Mr. MURPHY. Yes.

Mr. PASSMAN. Thank you for yielding.

USE OF FUNDS FOR ISRAEL

Mr. OBEY. Again on procedure, you indicated earlier that about $150 million and some additional amount, you said $150 million in the case of Israel will be committed now for commodity imports.

A little while later you said the majority will be used for commodity imports.

I take it that there will be at least some money in the funding for Israel which will be in the form of direct budget support?

Mr. MURPHY. I expect that will probably be so, Mr. Obey.

BUDGET SUPPORT QUESTIONED

Mr. OBEY. Having had no experience on the subcommittee, but being personally somewhat offended by that procedure, I know there have been some precedents for this. I understand you did that with Jordan, for instance.

Mr. MURPHY. Yes, sir.

Mr. OBEY. For how long?

Mr. MURPHY. For many years.

Mr. OBEY. Are we doing it for anybody else right now?

Mr. MURPHY. None that I can think of.

Mr. OBEY. Why is it a good idea? How do I defend that to my taxpayer?

Mr. MURPHY. As Dr. Long brought out very forcefully, the Israeli Government is laboring under a tremendous burden.

Mr. OBEY. I understand that but it still begs the question.

Mr. MURPHY. It is carrying a defense load which is 40 percent of their taxes.

Mr. OBEY. That means the money could be used for paying the salaries of government people.

Mr. MURPHY. And some of the military.

Mr. OBEY. My point is that I am fully confident that they need the money, but I think that my taxpayers have a right to know specifically where that money goes.

I do not feel very comfortable even though I know the position Israel is in in this country and all of its supporters, and I happen to be one of them, but as I said, procedure is very important to me.

It is not a partisan question at all, I understand that. It just seems to me that it is a very questionable budget practice. I wonder if we are not doing it for anybody else why we should do it for Israel.

Why can't we, and the people we represent, be told where that money is supposed to go before it is committed.

NEED FOR GREATER DETAIL

Mr. MURPHY. Well, you can be and you will be.

Mr. OBEY. But not before we vote on it.

Mr. MURPHY. No, we need the appropriation before we can talk with the Israelis about precisely what to do with it.

Mr. OBEY. If they do not have an idea of where they want it, at least to give us some tentative idea——

Mr. MURPHY. I am sure they have ideas on where they want it. We are conducting discussions with them. When the discussions are finalized we will have a pattern and in fact we are required to send it up to you.

Mr. OBEY. But after the vote.

Mr. MURPHY. But——

Mr. OBEY. I have never voted for foreign aid in my life. I want to. If anybody ever told me I would vote against foreign aid, I would have said that they were crazy. But the fact is that it is very difficult to justify especially in a district like mine which is poor, rural, and older than average.

It is very difficult to justify non-specific requests. I don't care if it is for Israel or anybody else. I would like to hear some specific information as to why this type of program is necessary for Israel when it is not for anybody else.

Mr. MURPHY. I will defer to the Secretary but I think we have a very peculiar situation with Israel. That is the basic reason. Secretary Atherton, would you expand on that, please?

ISRAEL'S NEED FOR ASSISTANCE

Mr. ATHERTON. I in part answered it when I pointed out the extraordinary defense burdens that Israel carries and the recognition of security supporting assistance is to help countries whose resources are strained by extraordinary defense expenditures.

The situation that Israel is in, I think, is unique in terms of its political position in the area, in terms of its debt burden. Therefore, I think one has to find unique ways of dealing with it.

There is no question in my mind that budget support for Israel goes to good use even though one cannot identify the precise expenditure of each dollar of ours that goes to the Israeli budget.

Mr. OBEY. If you are to sustain in this country support on the part of the general public for foreign aid in general they have to think that we know what we are doing, that we know in fairly specific terms where that money is going.

It doesn't help us to gain support to say, look, Israel is in trouble and we have to give them money, but we cannot tell you where they are going to spend it before we provide the authorization to expend it.

NEED FOR "SHOPPING LIST"

Mr. PASSMAN. If the gentleman will yield, I think I can make a contribution at this point.

I don't want to contradict Mr. Murphy, but to set the record straight you do have an illustrative program at the beginning of each year and you ask for x amount of dollars for either development loans or supporting assistance. You have what I refer to as a shopping list; correct?

Mr. MURPHY. Yes, sir.

Mr. PASSMAN. We should have that shopping list. I brought that up earlier that you got caught short and you had to complete your shopping list. I knew it was quite irregular for this subcommittee to be considering a request when there is no budget request for it.

I mentioned this to you two or three times on the telephone. But time is running out for us. We have no alternative.

Mr. OBEY. Let me make it perfectly clear again, if I can use Mr. Nixon's words, I would intend, if this were the only item we were looking at and assuming we had a budget request, I would intend to vote for the amount of money which is specified for specific purposes and no more. I just don't feel that I am in a defensible position in trying to persuade my own constituents that this is a sensible way for this Government to do business.

Let me ask just one other question.

Mr. MURPHY. May I say that we will do our best to spread on the record the most specific information that we can give you on how we would propose to use this full amount of money.

I also would like to set your mind at ease on one other point. If and when we determine that it is necessary to engage in what is called budget support, I would like to assure you that this is not just a blank check, that we talk with the Government about the specific areas of the budget that the funds will be used for and it is not just anything that they want.

NEED FOR BUDGET SUPPORT

Mr. OBEY. But my question is more basic.

My question is whether in fact we have any business for Israel or any other country in the world to supply basic budget support. I question that very seriously.

Mr. MURPHY. We have done this over the past years for a number of countries.

Mr. OBEY. I understand that.

Mr. MURPHY. In Korea we could not keep those men on the line without budgetary support. We had to support the military budget.

Mr. OBEY. I understand we have done it in the past but that still does not persuade me that that is a responsible thing to do. Just one other question. Again it may seem naive to some but you said of the military credit sale item of $300 million, $100 million will be forgiven.

Mr. MURPHY. That is correct, pursuant to the action of Congress in the authorization act.

CONFUSION IN TERMINOLOGY

Mr. OBEY. I understand the role that Congress has played in this but let me just ask a naive question: Why should we not simply admit that that $100 million is just a gift?

Mr. MURPHY. We are.

We are not trying to conceal it in any way. It is a grant of $100 million for military supplies, pure and simple. We are not trying to in any way cover it up.

It just happened to be that the amount was requested under the foreign military sales item. The Congress decided that $100 million of that shall be a grant for Israel. There is no secret about it whatsoever.

Mr. OBEY. I understand there is no secret about it, but there is, as I understand, a difference in terminology if nothing else.

Mr. MURPHY. There clearly is.

If this has caused confusion, I'm sorry.

Mr. OBEY. It is not a question of causing confusion. When anybody wants to object to the whole blessed foreign aid program, I hear these cracks about all this subterfuge that is going on out here. I am not suggesting it is subterfuge, but I am suggesting it allows some other people to say it is.

I think it damages our credibility. I don't understand the necessity of it.

Mr. MURPHY. All I can say is we wish we could inform every Member of both Houses, have the opportunity to do so as we do the four committees that we appear before. But that is not the way Congress operates.

When you have a large body of the House and Senate who do not participate in the hearings and cannot know the details clearly you are going to have misunderstandings on their part as to what certain parts of the bill do or do not do.

Incidentally, this is also true with the American public. As you know, we are stopped by law from having any kind of an information program to inform the American public about the foreign aid program. So your constituents and the constituents of other Members have misconstrued ideas of what is going on in the aid program.

We would love to be able to clear it all up.

Mr. OBEY. That is not my precise point, but I have taken enough time.

Mr. PASSMAN. Thank you, Mr. Obey.

It would have been far more desirable and understandable, even though I am supporting the $300 million credit sales for Israel, had the 100 million in grant aid been in the MAP program because that

is the category it should have fallen in because it is grant military assistance, is it not?

Mr. MURPHY. That would certainly eliminate the kind of confusion Mr. Obey talks about.

Mr. PASSMAN. That is right. But since it is not, we have to take the vehicle we have and work with it. Mr. Koch?

U.S. SUPPORT FOR ISRAEL

Mr. KOCH. Am I correct that it is a matter of U.S. policy which has been expressed by the President and the Congress that it is in the national interest of the United States to support Israel and to make certain that it can defend itself militarily? Is that a fair statement?

Mr. ATHERTON. I think that is a very fair statement, Mr. Congressman.

Mr. KOCH. Having taken that position, we have undertaken to assist Israel economically and militarily to achieve this. Is that fair?

Mr. ATHERTON. Yes, sir.

Mr. KOCH. In some cases with respect to other countries we have given them arms totally without charge.

Mr. MURPHY. Yes, sir.

Mr. KOCH. Many countries.

Mr. MURPHY. Yes, sir.

Mr. KOCH. We have not required them to reimburse us at all.

Mr. MURPHY. Correct.

Mr. KOCH. Isn't it a fact, however, that with respect to the arms provided Israel over the years that a vast amount of those arms have been paid for, whether by long-term loans or short-term sales, but in fact paid for?

Mr. ATHERTON. I think over the years that is correct.

CRITERIA FOR ASSISTING ISRAEL

Mr. KOCH. In determining how you would assist a country, you could decide that we would not grant any economic assistance; but that we would provide arms with no requirement for reimbursement. That is one way of handling it; isn't that so?

Mr. ATHERTON. Yes.

Mr. KOCH. Didn't you tell us that Israel is compelled to spend 40 percent of its total budget on arms in order to maintain itself militarily?

Mr. ATHERTON. Forty percent for total defense expenditures.

Mr. KOCH. And if that 40 percent were given outright by the United States—I'm talking about the military hardware and isn't it a fact that it would not be necessary to have the economic assistance that we are talking about today?

Mr. ATHERTON. I think that is clearly true. Forty percent would be something in the neighborhood of over $4 billion.

Mr. KOCH. So we have decided instead of that to require that Israel pay back the military aid and we will assist them economically in grants and long-term loans. Isn't that a fact?

Mr. ATHERTON. Yes; in general I think that is correct. There is a balance between the two.

Mr. KOCH. This is current policy. There has been a decision made that it is in the interest of the United States to do that. Is that not so?

Mr. ATHERTON. Yes.

Mr. CONTE. When Secretary Kissinger came up here he said they forgave $1,500 million in military aid. That was supposed to be repaid and we washed it out last year.

Mr. PASSMAN. That is correct. It was $1½ billion last year and only $700 million was for repayment.

Thank you.

Gentlemen, there have been some tense moments as we tried to pin down your shopping list. You have heard some of the members express themselves. You better finish your shopping list. Tell these people we want an amended budget request. If we do not get it, you may not get any money and if you cannot give it to us, will you give us a letter stating why. That is the end of the hearing. The committee is adjourned.

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