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FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1976

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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 4

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ACTING SECRETARY OF DEFENSE
FOREIGN MILITARY CREDIT SALES
MILITARY ASSISTANCE PROGRAM
INTERNATIONAL MILITARY EDUCATION AND TRAINING
SECURITY SUPPORTING ASSISTANCE
MIDDLE EAST SPECIAL REQUIREMENTS FUNDS
POPULATION PANEL
TESTIMONY OF INTERESTED INDIVIDUALS AND ORGANIZATIONS

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U.S. GOVERNMENT PRINTING OFFICE

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FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1976

FRIDAY, NOVEMBER 14, 1975.

SECRETARY OF STATE

WITNESSES

HON. HENRY A. KISSINGER, SECRETARY OF STATE
CARLYLE MAW, UNDER SECRETARY OF STATE FOR SECURITY ASSISTANCE
THOMAS STERN, DEPUTY DIRECTOR, OFFICE OF POLITICO-MILITARY AFFAIRS

Mr. PASSMAN. The committee will come to order. We shall continue our examination of the budget requests for foreign assistance for fiscal year 1976 and the transition quarter. We have before us this afternoon the Honorable Henry Kissinger, Secretary of State, and other supporting witnesses.

I would like to say in advance that the Secretary is going to have to leave at 5 o'clock. Also, we have two members of our committee who must keep important engagements, so after the Secretary makes his statement, we will let these two Congressmen present their questions and then we will return to our regular procedure. This will be an open session.

Mr. Secretary, we are very pleased to have you appear before the Foreign Operations Subcommittee on Appropriations. As chairman, I think most members of the subcommittee will agree it is an important committee. This is the stage where the level of foreign aid is eventually decided to a very large extent. We think it is an important committee. We are glad you recognize it as such and are willing to appear before the committee and state your case. We would be very happy to hear from you at this time, Mr. Secretary.

Secretary KISSINGER. Mr. Chairman, I would like, first of all, to compliment you on your negotiating skill. When we talked before, I said I have to leave in 2 hours, which would make it 4:30, but I yield to the chairman if he says 5.

Mr. PASSMAN. We are retrieving the first 30 minutes we lost from 2 to 2:30. That is why I moved it up until 5. If you want to stay longer, we will be happy to have you stay longer.

Secretary KISSINGER. I want you to know I recognize your skill and yield to it.

Mr. PASSMAN. You may proceed, sir.

Secretary KISSINGER. I have a statement, Mr. Chairman, of which I will read only excerpts to permit you to go to questions as quickly as possible.

Mr. PASSMAN. You may insert your statement in the record and summarize in your own way.

Secretary KISSINGER. Fine, Mr. Chairman, and gentlemen of the committee.

I come before you today to present and explain the administration's request for new appropriations of $4.7 billion for fiscal year 1976 under the Foreign Assistance Act.

These appropriations are vital to our Nation's well-being. For it is through such resources that we are able to work for the kind of world in which America's interests can flourish.

Our foreign policy is designed to help shape an international structure of relations which promotes cooperation rather than force; negotiation rather than confrontation; and which permits peoples to pursue their positive aspirations in a world environment of stability and security.

To do so, we must pursue a strategy far more complicated than in the past. In the rigid bipolar world of the 1950's and 1960's our overriding goal was the containment of Communist aggression. Congress and the Executive were in general accord that security assistance was central to our Nation's safety and to our other most important foreign policy objectives.

Today we face a challenge no less serious but far more complex. The growth of nuclear arsenals and the proliferation of nuclear weapons bring new perils to peace. New centers of power and influence have sprung up in both the industrial and developing worlds, vying with and among each other in unexpected patterns of confrontation; regional conflicts fester, threatening global stability. And the realities of economic interdependence impel us to new levels of cooperation and efficiency of effort.

Thus we now must simultaneously maintain a strong defense and seek more constructive international relations. In this time of greater moral complexity foreign policy still begins with security; it is the only sure basis for building more rational and reliable relations with those whose values and objectives are inimical to our own.

Security assistance is vital to nearly all our foreign policy goals:

We seek to revitalize our bond to allies who share our values, institutions and interests. America's safety requires a strong national defense bolstered by mutual security ties with allies who share our objectives. The persistent threat of nuclear devastation makes it imperative for the United States and its allies to maintain the global strategic balance.

We seek to reduce the perils of nuclear war and build more rational relationships with potential adversaries. We have taken several historic steps toward this objective in the last few years. Would-be aggressors will not feel the need for peaceful cooperation unless they perceive that efforts at intimidation will be met by a strong, broad-based resistance.

We seek to help resolve regional conflicts that threaten global peace. This traditional objective is all the more urgent in today's world of increasing nuclear proliferation. As always our assistance is designed to further peace in areas where it is threatened. Increasingly, regional stability is dependent upon stable balances of power maintained through carefully considered transfers of defense equipment.

And we seek to build a new era of cooperation between all nations on the vast new global problems of our time. It is of substantial political importance to our country that we be able to respond to the felt security needs of nations with which we seek constructive economic and political relations. We cannot expect to retain influence with nations whose perceived defense needs we disregard—especially in an age when an increasing number of countries are becoming arms suppliers at the same time that nations without arms production industries have the cash and the inclination to buy defense equipment from any source they choose.

Thus a well-reasoned security assistance policy is a part of our foreign policy in the same sense as are our political and economic support for others.

When we consider whether our Nation's policy objectives can be furthered by the transfer of American defense services and equipment, there are a number of criteria we consider.

First, we look at the nature of the threat to those who seek our help; to their role in their region and in the world; and to their ability and desire to help themselves.

Second, we look to our own interest in helping preserve the security of the recipient country; and we examine what potential influence for positive conduct we would gain should our assistance be given.

Third, we ask what other sources are available. The denial of our help might only force a turn toward another, undesirable, source of supply; a relationship favorable to us might be altered and new sources of regional instability created.

And fourth, we assess the consequences for the United States. Will our own defense readiness or efficiency be affected? Will the central strategic balance be altered?

All these factors and others are considered by a well-structured review process. The Security Assistance Review Committee consists of representatives from State, Defense, Treasury, OMB, NSC, AID, and ACDA. The committee reviews both the level and content of each country program. The views of the Defense Department are given the highest level attention with regard to the potential effect which security assistance transfers may have on our own defense preparedness. The final decisions of course are made by the President.

I would like to review with you the key elements of our proposal for fiscal year 1976, region by region.

THE MIDDLE EAST

The Middle East portion of our security assistance request makes up about 70 percent of the program. But it is matched in magnitude by the United States national interests that are involved.

It is designed to provide Israel with the assistance needed to maintain its security and consequently its confidence in its own strength and in our support to persevere in negotiations. Israel, to which we have an historical and moral obligation, requires assistance to maintain both defensive strength and economic health. Our program is aimed at these objectives.

It is designed to give tangible expression to our important relations with Arab countries, and to encourage Egypt's courageous and con-

structive efforts to move from confrontation to negotiation. Egypt faces massive tasks of rebuilding and economic development; we seek to help Egypt in this endeavor. Our assistance also helps Jordan remain an area of moderation in the Middle East. It helps us consolidate our cooperation with Syria, which is central to the negotiating process.

And it is designed to support our overall effort in the Middle East to avert another upheaval which could dash our own hopes for economic recovery and growth, strain our relations with our allies in Europe and Japan, and pose the dangers of a United States-Soviet confrontation.

Our policy of furthering all constructive forces in the Middle East is the surest path through which we can help the parties attain a durable settlement which meets the principal concerns and interests of all in the area—including the survival of Israel as a state.

In sum, the stakes in the Middle East are big, no less than war and peace; our national interests in the area are vitally important. The responsibilities we have assumed are substantial, but they are warranted.

Our assistance is not, as some have suggested, the price of the recently concluded Sinai agreement. If there had been no agreement, the needs of the countries concerned, and the imperatives of our interests and of our relations with them, would still have required an ongoing program of comparable magnitude—in conditions of continuing stalemate rather than, as is now the case, in the context of hopeful forward movement. The additional burden of U.S. assistance is modest—and infinitely less than the demonstrated costs of another war.

In preparing our Middle East program, we have been mindful of the economic problems facing us here at home and the budgetary restraints they require. We have therefore tried to strike a balance between what we could do to assist constructively in the area and what we should ask the Congress and the American people to provide. Our program reflects this balance. We hope it will receive the support that it requires and deserves.

SECURITY ASSISTANCE TO OTHER REGIONS

After the Middle East, the balance of our security assistance requests is allocated to other regional areas in the following portions:

	Percent	Amount (millions)
Europe	11.0	$534.0
East Asia	10.0	448.4
Latin America	4.0	196.0
Africa	1.5	68.5
Near East (exclusive of the Middle East)—That is principally Morocco and Tunisia	1.0	55.0

EUROPE

Our European proposals are focused primarily on Turkey and Greece. The strength of these two countries and their association with us in NATO is critical to the stability of the Mediterranean

region and the solidity of our position within it. The Congress is well aware of the extraordinary complications which the Cyprus dispute has created for our relations in the eastern Mediterranean, and the impact on the overall NATO structure. By resuming well-conceived grant and credit assistance programs for these two key nations, the United States can meet legitimate military procurement needs that will strengthen our allies and at the same time enable us to play a more effective role in helping find a mutually satisfactory solution to the Cyprus conflict.

EAST ASIA

Our security assistance proposals for East Asia are designed to demonstrate that America will sustain a constructive role in the area. It is clear that throughout the region states eager to preserve their independence are anxious to see the United States remain politically engaged in Asia. They recognize—as we must—that no equilibrium can long be maintained there without our active participation. And many countries of consequence to us will measure our will and capacity to perpetuate a constructive involvement in the Asian balance by our efforts to help others develop a more self-reliant defense position. Already perceptible progress in the direction of self-reliance is evident in the fact that our request for foreign military sales credits for East Asian countries exceeds—in fact, is twice as large as—our request for grant aid funds.

In Korea we are requesting $76 million in grant aid and $126 million in credits, repayable in full at current market interest rates. The South Koreans have made substantial progress in their own military modernization effort. In the face of heightened tension on the peninsula, they have imposed on themselves a heavy defense tax to finance improved defenses. We have put forward proposals in the United Nations to break the diplomatic impasse on Korea. We intend to provide the necessary muscle with which to support these initiatives.

We consider it important to pay special attention to allied and friendly nations in Southeast Asia, whose concern for their security is understandable in the light of recent developments. The Philippines has internal security problems. Thailand wants to preserve the security of its border regions and counter an increased potential for subversion in three parts of the country. Likewise, Indonesia seeks to strengthen its ability to patrol and protect its farflung archipelago. Our grant programs in these countries are matched by credit proposals that attest to the increasing abilities of these countries to meet much of their defense burden.

LATIN AMERICA

Four months ago in the spirit of mutual confidence and respect that has increasingly characterized hemispheric relations, we joined with our neighbors in successfully modernizing the Rio Treaty, the world's oldest mutual security instrument. In keeping with this continuing cooperation, and in an effort to take into account the growing self-sufficiency and economic development priorities of the Latin America countries, we have focused our programs primarily on the fostering of professional skills and relationships rather than on the support of military inventories or maneuvers. Training is accordingly the common denominator, while our grant materiel programs are being

phased out. Excepting only the $2 million program for Bolivia, grant materiel assistance is limited to less than $500,000 for each of only eight countries. In addition, in proportion to the military budgets of the Latin American nations which remain low by international standards, our proposed FMS credits are also modest. On the whole, our programs reflect our interest in remaining responsive to Latin America's reasonable military needs within a framework of cooperation and growing economic self-sufficiency.

AFRICA

There are two significant programs proposed for Africa. Stability in the Horn of Africa has wider geopolitical meaning. To help maintain that stability we proposed $12.6 million in grant aid and $10 million in credits for Ethiopia, a strategically located nation.

Zaire would receive $19 million in credits to help modernize its forces and meet its legitimate defense needs in view of increased threats to its security—particularly that posed by the instability in Angola. Our aid would help meet a defensive force need recommended by a U.S. military study team after careful observation and consultation with the Zaire military.

Mr. Chairman, I have addressed my remarks to the central aspects of our security assistance program—its place in our overall foreign policy design, the basic criteria under which it is employed, and the process through which our decisions on it are reached. I have focused on the area of greatest present urgency, the Middle East, and have reviewed our proposals for other regions. I am now ready to respond to your questions on these or other matters pertaining to our security assistance program as planned for fiscal year 1976.

Mr. PASSMAN. Thank you very much, Mr. Secretary. In order to accommodate the other members of the committee, I shall dispense with asking any questions at this time and yield to Mr. Bevill.

You may proceed under the 5-minute rule.

FOREIGN AID TARGET DATES

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

Mr. Secretary, I, too, wish to welcome you before this committee again.

To be exact, on June 3, 1974, was one of the occasions when you appeared before this committee, and on that occasion I mentioned to you that I was very concerned that I had been unable over the years to get any kind of a completion target date from the State Department as far as all of these countries receiving foreign aid from us were concerned.

We hear about their 5-year policy; we hear about their 10-year policy; we hear all these things and read in the paper about it, but when we ask the State Department to give us a target date, just an estimate, how long is it going to take that country to get off our back and get on its own financially or militarily or whatever, how long are we going to continue this program—in response to my question on that occasion—you made the statement, which I appreciated very much, that you thought this was very reasonable.

I said, "Is there any program underway or any other policies being considered about setting up target dates for these countries as to when we might be able to get this burden off our back?"

And you stated, "With respect to South Vietnam we are going to give you a 5-year projection, at the end of which we believe our assistance can be reduced a small fraction; and in the case of Egypt this is very difficult to do right now because we are just at the beginning of a major reorganization in Egyptian policy."

And then you said, "I think, however, it is a fair enough request"—this is your response to my question—"It is a fair enough request that we give you 5-year projections in major categories."

Then I was expecting to get some 5-year projections this year in your request, and I didn't see them. So then I went to look at what was said over a year ago I find that whoever corrected the original transcript, as we all do correct our answers and questions, instead of leaving it as it was, made it read—I am looking at the corrected one—made it read as if we were talking about nothing but Vietnam.

Well, I am not concerned about only Vietnam, and I think whoever made this correction would know that.

What I am asking is, is there any reason why we cannot get any kind of projection on these countries? Let's take Zaire here. We have been giving them money since 1961. Using that as an example, isn't that one we could get some kind of estimate on from the State Department as to when they expect to get on their feet or when they expect to become self-sustaining or when they will no longer need any American aid?

Secretary KISSINGER. The people who corrected my transcript last year—I have to tell you as Secretary of State I don't find it unusual to wait a year for a response even for myself. There are well-established procedures that take a while to——

Mr. BEVILL. I am sure you didn't do this because this is contrary to what you said, and I know you wouldn't do that.

Secretary KISSINGER. Well, that, too, has happened, but I think their problem was the only country for which we had made a 5-year projection was Vietnam, and for some of the other countries it is extremely difficult to make a plausible 5-year projection because you state only one criterion which is when will these countries get off our back, or when will they become economically self-sustaining, but there are other considerations.

There is the consideration, for example, of what new threats to their security emerge that we also are interested in, and in the pursuit of our own national interest we feel we have to support them. That is not always possible to project on a 5-year basis.

Now, as my answer to you last year suggests, I am basically sympathetic to the effort to make a projection at least, as I said then, in major categories, by region rather than country by country.

We should do this, and we will make an effort to do this within—let me give you an estimate by next week when we can do this, but it would be misleading to do it country by country and to claim that we can foresee new contingencies that could arise in all circumstances. But we should be able to establish some broad categories.

Mr. BEVILL. You would be able to give me some kind of answer next week?

Secretary KISSINGER. For how long it would take us to make projections that would be reasonable. It won't be just taking the present and projecting——

Mr. BEVILL. Mr. Secretary, we were talking about this June 3, 1974.

Secretary KISSINGER. I understand, and it obviously hasn't been done.

Mr. BEVILL. No, sir. And there must be some type, as you say, some type of projection you could give us—we would like to see the end of the tunnel on some of these programs.

Secretary KISSINGER. Mr. Bevill, I don't want to mislead you. There are some cases where it is difficult to project.

Mr. BEVILL. The Middle East is one.

Secretary KISSINGER. In the Middle East, I don't want to mislead you——

Mr. BEVILL. But there are about 90 other countries which have been receiving this aid, and we should be able to get some kind of light at the end of the tunnel, so to speak.

Secretary KISSINGER. You mentioned Zaire, for example. We are talking here about a rather small amount which was only recently increased because of a number of events in surrounding countries in which a projection last year would have been quite misleading. So this has to be kept in mind in asking for these projections.

But let me look at these things and give you an answer next week on how long it will take us to make a reasonable 5-year projection by categories.

Mr. BEVILL. All right, sir, I would appreciate anything I can get because I have been trying to get it for years, and I haven't gotten anything so far. I would like to get whatever projections you can make, and when you can make them——

Secretary KISSINGER. We will give you an answer by the middle of next week.

[The Department of State submitted response too late for printing. Request was made on Nov. 18, 1975—hearings sent to page proof close of business Feb. 12, 1976.]

AID TO ZAIRE

Mr. BEVILL. All right, sir, and then talking about Zaire, now I would like to ask you, we have been sending this country money since 1961, and the only thing we have—I am using this as an example, we have been providing them funds for long-term development. Long-term development doesn't mean too much to me. This is exactly what I am talking about. I would like to know how long is this long term. It has been since 1961. And we are told that we are going to have to continue bailing these people out and helping them, and I am sure there must be some justification for it, but now I am wondering if this development program is working in this country.

They voted against us last week, I understand, on this resolution, and they haven't done anything to indicate their appreciation, and as far as I know, we haven't accomplished anything in the area of public relations with that country.

So this is something that bothers me.

SYRIA ON ZIONISM

Another problem is with Syria. We resumed our aid to them last year, and I may be wrong about the vote last week by Zaire, but I think I am correct here on the one by Syria. They have refused to modify their hard-line position toward Israel; they have denounced the United States' peace initiative in the Middle East and just Monday they joined 71 other nations, including Egypt, in denouncing Zionism as a form of racism.

Can you tell us any positive response we have received as a result of this aid, and, if not, why should we continue sending aid to Syria? (The information follows:)

Aid to Syria is a tiny proportion (about 3 percent) of the total Middle East package and our proposed total aid to Syria (security assistance and Public Law 480) is at about the same level as last year. Syria is a basic element in the Middle East situation and the peace-making process cannot continue unless there is Syrian involvement. U.S. relations with Syria have dramatically improved, compared to the total estrangement of 2 years ago. We have reopened lines of communication with the Syrian Government, have already assisted in the negotiation of one agreement between Israel and Syria, and are cooperating with it in economic development programs. The aid we are requesting will help us consolidate our cooperation and improve our overall relationship with Syria, which is essential to the peace negotiating process.

Mr. BEVILL. In the case of Israel, the proposed aid seems aimed at providing a financial prop to maintain the Israeli Government. Evidently, Israel's need for this type of aid has increased greatly in recent years, as our contribution to Israel has jumped from $50 million in 1974 to $740 million proposed for this year. Will we be asked to provide such support for the Israeli Government indefinitely? Is there any indication that Israel will, at some time, be self-sustaining?

Secretary KISSINGER. As you know, most of Israel's balance-of-payments problems stem from military requirements. As the security situation in the area further improves and stabilizes these military requirements should decline, and Israel should become better able to meet its financial requirements without such large amounts of external assistance.

Mr. BEVILL. One of my chief concerns relating to the Sinai accord is over your promises of oil to the Israelis in the event of war. How can you justify these promises at a time when our country is growing increasingly dependent on the Arab oil that may easily be cut off in the event of such a war?

Secretary KISSINGER. I would like to put this issue in its proper perspective by underscoring that the understanding which we have with Israel would have no effect (or at most a triffling one) on U.S. oil consumption and is similar to the understandings which we have with 18 other consumer countries—such as Japan and Great Britain—whose security is a matter of U.S. interest. More important, it is an essential part of an agreement which will move the Middle East away from a war that would almost inevitably bring on another oil embargo, causing massive economic dislocations for the United States and our allies.

The understanding which we have with Israel is in the nature of an arrangement for that country in case of supply difficulties which might conceivably occur but which now seem improbable. It is expected that Israel, as other nations, will be able to continue to purchase the oil it needs on the open market. Israel has normally had access to and has

purchased a substantial percentage of its oil needs on the open market despite past periods of international crisis. There is every reason to believe that Israeli access to the open market will continue undisturbed, particularly since the international climate has improved as a result of the new Israel-Egypt agreement.

As an important part in Israeli eyes of the arrangements agreed upon in connection with the recent Egyptian-Israeli agreement, the undertaking which we have given Israel should be viewed as in our national interest. Peace in the Middle East is essential for avoiding major global economic dislocations, a potential confrontation with the Soviet Union, and serious strains within the U.S. alliances. A war in the Middle East would be tragic for the area and for the West, its costs would be incomparably higher than any undertaking to which we have agreed, and its effect on the life and welfare of our citizens most profoundly negative.

Mr. BEVILL. Your program initiates a number of development projects in Egypt designed to bring about a more productive economy in that country. Yet I find it hard to see how this will help to bring long-term peace to the Middle East. How will a simple change from accepting Russian aid to accepting American aid ease the basic hostilities that have caused wars in the Middle East in the past? Are we just creating the illusion that we will have political leverage in Egypt, when really we will have none?

Secretary KISSINGER. There is no question that the political issues of the Arab-Israeli conflict must be dealt with by negotiation. No one has argued that a change in the source of aid by itself will reduce the chance of hostilities. The issue is broader.

It is true that the chances of hostilities in the Middle East will be significantly reduced if the countries in that area concentrate on improving the standard of living of their peoples instead of focusing on military solutions to the Middle East conflict.

Egypt has serious economic problems deriving in part from the long period of hostile confrontation and from the effects of Nasser's socialist policies. President Sadat has stated his policy of improving the economic well-being of his people through such means as giving greater emphasis to the private sector and of having an "open door" to private foreign investment. Our economic aid program to Egypt is designed to help relieve some of the basic economic problems of the country and to help the Egyptian Government improve the standard of living of the Egyptian people.

We believe that a stable and prosperous Egypt—with opportunities for economic growth and with diplomatic alternatives to war—will be much less likely to resort to force in resolving the Middle East problem and will be more likely to cooperate with the United States in seeking a peaceful solution of that conflict.

Beyond that, however, is the fundamental fact that Egypt now looks to its cooperation with the United States for help in two vital areas—the achievement of peace and progress for its people. It is this total relationship which provides a sound base for the peacemaking effort. Failure on our side to prove a consistent partner in either of these areas will to some degree reduce our effectiveness in the other. Failure to prove a reliable partner to Egypt will affect the trust placed in us by other nations in the Middle East.

Mr. BEVILL. By initiating these long-term projects, we seem to be assuming a large responsibility for developing Egypt economically. What is more, there are no projected termination dates in your justifications for most of these projects. Can you give us any idea of when these projects will be finished and we can end our aid to Egypt?

Secretary KISSINGER. Egypt's economic problems are not ones that can be solved overnight. Much of our economic assistance is designed to improve the basic infrastructure of the country and to place Egypt on a secure basis for future economic development. We believe that the long-term prospects for the Egyptian economy are good because of the country's human and economic resources. We do not wish to encourage Egyptian economic dependence on the United States, and Egypt will have to seek the major share of its economic help from its wealthy Arab neighbors. Nevertheless, it seems clear that Egypt will need substantial amounts of economic assistance over the next few years and it is in our interest to help to the extent that we can.

Although we recognize that the economic development of Egypt is a long-term endeavor, the capital and commercial import projects that we presented to the Congress in fiscal year 1975 and those which comprise our current fiscal year 1976 request require only single year funding for completion. Our technical assistance projects, while discrete entities, are the type which lay the groundwork for possible future technical assistance in the sectors they address.

Mr. PASSMAN. Thank you, Mr. Bevill. Thank you, Mr. Secretary.

I yield to my good friend and colleague from Massachusetts, Mr. Early, who also has a very important appointment.

AID TO ISRAEL

Mr. EARLY. Thank you, Mr. Chairman. I would like to thank you and the senior members for granting me this courtesy. Mr. Secretary, in your statement, on page 11, you state that our assistance is not as some have suggested, the price of a recently concluded Sinai agreement. I think it would be interesting if you would tell the committee what was the request of Israel to the State Department in January of this year?

Secretary KISSINGER. The request of Israel earlier this year was $2.59 billion prior to the agreement.

Mr. EARLY. That would be a net gain—we have a request for $2.3 billion——

Secretary KISSINGER. Yes, $2.3 billion. That is right.

CANCELLATION OF SOVIET DEBTS

Mr. EARLY. Thank you very much.

Secondly, Mr. Secretary, an article in the Indianapolis News of July 4, 1975, was discussed twice this past week in the Congress. It states the State Department under your tutelage has canceled the debt of approximately $5 billion, including a renegotiation of a debt of $2.6 billion—paid at 5 cents per dollar, and has also canceled Russia's obligation to us in the area of $2 billion.

Is this true, and why?

Secretary KISSINGER. I frankly don't know what this refers to.

Mr. EARLY. I hope no one less than you could cancel a $2.6 billion outstanding debt to the United States.

Secretary KISSINGER. I didn't realize I had the authority to cancel debts. I could start with my own.

Starting with the Soviet Union, there has been an outstanding Lend-Lease debt of the Soviet Union to us from the forties that has been negotiated over 30 years, on which we received nothing for nearly 30 years.

In 1972, there was a negotiation—it was not done by me individually—there was a negotiation between the U.S. Government and the Soviet Union in which the Soviet Union agreed to pay back, I think, about $725 million of a total debt which has very easily been computed, and they were going to repay that over a period of 10 years.

That was linked to the granting of most-favored-nation status.

When the most-favored-nation status was not granted, the debt agreement also fell through, and therefore that is a totally moot issue.

As a result of this debt agreement falling through, we are going to get nothing, and what happens in all these negotiations on outstanding debts is that we try to settle for the most we can get rather than have a complete default.

This is what the issue is about. So that particular Soviet debt is now moot until the trade agreement gets reinstated.

Mr. EARLY. Are you suggesting that they owe us $2.6 billion and they can cancel it by themselves?

Secretary KISSINGER. The dispute concerned whether Lend-Lease debts were, in fact, repayable. We settled the Lend-Lease debt with Great Britain on roughly the same formula. We applied to the Soviet Union roughly the same formula with which we settled the lend-lease obligations or presumed lend-lease obligations of Great Britain.

Mr. EARLY. Not to abuse my courtesy, would you supply for the record an extension of remarks on that, Mr. Secretary?

Secretary KISSINGER. The Lend-Lease Settlement of October 18, 1972, provides for a full and final settlement of all rights, claims, benefits, and obligations arising out of U.S. Lend-Lease assistance or other aid extended to the U.S.S.R. during the Second World War. Total wartime aid extended to the U.S.S.R was about $11.1 billion. The agreement provides for total repayment by the Soviets of $722 million, in addition to $199 million previously repaid. Three payments, totalling $48 million, were required by July 1, 1975. These have been paid in full. Repayment of the agreed balance of $674 million is conditional on U.S. granting of most-favored-nation tariff treatment to the Soviet Union. This balance will not be paid until MFN is extended.

The 1972 Lend-Lease Agreement with the U.S.S.R. is generally similar to the 1946 settlement with the United Kingdom. Total aid extended to the United Kingdom during the war amounted to about $21.5 billion. The total amount eventually to be repaid by the United Kingdom will be about $895 million.

CYPRUS

Mr. EARLY. What kind of progress has been made on Cyprus that you feel justifies granting Turkey $75 million in MAP (an increase of $59.3 million over fiscal year 1975) and $130 million in FMSC (an increase of $55 million over fiscal year 1975)?

Secretary KISSINGER. While we are seeking to achieve progress in Cyprus, we believe that the President's fiscal year 1976 recommendations for Turkish MAP and FMS credit deserve to be examined on their own merits. Turkey is a valued NATO ally which does not have the economic or industrial resources to meet by itself alone its bilateral or multilateral defense commitments. It is as much in our security interests as Turkey's that assistance be given Turkey to maintain its arms forces in a high state of combat readiness.

PORTUGAL

Mr. EARLY. In Portugal, according to the congressional presentation, we are trying to maintain our professional relations with Portuguese military officials. Could you bring us up to date as to how you feel these relations are at present?

Secretary KISSINGER. Our access to the Portuguese military at all levels has not been impeded by political unrest since the Portuguese revolution. Within the professional officer corps there is a growing concern for professionalism and a desire to end widespread discipline problems in the armed forces. This professional interest also centers upon developing a new role for the post-colonial Portuguese military, which will naturally be reduced in size now that the African wars are at an end. Military officials have repeatedly expressed their interest in training programs and opportunities to observe U.S. and NATO practices in their search for models applicable to Portugal. Their search has not been limited to Western countries, but has extended to include such Eastern European nations as Poland and Romania. At this decisionmaking juncture, we believe it important to encourage the Portuguese to continue development of their armed forces in consonance with NATO and the United States.

HUMANS RIGHTS IN BRAZIL

Mr. EARLY. What assurances can you give us that Brazilian police are not torturing civilians and what steps have the Brazilian authorities taken to prevent such practices?

Secretary KISSINGER. The Brazilian Government has denied that torture is practiced as a matter of government policy and has, in a number of instances, ordered official investigations of allegations of mistreatment. Moreover, President Geisel has reportedly asked to be personally informed of such reports as they become known. Of those arrested for reasons of national security within the past year, an increasing number appear to have been granted the basic elements of due process in their military justice system.

Reports of arbitrary arrests and torture by security forces continue, however, and a recent series of detentions have led to additional allegations of this type, and to protests from the press, clergy, student groups, members of the opposition party, and a number of professional organizations.

BELIZE

Mr. EARLY. What assurances do we have in the case of Guatemala, in light of recent events, that Guatemala will not use military assistance provided by the United States against British forces in Belize?

Secretary KISSINGER. We have made it abundantly clear to the Guatemalan Government that the United States Government is totally opposed to any use of force in the Belize dispute. The Guatemalan Government understands that a resort to armed force on their part carries a high risk of evoking legislative sanctions under section 620(i) of the Foreign Assistance Act of 1961, as amended.

ANGOLA AND DÉTENTE

Mr. EARLY. What is the State Department's present position in reference to recent events in Angola and its implications for détente?

Secretary KISSINGER. We are very concerned by the substantial shipments of Soviet military equipment into Angola and believe this is a serious matter, not compatible with the spirit of relaxation of tension.

MAP

Mr. EARLY. When, if ever, do you expect these countries that are being provided with MAP grants to become self-sufficient in terms of their own defense?

Secretary KISSINGER. While we are continuing efforts to reduce MAP grants, the rate at which this can be accomplished depends to a large extent on the economic strength of the remaining 19 recipients for which we are requesting MAP materiel for fiscal year 1976. Definite progress has been made in this respect. A decade ago 52 countries were the recipients of MAP materiel.

While we would hope that improving economic circumstances will enable the remaining MAP recipients to shift to FMS within a few years, there are simply too many variables to allow a precise prediction of when each will reach this stage of greater self-sufficiency.

Mr. EARLY. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Early.

Mr. Shriver?

MIDDLE EAST REDUCTION

Mr. SHRIVER. Thank you, Mr. Chairman.

I, too, want to welcome you, Mr. Secretary, before this committee and commend you for your many accomplishments since the last time you were before us.

This is, I believe, a little larger request than we have been having—it is $4.7 billion for these items. Congress might well decide that this is too much, and that even the Middle East package should be reduced.

In that event, what would be your thoughts as to how the reduction would be shared by the individual countries involved in the Middle East?

Secretary KISSINGER. On the Middle East package we have, as the earlier question already indicated, cut down the request to the minimum that we thought we could defend.

In the case of Israel, for example, it had requested $2.59 billion as its necessity, prior to losing the oil fields which impose a foreign exchange drain of anywhere between $300 million and $400 million on it. Nevertheless we have reduced that request to $2.3 billion.

So, I must say that with respect to the Middle East we would find it

extremely difficult to cooperate in any cuts, and we would have to say that any reductions would threaten the objectives that we have outlined here.

Mr. SHRIVER. I can't recall any year that I have been on this committee, which is over 10 years, when we haven't made some reductions in this bill. It may well be there will be some cuts made by the authorizing committee because the Federal budget deficit looks like it will be over $70 billion.

Secretary KISSINGER. I would just respectfully urge the committee to make its reductions, if it must make them, in areas other than the Middle East. We will oppose those, too, but the Middle East seems to us particularly important at this moment.

AID TO THE ARAB WORLD

Mr. SHRIVER. Continuing along the line of Mr. Bevill's questioning, each of the Arab countries for which you are requesting supporting assistance voted for the United Nations resolution regarding Zionism, which you condemn and so does the President and a large majority of the Congress.

How do you reconcile that with the significant amounts of aid requested for those countries?

Secretary KISSINGER. We are requesting these sums because we believe that the long-term interest of the United States requires that we encourage moderation in the Arab world, that we encourage the movement away from exclusive reliance on the Soviet Union to reestablish better ties with us. We greatly deplore the vote on Zionism and racism, but we believe this vote does not override these fundamental interests which we have, and we would urge the Congress not to gear its action to the passions of a moment and to a vote which we consider both immoral and unfortunate.

JUSTIFY FOREIGN AID

Mr. SHRIVER. Even as it relates to countries that have verbally abused our country?

Secretary KISSINGER. Well, this one we would have to take case by case.

Mr. SHRIVER. India.

Secretary KISSINGER. We should be able to justify assistance to foreign countries in terms of our own national interest. If our national interest requires it, then we should be very circumspect about cutting countries off.

Now there is a point reached where a country may be pursuing policies so consistently against our interest, or by methods so consistently objectionable to us, that we will have to look at our assistance programs again.

I am not saying that under no circumstances will the United States modify its assistance policies on the basis of the international positions of other countries. But with respect to this one vote in terms of this particular program, I would urge that the decision be made in terms of the fundamental objectives put forward in this program and not on the basis of that vote.

U.N. INDUSTRIAL DEVELOPMENT ORGANIZATION

Mr. SHRIVER. Does the United States contribute to the United Nations Industrial Development Organization?

Secretary KISSINGER. Yes, the United States contributes to administrative and research activities of UNIDO which are funded out of the assessed United Nations regular budget. The United States does not contribute, however, to the voluntary UNIDO General Trust Fund or to voluntary UNIDO Special-Purpose Trust Funds, both of which are used for technical assistance activities.

Mr. SHRIVER. How much?

Secretary KISSINGER. In 1974 the United States contributed slightly less than $4.2 million dollars to UNIDO, based upon the 25 percent assessment rate of U.S. contribution to the United Nations regular budget.

Mr. SHRIVER. This organization in October of this year sponsored a conference in Bulgaria designed to show that Communist country as a "how to" model for developing nations, according to a November 9 New York Times report.

The Algeria Minister for Energy is quoted as saying, "This is all part of creating a new world order."

My question is, are U.S. funds supporting that?

Secretary KISSINGER. UNIDO expenditures—which consisted solely of roundtrip air transportation for the 13 ministers of industry from developing countries who attended the roundtable conference cosponsored by UNIDO and the Government of Bulgaria—were paid from voluntary trust funds for technical assistance. Therefore, U.S. funds did not support this conference.

Anyway, they are not part of this program.

Mr. SHRIVER. No; but we're talking about U.S. funds administered by your Department.

Mr. PASSMAN. Thank you, Mr. Shriver. Thank you, Mr. Secretary.

Mr. Long, we are under the 5-minute rule.

Mr. LONG. Mr. Secretary, if this committee——

Secretary KISSINGER. I would like to run the State Department this way, Mr. Chairman.

ZIONISM

Mr. LONG. If this committee were to go through the list of countries for which foreign aid is proposed and make substantial cuts for those countries which voted for the U.N. resolution equating Zionism with racism, what would be your reaction?

Secretary KISSINGER. My view would be that it would be a very dangerous precedent for the Congress to begin going through United Nations votes and start cutting countries on the basis of individual votes.

In fact, I have started in the Department this year, for the first time, a systematic followon procedure on United Nations votes, which would enable us to take into consideration when requests come in for cooperation, the attitude that these countries took toward the United States.

But I believe that the long-term objectives of the United States cannot always be expressed in individual votes that reflect many pressures, both domestic and international. I have many reasons to

oppose this vote and to be unhappy about this vote, but I would greatly deplore it if the Congress took this action.

LONGRUN PEACE IN MIDDLE EAST

Mr. LONG. How can you see the Sinai agreement as leading to a longrun peace, when Egypt's heavy arms purchases and proposed purchases are forcing Israel to spend extensively on arms as well as requiring us to come to Israel's defense with very large sums of money; in other words, we are put in the position of trying to get peace and yet loading that part of the world with arms which can only, I am afraid, lead to some future war.

Secretary KISSINGER. The problem in the Middle East, Mr. Long, is that we are trying to make peace between countries that have fought each other for a generation, many of which don't recognize each other. Therefore, the peacemaking process is constantly in need of catching up with the growth of distrust and the growth of armaments.

It is not the case that Egypt is the principal importer of armaments into the Middle East. In fact, Egypt, having cooled its relation with the Soviet Union, is at somewhat of a disadvantage in acquiring arms. Nevertheless, you have stated a problem which we have, and I would think that any final peace settlement should address also an attempt to limit the importation of arms into the general area and to put some restraints on the arms race.

All I can say is you have correctly identified one of the obstacles to progress in peace. Of course, none of our requests here, in the case of Egypt, are for arms.

U.S. LEADERSHIP IN ARMS DISTRIBUTION

Mr. LONG. Mr. Secretary, tell us why the United States doesn't take more leadership in this direction. If Egypt isn't the biggest importer of arms, the United States is certainly the greatest exporter of arms. Isn't it true that we export more arms than all the rest of the world put together? And that we have done very little to take leadership in holding arms exports down?

Secretary KISSINGER. I would question that, Mr. Long, whether we export more than the whole rest of the world put together, but we are certainly exporting many arms.

However, the sums that are being mentioned in comparison to, say, 10 years ago, have to be seen in relation to inflation. They have to be seen in relation to the large amounts of funds that are available for the purchase of arms in these areas, and that if we did not supply the arms, it is not the case they would not receive arms, but that the arms would be purchased from other countries whose political influence might be less benign and moderating.

Mr. LONG. I know that is a common argument. But I wonder whether any country in the world offers the vast supermarket of arms that we do.

According to Arms Control and Disarmament Agency figures and the ACDA study, "World Military Expenditures and Arms Trade 1963–73," the United States has accounted for 51.6% of the world's total arms exports from 1969–1974. Since this is a majority of total arms exports, it is correct to state that in these years, the United

States has exported more arms—in value terms—than all other arms exporters combined.

Secretary KISSINGER. There are enough funds there to support arms industries.

EGYPT'S NEED FOR ARMS

Mr. LONG. Let me ask this question, Mr. Kissinger.

Egypt, I have heard, is proposing to buy as much as $7 billion of arms—perhaps this is only an idle rumor—much of it with the help of the Arab OPEC nations.

What is Egypt's need for those arms? How would Egypt use them against any country except Israel?

Secretary KISSINGER. I haven't seen that figure of $7 billion, which seems to me exorbitantly high.

Mr. LONG. But there are large Egyptian purchases of arms in the works, are there not?

According to one knowledgeable source, Egypt would have no difficulty buying anywhere from $5 to $10 billion in arms because of Saudi Arabia's willingness to finance such arms purchases. According to widespread news reports, Egypt has recently concluded a $1 billion arms deal with Britain and another arms purchase with France. Further, France has reportedly agreed to help Egypt establish a munitions industry, a project that will cost at least $1 billion, according to press reports.

Secretary KISSINGER. It depends over what period of time one is talking about. Obviously Egypt would use its arms for its security requirements, which are largely defined by its conception of the conflict with Israel.

On the other hand, it is also true that Egypt has, of all the Arab States, taken the most moderate course, the one that gives the best possibility of leading toward a permanent resolution of the conflict, and we have to weigh this in making our decisions about Egypt.

Mr. LONG. That is certainly the present impression we have. But what guarantees do we have that that moderation will continue, either under Sadat's leadership or if he were replaced by someone else?

Secretary KISSINGER. If this does not continue, then Egypt, having bought whatever it is buying from non-Soviet sources, would go back to its traditional supply relationship with the Soviet Union, and the situation in the Middle East would become infinitely more complicated.

Mr. PASSMAN. Thank you, Mr. Long. Thank you, Dr. Kissinger. Mr. Conte?

SECRETARY KISSINGER'S ACCOMPLISHMENTS

Mr. CONTE. Thank you, Mr. Chairman.

I, too, want to welcome the Secretary, who in June 1974 came before this committee, and I said at that time that I wanted to join my colleagues in welcoming you home, and I said you just achieved one of the greatest diplomatic successes in history, that our hats are off and our hearts are open to you.

That day you just completed 28 days of tireless negotiating for over 125 hours, and I think most of the committee here was very, very

complimentary that time, and since that time, you have come forth with results.

We have the Sinai Accord, and recently we saw the first ships going up the Suez Canal, and I think that you deserve the plaudits of everyone.

People have short memories. What you have done, I don't feel any other Secretary of State has ever done in the history of our country.

CHANGE IN AID TO ISRAEL

You mention that the request for Israel was $2.5 billion at the beginning of the year, and I was just going over my own notes here, and when I was in Israel as cochairman with Tip O'Neill last spring, and we were talking with Prime Minister Rabin about his budget, I was the one who volunteered, "How long would you need $2.2 billion?"

At that time, that is what I thought the figure was, and I notice in his tapes to us, he says, "For a small country, I would say we export in services and goods about $7 billion. Now, for how long we will need something between $1 and $2 billion; well, of course, I think it depends very much to what extent we would be able to reduce the tension in the area."

I think I have similiar testimony also from the Foreign Defense Minister.

I am wondering whether their figure changed from April to the beginning of this year?

Secretary KISSINGER. I wasn't present at this meeting, and we were never given any figure other than the $2.59 billion that was submitted to us about March, but I believe when they were talking about a figure between $1 and $2 billion, the Prime Minister must have been speaking about military aid alone, which is running on the order of $1.5 billion.

EFFECT OF AID TO ISRAEL

Mr. CONTE. The theory has been advanced that a large aid package that we are promising to Israel will make it easier for Israel to neglect immediate needs for steps toward a more permanent solution. Do you feel this is the case?

Secretary KISSINGER. There are two schools of thought on the subject. There is one school of thought that maintains the way to encourage Israel toward peace is to restrict its access to military supplies. There is another school of thought that maintains that the only way that Israel can make the sacrifices that will be involved in a permanent peace is to make it feel sufficiently secure so that its withdrawal to the final borders will not be seen as the beginning of the destruction of the State of Israel.

We tend to support the latter interpretation, because if Israel lives in a state of insecurity, even within its present borders, then to withdraw to new borders will become almost impossible for them.

We believe also that the permanence of our relationship is such, and the degree of need of the two countries, that the United States will always have an important influence on Israel's decisions and that we do not have to restrict Israel's security needs in order to be heard in Jerusalem.

ECONOMIC SUMMIT CONFERENCE

Mr. CONTE. I am jumping around a little, but you are going to Europe, I think, next week to meet with some of the European countries.

Secretary KISSINGER. I have to visit a friendly capital from time to time.

Mr. CONTE. To discuss oil prices, I believe I read in the newspaper.

Secretary KISSINGER. Tonight.

Mr. CONTE. Tonight you leave? Coming from New England and ones who have suffered, I think, as much as anyone in this country because of the high oil prices, at least 90 percent dependent on foreign oil, what do you expect out of this meeting?

Secretary KISSINGER. The purpose of the meeting is not to discuss oil prices alone or even to discuss oil prices as such. The purpose of the meeting is an attempt of the industrial democracies who, between them, produce 70 percent of the world's goods and services, to exchange views as to how they could coordinate their efforts of economic recovery, how they could make it clear to their people that their leaders are in control of their destinies and not subject to blind economic forces.

Among the topics to be discussed will be the subject of energy, which is, of course, one of the factors of which the industrial countries have been the subject of forces that have been more or less out of their control.

So we hope that through a program of cooperative action this meeting, and the meetings to which it will lead, and the steps to which we hope it will lead, will contribute to resolving the energy problem, but it is not the only purpose of the meeting.

PRICE OF OIL

Mr. CONTE. There are some strong words in the press that you were quite upset about the way they have jacked the price of oil up from $2.25 a barrel to $13 a barrel.

Secretary KISSINGER. That is correct. This is my view.

U.S. ROLE IN LEBANON

Mr. CONTE. These are some of the things that are foremost in my mind, and one is the question in Lebanon which has been very disturbing, the bloodshed, amount of Christians who have been slain there, and all.

I read in the press that France has now offered to become the mediator. I was going to write you a letter. Maybe in the Arab world Saudi Arabia might be a likely candidate to become a mediator and maybe the answer to this is self-evident.

I imagine we just can't get injected into that because they look on us with a jaundiced eye if we offer to become a mediator.

Secretary KISSINGER. We have been very active behind the scenes. We have publicly stated deep interest in the integrity and unity of Lebanon and on the basis that respects the communities that live there.

We have not thought it wise to inject ourselves directly into the negotiations because of our general desire to keep outside powers out of this

conflict since the danger of its escalating is very grave if other countries come in from the outside.

We have been talking to Saudi Arabia. We have, in fact, encouraged Saudi Arabia to play a moderating role, and I have the impression they have attempted to do so.

We have been in touch with Syria. We have been in close touch with Israel. So we have been active, and if France wants to act as a mediator, given its traditional role in Lebanon, we have certainly no objection to that.

We have thought it was tactically best for us to be available behind the scenes and not to take a very high profile. But we have a profound interest in the future of Lebanon.

SINAI ACCORD

Mr. CONTE. I am pleased to hear that.

The justification states on page 36 that a $150 million grant will go toward indirect foreign exchange demand costs of the interim accord. Will it be sufficient to cover all of these costs?

Secretary KISSINGER. These funds will help offset most of the immediate costs. However, they will not cover the total amount of increased costs which the Israeli Government estimates will result from the interim agreement with Egypt.

SUEZ RECONSTRUCTION

Mr. CONTE. I believe the total for Suez clearance and reconstruction is $234 million. Is all of this now going to reconstruction or is there still a mopup effort at clearance, such as the $4 million requested for mine clearance at Said?

Secretary KISSINGER. Our part in the Suez Canal clearance operation which began in early 1974 was successfully completed and we departed the area following the opening of the canal to commercial traffic last June. This project cost the U.S. Government a total of approximately $30 million, of which AID provided $22.2 million for the incremental costs incurred by the Department of Defense in the operation. AID used funding from fiscal year 1974 and fiscal year 1975 for its share of the expenses. The remaining amount was normal operating expenses paid by the Department of Defense.

The $4 million which you mentioned was for a minesweeping operation by the U.S. Navy, of which we notified the Congress earlier, to sweep a minefield in the Mediterranean coastal waters between Port Said and Damietta which was interfering with coastal navigation. This minesweep, funded from fiscal year 1976 AID funds earmarked for Suez reconstruction, also was very successful and was completed in the month of October.

The remaining $230 million of the $234 million total is for reconstruction projects in the Suez Canal area and also is proposed for fiscal year 1976 funding.

Mr. CONTE. Is our reconstruction effort spreading to other areas as well? I noted that the request on page 32, table V, is for work on Port Said, Port Dikheila, and Alexandria.

Secretary KISSINGER. The Suez reconstruction effort, which is on a grant basis, is solely within the Suez Canal area and includes the

major cities of Port Said, Ismailia, and Suez City. There are two projects in the fiscal year 1976 proposal specifically dealing with Port Said. One is the Port Said minefield clearance project which was the sweep by the U.S. Navy of the minefield I described. Also, we propose to provide equipment needed to put Port Said back into operation as the major canal port. The Port of Dikheila is adjacent to the port of the city of Alexandria and, thus, is outside of the Suez reconstruction area.

We do recognize that the overall economic development of Egypt requires considerable improvement in infrastructure throughout the Nation, especially to increase the capability of the ports to handle exports and imports. However, this work will be in the form of development and not reconstruction.

REPUBLIC OF CHINA AID

Mr. CONTE. Last year it was noted that the People's Republic of China provided Malta with a $45 million, 5-year credit line. Have any further loans been made by the Chinese or other Communist countries?

Secretary KISSINGER. In April 1972, China and the Government of Malta signed an interest-free loan agreement for 100 million yen ($40.8 million) to be provided over a 6-year period. So far as we know, no further loans have been made since then by the Chinese or other Communist countries to Malta.

AID TO BAHRAIN

Mr. CONTE. In view of the fact that Bahrain is receiving a half share of the Abu Safah oilfields whose production has grown quite rapidly and whose reserves are over 6 billion barrels, why is this Emirate in need of any assistance from the United States? Couldn't they pay us to train their administrators?

Secretary KISSINGER. The Bahrainis can pay some of the cost and have agreed to provide housing, $12,000 per annum for salary, and $1,000 per annum for transportation. The Bahrainis want American technical know-how and have expressed a strong interest in U.S. administrative and management techniques to assist them to improve their government administration and management. This interest in U.S. technical information and know-how is widespread in the Arab States. What we are doing is compensating the difference between the cost of U.S. advisers, which is high, and the cost of other foreign advisers who would be available to the Bahrainis, which is relatively low. Our principal interest in Bahrain is, of course, maintenance of the present U.S. Navy facilities there.

SECURITY SUPPORTING ASSISTANCE

Mr. CONTE. This year the proposal requests $740 million in supporting assistance to Israel and $750 million for Egypt. Is this a policy shift or does it reflect the respective needs of the two countries?

Secretary KISSINGER. The supporting assistance figures for Israel and Egypt—along with our other aid programs—reflect our best judgment both of the respective needs of the two countries, including

aid they receive from other sources, and of our capacity to meet these needs in light of our overall foreign assistance program.

The $740 million request for economic assistance to Israel, when combined with the $1.5 billion military assistance we are recommending, underscores our determination to sustain the economic health and defensive strength of Israel. This is essential if Israel is to participate in peace negotiations with confidence.

Our new relationship with Egypt does not in any way undermine our traditional friendship with Israel nor our commitment for its survival and security.

Our $750 million request for economic assistance to Egypt reflects our growing cooperation with Egypt in the effort to achieve peace in the Middle East. It is in the U.S. interest to demonstrate that countries like Egypt, which pursue a moderate policy in the Middle East and which put major emphasis on their economic reconstruction, can obtain support from the United States.

DEVALUATION OF THE ISRAEL POUND

Mr. CONTE. What effect has the recent 66-percent devaluation of the pound had on the Israeli economy?

Secretary KISSINGER. The 66-percent devaluatiton of the Israel pound since November 1974, along with other austerity measures such as wage and tax reforms, and a cutback in nonessential budget outlays were accompanied by a worldwide recession. The results so far have been a decrease of 6 percent in Israel's gross national product for the first half of 1975, a decrease in private per capita consumption of 5.5 percent, and a forecasted 1975 decrease, in real terms, of 5 percent in civilian imports. Although the devaluation measures were undertaken to increase exports as well as decrease civilian imports, exports, hindered by sluggish U.S. and Western European demand caused by the recession, are expected to increase by only 5 percent in 1975.

Mr. CONTE. With a 35-percent inflation rate and $800 million balance-of-payments deficit, won't $590 million of commodity import assistance worsen the situation?

Secretary KISSINGER. The commodity import program will enable Israel to obtain vital civilian imports from the United States without depleting its foreign exchange reserves to the point at which Israel's creditworthiness abroad is seriously impaired. We do not expect the commodity import program to increase inflation because the overall costs of imports will be lower, given this assistance. In the long run, Israel's foreign debt to the United States will increase as Israel is required to repay one-third of this assistance. Hopefully, Israel's economic and security situation will have improved sufficiently to enable debt repayment without a significant adverse effect on Israel's balance of payments.

TOBACCO TO EGYPT

Mr. CONTE. On page 11 of the justification there is a statement that you intend to provide Egypt with 4,200 metric tons of tobacco under Public Law 480. I know Egypt has a terrible nutrition problem, so why send them tobacco?

Secretary KISSINGER. Egypt must import considerable foodstuffs to feed her population, and as you notice, under title I we intend to

provide 1 million metric tons of wheat for this purpose. This, in addition to her normal commercial imports and domestic production, is a sufficient quantity to meet her needs. We also have a title II program which is directed at specific segments of the population, such as pregnant women, lactating mothers, and school children, requiring nutritional supplements.

The tobacco which we are providing Egypt is not in lieu of foodstuffs. We responded to a specific request from the Egyptians to include tobacco as a means of helping their domestic cigarette industry.

U.S. RELATIONS WITH SYRIA

Mr. CONTE. Have our relations with Syria improved sufficiently to warrant such large expenditures?

Secretary KISSINGER. Aid to Syria is a tiny proportion—about 3 percent—of the total Middle East package and our proposed total aid to Syria—security assistance and Public Law 480—is at about the same level as last year. Syria is a basic element in the Middle East situation and the peacemaking process cannot continue unless there is Syrian involvement. U.S. relations with Syria have dramatically improved, compared to the total estrangement of 2 years ago. We have reopened lines of communication with the Syrian Government, have already assisted in the negotiation of one agreement between Israel and Syria, and are cooperating with it in economic development programs. The aid we are requesting will help us consolidate our cooperation and improve our overall relationship with Syria, which is essential to the peace negotiating process.

COMMUNIST PARTY IN ITALY

Mr. CONTE. In the recent regional elections, the Communist Party of Italy (PCI) gained 5.5 percent of the popular vote over their 1970 showing and 5.1 percent since the 1972 national elections. The ruling Christian Democrat Party dropped 3.1 percent. Do you expect this trend to continue?

Secretary KISSINGER. The Christian Democratic Party (DC) does better in national elections than in local ones. For example, the DC increased its percentage of the vote by six-tenths of a percentage point in the 1972 national elections over its performance in the 1970 regional elections. Comparing the results of the 1970 and 1975 regional elections, the DC lost 2.5 percentage points. As for future electoral results much will depend on the Christian Democrats' willingness to renew and reform their party to recapture their lost vote. If they do so in a timely manner, there is no reason to assume that the present trend is either inexorable or irreversible.

CYPRUS

Mr. CONTE. I voted for a partial lifting of the arms embargo of Turkey, hoping to break the deadlock in Cyprus. So far I haven't seen the results that were expected. What is the current situation in Cyprus and what effect if any will the recent elections in Turkey have?

Secretary KISSINGER. It was not anticipated that lifting the arms embargo would produce an end to the deadlock in Cyprus. Rather,

the continued maintenance of the embargo was seen as an impediment to progress toward a negotiated settlement of this complicated and long-standing problem. This remains our view.

Following the lifting of the arms embargo and the Turkish senatorial elections, Turkey announced it was prepared to search for a Cyprus solution and to discuss all aspects of a settlement in the framework of the intercommunal talks. There is little doubt, therefore, that the Demirel government considered itself better able to address the Cyprus issue in the wake of senatorial elections. This we regard as a positive step.

JORDAN

Mr. CONTE. I have had several reports that the Jordanian Government is skating on increasingly thinner ice. How severe is the politico-economic situation there?

Secretary KISSINGER. Jordan has been internally peaceful since the end of the 1970–71 civil strife between the Government and the Fedayeen. King Hussein and his government are in firm control of the situation and we have no reason to believe that the calm will be broken. Jordan's relations with her Arab neighbors are better now than they have been in recent years, and this should further reinforce Jordan's stability. The economic situation is improving somewhat with our support.

Mr. CONTE. If it is proposed to cut our budgetary assistance to Jordan by $10 million, will the Arab bloc be willing or able to make up the difference?

Secretary KISSINGER. We believe that a cut in the level of U.S. assistance to Jordan would be unwise. We have always considered it in our interest to strengthen Jordan's ability to carry out her traditionally independent and moderate foreign policy in the Middle East. Some other Arab States are already making approximately $109 million in annual budgetary support payments to Jordan. We believe that it is also in our interest that the sources of external assistance to Jordan be diversified, in order to avoid Jordan's becoming dependent on one particular source. The Jordanians have looked to us for assistance, especially in times when their relations with their Arab neighbors were not as smooth as they now are. You may recall that in 1970 some Arab States suspended their subsidies to Jordan because of the King's stand against the Fedayeen. Further, the Jordanians consider our aid a symbol of our continuing support. To reduce the level of assistance would be taken as a weakening of our bilateral relationship with a country with which we have a long and traditionally close relationship and whose stability is crucial to progress toward an Arab-Israeli peace.

REFUGEES IN PORTUGAL

Mr. CONTE. What impact is the refugee problem having on the Portuguese economy?

Secretary KISSINGER. The most serious consequence of the refugee influx for the Portuguese economy has been a sharp increase in the already serious rate of unemployment, currently estimated at 10 percent of the labor force and expected to reach 13 percent by the end

of the year. One of the chief goals of the Portuguese refugee relief agency, IARN, is to provide refugees with tools and materials which will enable them to practice their previous trades. IARN has been surprisingly successful in meeting emergency needs, such as temporary housing, and several European nations have contributed foodstuffs, blankets and other relief supplies. Further assistance aimed at a thoroughgoing revitalization of the Portuguese economy will be needed, however, if the central problem of employment for the refugees is to be solved.

Mr. CONTE. Will the $750,000 for technical consultants and training take place here or in Portugal?

Secretary KISSINGER. These funds will finance the training of a number of Portuguese Government officials in the United States in fields such as public administration, banking management and others to be agreed with the Portuguese Government. American technical consultants will be sent to Portugal at Portuguese Government request to advise in fields which will be selected by the Portuguese Government.

CYPRUS

Mr. CONTE. Why is the total $25 million for Cyprus going toward relief and none toward getting the economy back on its feet? Wouldn't that amount be better spent getting the refugees back to work so that they wouldn't be refugees any longer?

Secretary KISSINGER. In the days immediately following hostilities, the major emphasis of our Cyprus assistance was placed on refugee relief. However, as refugees have been absorbed into the economy and had their immediate needs satisfied, the emphasis of our assistance has shifted to employment creating activities. Funds are now being used for reforestation, infrastructure for refugee housing settlements, and other employment creating programs. We anticipate that assistance funds in fiscal year 1976 will be used to aid the Government of Cyprus in a second refugee housing project and to support its economic reactivation program which, inter alia, is aimed at reducing unemployment to levels that existed before the hostilities.

GREECE

Mr. CONTE. I notice that on page 82, you request $65 million for Greece for commodity imports. How much of these imports will be from the United States?

Secretary KISSINGER. We expect that the entire loan will be used to finance commodity imports from the United States.

SPECIAL REQUIREMENTS FUND

Mr. CONTE. When and in what general areas do you expect to obligate the remaining $15 million in the special requirements fund?

Secretary KISSINGER. The $15 million is a contingency fund to meet unforeseen funding requirements that may arise over the next year. We do not have at this time precise programs for these funds. However, some of the possible contingencies include UNRWA and the American University of Beirut. The Congress will, of course, be consulted regarding any uses of these funds.

WHEAT SALES TO THE U.S.S.R.

Mr. CONTE. Something that I am getting a great deal of mail about is the huge wheat deal with Russia in return for which we got no Soviet oil deal. All we seem to have is a letter of intent to negotiate and even then all we would get is 200,000 barrels a day for 5 years at most. That isn't much of a quid pro quo is it?

Secretary KISSINGER. From the beginning the U.S. envisaged the oil and grain agreements as separate, each standing on its own merits. Contrary to some press reports, the U.S. Government never contemplated a barter arrangement.

The grain agreement in and by itself is highly advantageous to the United States. This agreement will expand U.S. grain markets, increase employment in several sectors of the economy, and significantly reduce one of the most disruptive factors in the world grain market. American farmers will have a much better idea of how much grain they can sell and what kind of prices to expect. It also helps our balance of payments.

One of the main features of the contemplated oil agreement is the increased diversification of sources it could add to our energy supply. Under the proposed agreement the Soviet Union would be obligated to make 200,000 b/d available for purchase at U.S. option. We have no commitment to buy this amount, but should we exercise our option, there would be more oil available to us.

Further, the 200,000 b/d under negotiation in the oil agreement is not insignificant. 200,000 barrels per day mounts up to ten million metric tons of oil a year which is more than either Ecuador or Gabon, two OPEC members, produce annually.

The amount of oil involved in the proposed agreement was arrived at in consideration of Soviet excess production capacity and the approximately equal value of the oil and grain agreements. The equal dollar value is important to the Soviets because of their hard currency situation. The U.S. could benefit further from this agreement because the U.S. grain ships can backhaul oil more economically than returning in ballast.

AID TO ZAIRE

Mr. CONTE. Are France and Belgium taking any steps to aid Zaire?

Secretary KISSINGER. France and Belgium have deferred payment on substantial amounts coming due this year and next. Italy and Germany are considering similar action, and we would expect other countries to follow suit.

ANTI-CATHOLIC ACTIVITIES IN ZAIRE

Mr. CONTE. President Mobutu has, for quite some time now, engaged in anti-Christian and especially anti-Catholic activities. My colleague, Mr. Koch, brought this out in earlier hearings before this subcommittee. Are these activities still continuing? Why should we support a government that is repressing two-thirds of its population this way?

Secretary KISSINGER. There has been conflict, reflected in public utterances, between the Catholic Church and the government about the demarcation between church and State authority. The church schools, which had been Government-subsidized, have been nationalized, and religious instruction has been banned from the classroom. Restrictions have also been placed on the public display of pictures

other than that of President Mobutu. Christmas and Easter are no longer public holidays.

However, freedom of worship is guaranteed in the constitution and respected in fact. The Catholic Church and others continue to perform their pastoral functions unobstructed, and no churches have been closed.

SYRIAN MILITARY BUDGET

Mr. CONTE. How much of Syria's GNP goes toward its military?

Secretary KISSINGER. The most recent statistics compiled by U.S. Arms Control and Disarmament Agency reveal the following percentages of Syria's GNP having been spent on military expenditures: 1974—12.98 percent, 1973—15.72 percent, 1972—8.79 percent and 1971—8.96 percent.

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

Mr. PASSMAN. Thank you, Mr. Conte.

Mr. Roush?

PEACE IN THE MIDDLE EAST

Mr. ROUSH. Thank you, Mr. Chairman.

Mr. Secretary, I think we are all pleased that there is some sort of peace in the Middle East. However, I have to wonder whether or not it is a certain peace and whether it is really based upon the solving of underlying issues. It seems to me it can't be.

The Palestinian issue is still with us; the status of Jerusalem is still with us; the question of the Golan Heights' boundary dispute, and I wonder about the price we are paying, and I say that in spite of your suggestion that this price is not the price of the recently concluded Sinai agreement.

Is anyone else, Mr. Secretary, contributing to this cause in the Middle East? Is any other nation of the European community, for example, making any contribution?

Secretary KISSINGER. First of all, let me say it isn't a permanent peace, and we are living in a precarious situation in the Middle East and a situation which cannot, in this form, continue indefinitely.

There are a number of other nations that have bilateral aid programs with various of the Middle East countries and that have economic relationships with these countries——

Mr. ROUSH. Those are just the Middle East countries, are they not? How many European countries are contributing?

Secretary KISSINGER. Five European countries provide bilateral economic assistance to the Middle East. In calendar year 1974 these countries contributed some $142 million to the Middle East, and the level of assistance is expected to increase to about $250 million in calendar year 1975. Following are the levels of economic assistance provided by these European countries in 1974:

[In millions of dollars]

Contributors	Egypt	Israel	Jordan	Syria	Total
Germany	58.39	50.65	18.20	2.40	129.64
United Kingdom	4.34	----------	1.06	----------	5.40
Denmark	.94	----------	1.53	----------	2.47
Netherlands	.83	.31	.12	1.73	2.99
Belgium	.15	.42	.11	.48	1.16
Total	64.65	51.38	21.02	4.61	141.66

TOTAL AID TO ISRAEL

Mr. ROUSH. I must say that I was astounded, and I think my colleagues in Congress were astounded and amazed that almost simultaneously with the President's statement that we should cut our spending by some $28 billion, that we would have a request of this magnitude for a foreign aid program.

Now the request that is before us here is not the total request for foreign aid, is it, Mr. Secretary?

Secretary KISSINGER. That is correct.

Mr. ROUSH. What is the total for Israel, Mr. Secretary? Could you break that down for us?

Secretary KISSINGER. I think the total for Israel is $2.3 billion, which includes $1.5 billion for military assistance and the remainder for supporting assistance.

Mr. ROUSH. Aren't we also supporting some type of housing program in Israel, which is outside of these figures?

Secretary KISSINGER. No; that is part of the same figure.

Mr. ROUSH. How about that which we are spending on the immigration program?

Secretary KISSINGER. I think there is a total amount of $45 million, $25 million for housing guarantees and $20 million for refugees. That is included in the figures.

Mr. ROUSH. How much are we contemplating by way of Public Law 480 assistance to Israel?

Secretary KISSINGER. I believe $15 million under title I in addition to these figures.

TOTAL AID TO EGYPT

Mr. ROUSH. Let's go to Egypt. We have $750 million contemplated by your program for supporting assistance?

Secretary KISSINGER. That is correct.

Mr. ROUSH. How much by way of Public Law 480 money will go to Egypt?

Secretary KISSINGER. About $170 million.

Mr. ROUSH. Is there any other aid which is contemplated?

Secretary KISSINGER. Syria; we have requested $90 million.

TOTAL AID TO JORDAN

Mr. ROUSH. And Jordan?

Secretary KISSINGER. Jordan is $175 million for military and $88 million for supporting assistance.

Mr. ROUSH. And Public Law 480?

Secretary KISSINGER. That includes $8.8 million under title I of Public Law 480.

FISCAL YEAR 1977 REQUEST

Mr. ROUSH. Do we know how much you are going to be requesting for the next fiscal year?

Secretary KISSINGER. I don't know, but I would expect it to be of the same general order of magnitude.

Mr. ROUSH. And for how long is this going to continue?

Secretary KISSINGER. I cannot make a good estimate of that because this depends on the peace process and on many other factors.

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Mr. ROUSH. Thank you, Mr. Chairman.
Mr. PASSMAN. Thank you very much, Mr. Roush.
Mr. Obey?

AID TO ISRAEL

Mr. OBEY. Thank you, Mr. Chairman.

Mr. Secretary, let me say that I, too, want to congratulate you on your achievements in the Middle East. I think they were genuine and significant, and as I traveled in the Middle East at the same time you were negotiating the settlement, the trust which many of the parties had in you personally was quite apparent to me.

Having said that, we get to the "but." I have great misgivings about the dollar amounts which are in this package, very frankly, most especially for Israel. Let me ask a couple of questions in my limited 5 minutes.

Why should I conclude that there is any military necessity whatsoever to provide any money to Israel in this bill for military aid, when General Gur, the Israeli Chief of Staff, said to me that there was no question in his mind that Israel could win another war against the combined forces of the Arab world, the only question being over what period of time and at what cost?

Secretary KISSINGER. That is a key question, because if the surrounding countries should conclude that the cost could be made unacceptably high, they might be tempted to start a war.

Second, one has to look at these figures in terms of the long-term program that they will support. Many of the items——

Mr. OBEY. I am not talking about long term. I am talking about what we should make available this year. We can always change gears next year.

Secretary KISSINGER. No, but we can't, because many of the items that Israel is ordering this year will not be delivered until 1979 and 1980, and the leadtime even on tanks is as much as 2 years now.

We are no longer giving anything from existing inventories, and Israel must now take its place for the items at the end of the production line.

Mr. OBEY. Of course we still have a long, long and expensive list of items which are presently in the pipeline due to previous authorizations and appropriations.

Secretary KISSINGER. That is correct.

RELATIVE MILITARY STRENGTH OF ISRAEL

Mr. OBEY. If you assume that position then we have to ask ourselves some questions. Because of their classified nature, you may not feel free to discuss them here in specific terms. But it seems to me we have to ask questions such as: "What position is Israel in vis-a-vis the Arab States, in comparison to the position they were in in 1973?"

We have to ask questions like: "What is their offensive capability versus what it was 3 years ago? What is their defensive capability versus what it was in 1973? What is their ability to fight on more than one front at a time compared to 2 or 3 years ago? When we ask those questions, at least in my mind we come to the clear conclusion—and I have no objection to this, but it seems to me we should try to get it out

on the table so at least we know the real reasons we are talking about considering aid in this magnitude—it would seem to me based on those considerations that there can be no real question that Israel is in a secure military position at the moment and that therefore what we are talking about really is what political necessity there is to provide this money in order to keep peace moving.

Isn't that the real question? Isn't that a far more significant question than the military question given Israel's secure military position at this moment?

Secretary KISSINGER. I think a country of 3 million that is surrounded by 130 million that have up to now not even accepted its existence can never be said to be secure.

Second, one has to consider these statements about the ability to win wars in relation to casualties that are incurred in a war.

In the last war I believe Israel had 2,500 dead. If you transpose that to the American comparative population, that would be something like 200,000 dead for us. So as these casualty figures go up, even if the war would be won, it is a very serious matter for Israel.

ISRAEL'S STRENGTH IN 1973 VERSUS PRESENT

Mr. OBEY. Do you think Israel is in a weaker or stronger position vis-a-vis the Arab world than they were in 1973?

Secretary KISSINGER. I think they are in a somewhat stronger position now, but you have to remember it required a massive airlift by the United States in 1973, without which Israel may have collapsed by the end of the first week of that war.

Mr. OBEY. But you are not suggesting they would collapse within 1 week now, are you?

Secretary KISSINGER. If you had had the same intelligence people here the day the war broke out on October 6, 1973, they would have told you it was the unanimous opinion of our intelligence community that Israel was overwhelmingly superior to the Arab world and would beat them within 48 hours. By the end of that week, Israel had for all practical purposes run out of ammunition. So I would be somewhat careful about these estimates.

Mr. OBEY. But I assume you would have more confidence in our intelligence estimates now than you did 2 years ago. You would not suggest that our intelligence people suggest now that Israel has the capacity to only fight a 1-week war, would you?

Secretary KISSINGER. No. Now they give it a somewhat longer period, but it is also in our interest that the United States is not forced into a position where it has to mount another airlift in the foreseeable circumstances.

Mr. OBEY. Your estimate is that right now Israel is in a stronger position vis-a-vis the Arab world than they were in 1973.

Secretary KISSINGER. Probably slightly stronger.

Mr. OBEY. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you. Mr. Chappell?

U.N. FUNDING

Mr. CHAPPELL. Mr. Secretary, what percentage of our moneys are spent—and I am talking about foreign assistance programs of all

sorts—between those which we are talking about here and those which we spend through the United Nations?

Let me phrase it another way. What percent of our effort is made through the United Nations, and what percent is made otherwise?

Secretary KISSINGER. I do not have the percentages here, but the overwhelming majority is done bilaterally and not through the United Nations.

The United Nations programs are peripheral. I do not count the World Bank as a United Nations organization. But if you count the United Nations development program and programs of that kind, I would say it must be over 96 percent that is done unilaterally by the United States.

THIRD WORLD VOTE IN UNITED NATIONS

Mr. CHAPPELL. Mr. Secretary, I have been somewhat concerned about the attitude of the United Nations in view of not only the recent Zionist resolution, but others. If my research is anywhere near correct, we find that about two-thirds of the voters in the United Nations are Third World countries.

Secretary KISSINGER. That is approximately correct.

Mr. CHAPPELL. And we find that those Third World countries, almost without exception, vote against the United States on security matters and economic matters in the United Nations.

While I agree that you cannot judge solely on that as a criteria for giving help, it does seem to me that it is at least an indication of what our foreign assistance programs are doing, at least insofar as influencing these nations toward our way of life as opposed to the other. Would you agree with that?

Secretary KISSINGER. First of all, I don't believe that our security assistance programs are primarily designed to influence these nations toward our way of life. They are primarily designed to maintain the security of countries whose security in turn we consider important to our national interest. The basic analogies of the votes in the United Nations is correct. I spoke out very strongly about this last July, before it became so obvious.

Mr. CHAPPELL. Since I only have 5 minutes, let me move to another subject.

EGYPTIAN COEXISTENCE WITH ISRAEL

How do you assess President Sadat's comment to the Congress that, "We Arabs have no problem whatsoever coexisting with others of different ethnic or religious backgrounds," in light of the Egyptian support in the U.N. condemning Zionism as racist?

Secretary KISSINGER. I believe all the countries of the Arab world were under major domestic and inter-Arab compulsion to vote with that resolution.

We consider that resolution unfortunate, not helpful to the peace process, but we also believe that President Sadat has demonstrated by his actions and his commitments to the peace process in the Middle East.

THIRD WORLD ON ZIONISM

Mr. CHAPPELL. I notice in this morning's paper that many of the Third World countries, in explaining their vote, attempted to say at

least that they didn't understand what Zionism was. Do you believe that is true?

Secretary KISSINGER. I believe that the votes of at least some of the countries in New York often are fairly accidental. You are dealing with uninstructed ambassadors subject to many pressures. It could be true in the case of a few countries, which does not detract from our moral condemnation of that vote.

PERMANENT SOLUTION IN MIDDLE EAST

Mr. CHAPPELL. With the attitude that I have just described on the part of Egypt, can there be any real hope in the foreseeable future toward a permanent solution in the Middle East?

Secretary KISSINGER. Yes.

KURDS IN IRAQ

Mr. CHAPPELL. What was our role in the war against the Kurds in Iraq?

Secretary KISSINGER. Those matters I cannot discuss in open session, but almost all newspaper accounts I have seen are wrong.

Mr. CHAPPELL. I'm glad of that.

To what extent was this a factor in the negotiations leading up to the Egyptian-Israeli agreement? Can you respond to that?

Secretary KISSINGER. I would really rather not discuss this.

U.N. PEACEKEEPING FORCES

Mr. CHAPPELL. Mr. Secretary, what happens to the Egyptian-Israeli agreement if the Syrians refuse to allow peacekeeping forces after the November 30, 1975, date?

Secretary KISSINGER. We believe the Egyptian-Israeli agreement should be maintained even if Syria should not renew the UNDOF mandate.

Mr. CHAPPELL. Have you discussed this with the President in the context of the existing agreement?

Secretary KISSINGER. We hope that the mandate will be extended so that the issue will not arise.

FUTURE OF MIDDLE EAST NEGOTIATIONS

Mr. CHAPPELL. Can you fill us in on the general pattern of diplomatic negotiations in the Middle East; for example, where do we go from here or will you have to go into restricted matters there?

Secretary KISSINGER. No. We are prepared to encourage a negotiation between Syria and Israel. We are prepared also to resume the Geneva Conference with its original participants. We are prepared to have informal consultations prior to the Geneva Conference resuming.

So we are now exploring with a lot of countries various approaches that can be taken to the problem of peace. We haven't settled on one particular one yet because there have been too many conflicting views to reconcile.

Mr. CHAPPELL. Thank you.

Mr. PASSMAN. Mr. Conte?

UNESCO

Mr. CONTE. Mr. Secretary, Israel has been denied the right to participate in the U.N. UNESCO fund. I know there is a move to change that. If that continues, shouldn't we halt any further contributions to that fund?

Secretary KISSINGER. I have the impression that there is an attempt to change that. Therefore, this question doesn't arise. But we would have to consider very seriously our participation in international organizations that use membership as a means of political pressure.

We believe that countries have a right to participate in international organizations by virtue of their membership in the United Nations and that this membership in turn depends on votes in the Security Council, not of the General Assembly or of the suborganizations of the United Nations.

Mr. CONTE. Thank you.

TOTAL FOREIGN AID FOR FISCAL YEAR 1976

Mr. PASSMAN. Thank you, Mr. Conte.

When we put all pieces of the budget requests together and add to that the three windows of the Export-Import Bank, the total request itself before the Congress for foreign aid is about $15 billion. There are many different types of foreign aid; for example, the African Development Bank; the Asian Development Bank; the International Development Association; the Peace Corps, and so on. When you get all these pieces and put it together, it is a frightening figure for foreign aid.

Now we will get on to some specifics. I don't mind saying that I am quite a Henry Kissinger man. I have been keeping up with your activity ever since you have been Secretary of State. I think you are a very dedicated man with unimpeachable integrity.

Your testimony before this committee has had a lot to do with what I have recommended for the committee's consideration in the past.

I think we are going to have to ask some very specific questions and get some very specific answers to be able to move this request.

ASSISTANCE TO ISRAEL

First let us discuss the Middle East and Israel in particular.

You are asking for $740 million for economic assistance and a billion and a half dollars for military assistance.

Mr. Secretary, was this amount created after long and positive negotiations with the Israelis, with people in your Department, and with the military? Can we go before the Congress and say this is a balanced package and not something we just pulled out of thin air?

Secretary KISSINGER. That is right. It was developed on the basis of extensive studies, interdepartmental studies and extensive discussions with Israel.

Mr. PASSMAN. Since it was your responsibility to negotiate the Sinai Pact and to justify these funds before the Congress, in your considered judgment this is a package that should be kept in balance, the military and the economic?

Secretary KISSINGER. That is right.

Mr. PASSMAN. Would you think the experts in your Department, in the military, and those that you worked with in the Israeli Government are in a position to refute any attempt to prove that this is excessive?

Secretary KISSINGER. I am confident that we can defend this program.

Mr. PASSMAN. So I can accept this at face value, that this is a balanced package? You cannot shift it without upsetting the delicate work you people did to arrive at this formula.

Secretary KISSINGER. This represents our best judgment of the minimum needs to achieve our objective.

Mr. PASSMAN. You know of no committee in the Congress, the CIA, or any others that would have any information that you did not possess in shaping this formula?

Secretary KISSINGER. I couldn't imagine what that information would be.

REDUCTION OF MIDDLE EAST REQUEST

Mr. PASSMAN. What would be the position of our Government and those of you who are charged with the administration of this program in the executive branch if a Member, such as Mr. Koch, introduced an amendment to cut Israel 25 percent and he didn't offer a similar amendment to cut Egypt?

Mr. KOCH. Mr. Chairman, you really know how to hurt a fellow!

Secretary KISSINGER. We would strongly oppose such an amendment. Let me make one thing clear. We would strongly oppose any cut in any of the Middle East items that we have submitted. We would

not accept them even if they were balanced. In other words, it would not make the cut more acceptable if Egypt were also cut, if Israel were cut.

We believe that the entire sum is necessary for all of the countries that we have submitted.

Mr. PASSMAN. My point is that this is a balanced package and if you should cut one country drastically and not cut the other, what predicament would it place you in, in trying to negotiate with these people?

Secretary KISSINGER. I am of course strongly opposed to cutting any of them.

Mr. PASSMAN. I know that. That is understood.

Secretary KISSINGER. I really must stress this, I would not find a cut more acceptable if also the same cut is made for the other country.

I believe, of course, that the penalty would be compounded if one country were cut and the other one were not cut. But the basic problem we have here is that this is a very precarious situation in which we are trying to move our interests through many conflicting pressures in which the penalties for failure in terms of expenses are infinitely greater than anything that we might have to spend now.

The Middle East war cost us over $2 billion in emergency aid. It cost us over $10 billion in lost production, 500,000 unemployed. I am certain that the penalties of another war would be much greater for us. Therefore I would ask the committee to consider our request in the light of those circumstances and not simply as another foreign aid request in areas that are relatively tranquil.

Mr. PASSMAN. Mr. Secretary, you made a similar request from the Congress last year. If I recall correctly, the members of this committee and the Congress did support your views and went right through to the end on the basis of your recommendation. Let's say we should have an amendment to cut Egypt but not Israel. What kind of predicament would that place you in?

Secretary KISSINGER. That would put us in an extremely difficult situation if the country which has been most cooperative with the United States were then cut in our aid request by the Congress.

VALIDITY OF MIDDLE EAST REQUEST

Mr. PASSMAN. At the expense of being repetitious, you had the best experts in the military department, you had the best experts in the State Department, you had the best experts in your own shop that went over these figures with your counterparts, the representatives of the people of Israel, and this is the very best request that you could come up with. You know of no committee in the Congress, regardless of who they may be, that would have any information that you did not have when you created this formula?

Secretary KISSINGER. That is correct.

Mr. PASSMAN. You think the formula is just as good as when you created it?

Secretary KISSINGER. That is correct.

WORLD TROUBLE SPOTS

Mr. PASSMAN. Am I reading the record correctly when I say we have two trouble spots we have to look at very closely? That is the possibility of additional trouble in the Far East and of course the Middle East? Is that right?

Secretary KISSINGER. That is right.

STRONG ALLIES

Mr. PASSMAN. In the Middle East I think it is perfectly obvious that we want peace but we have to tie ourselves to some strong willing nations that will stand firm with the United States in case of a showdown. That would be Israel, would it not?

Secretary KISSINGER. Israel is a traditional friend in the Middle East.

Mr. PASSMAN. We can move to the Far East and look at the record. We spent almost one-quarter of a trillion dollars trying to create friends and sovereign governments there.

We see that with all the dedication, the resources, the sincerity of six of our great Presidents, and many of our Secretaries of State our efforts failed.

That does not mean that we were not honest in trying to help these people.

I see we have one nation left that is a strong ally and a staunch friend. That is South Korea. Are they living up to their treaty?

Secretary KISSINGER. Of course I would have to consider Japan a close ally of the United States.

Mr. PASSMAN. That is not a nation you would be arming. I am speaking of a nation now who could, under their Constitution, be armed and use their resources to help carry out the policy of the United States in the world.

Secretary KISSINGER. Korea has been a staunch ally that has lived up to its commitments.

SUCCESS IN SOUTH KOREA

Mr. PASSMAN. I question whether there is any place on the face of the world other than Taiwan where you could point to a better success story than South Korea; is that true?

Secretary KISSINGER. Korea has made tremendous development.

Mr. PASSMAN. I'm not biased toward Korea, but they have given conclusive proof that they have utilized their resources and cooperated with our country and have been a great ally. As we look at Korea under six Presidents, Truman, Eisenhower, Kennedy, Johnson, Nixon, and Ford, they all supported our policy in Korea. They backed that policy up with $40 billion of our resources and if I am not mistaken, 54,246 precious lives and some 105 thousand casualties.

I think those statistics are correct.

Secretary KISSINGER. That is correct.

Mr. PASSMAN. I want to read the record correctly. Without military assistance to Korea, they would be forced to overuse their own resources to maintain the military and the whole situation could turn bad and collapse. Is that a fair evaluation of it?

Secretary KISSINGER. That is correct.

That would have a very massive impact on Japan, for example.

INTERNAL SECURITY OF SOUTH KOREA

Mr. PASSMAN. Again, we want to keep the record straight. President Park can walk to his window and almost see the Communists. Not too long ago a suicide squad approached the Blue House, and just about succeeded in reaching the President. They killed most of them.

I mentioned that because you have people who would look to reform the policy.

When we had an outbreak at Kent State and Wounded Knee the Koreans left us alone. Unless you have strict discipline in Korea, the government could not succeed because they are constantly infiltrated. It is frightening.

They have been tunneling under the 38th parallel. Of course they tried to assassinate the President a few months ago and killed his wife. Could they possibly maintain their strong type of government without strict discipline?

Secretary KISSINGER. Well, it is President Park's feeling that he needs strong authority. The democratic tradition is not highly developed in Asia except in Japan. So this is the judgment that they have made.

Mr. PASSMAN. Of course, I feel quite keenly about this. I have been going to Korea since 1949. In my first trip they didn't have a hotel. I had to take a room at General Roberts' home. I have observed the progress that has been made in that country. I would hate to see Korea go down the drain. That is why I must point out the amount of our resources that we have spent in trying to help those people establish what I consider a very strong government. The country is very strong economically.

I have purposely left my hotel unaccompanied, gone out on the street and observed the Koreans. They appear to be very healthy people.

I ran into some of our missionaries. They wanted me to join them in getting rid of the Park regime and bring in another type of regime.

I said I thought you people were trying to convert these people to our religious thinking. Some of them were Methodists, Baptists, and Catholics. I told them they were not here to teach politics. These people have to have strict discipline. If you did not put the rabble-rousers and troublemakers behind bars, I question whether you could ever expect this government to succeed.

Am I oversympathetic to the situation, Mr. Secretary?

Secretary KISSINGER. We have to have understanding for the difficulties of a government whose capital is so close to a border that is not recognized by its opponent and to the pressures which it is under.

Therefore, we strongly support the program that we have put before the Congress and we hope that it is not cut for any considerations, nor any reason whatsoever.

So I think we have to have some understanding for the particular difficulties in which Korea finds itself.

Mr. PASSMAN. As long as they stay out of Berkeley, Kent, and Wounded Knee, I am willing to stay out of their business. Let the missionaries talk about religion rather than reforming the government. The point I wanted to make is, without military assistance from the United States, wouldn't it be just a question of time until these people would be in serious trouble?

Secretary KISSINGER. No question whatsoever.

SOUTH KOREAN TRADE WITH AMERICA

Mr. PASSMAN. Let me drop the curtain on Korea by making this observation. Those people have gone to great extremes to spend their foreign exchange in America.

I know of one agriculture sale that could have been just as easily bought on terms but they had a surplus in their Foreign Exchange Account and they bought $83 million worth of U.S. agricultural commodities at one time. Do you think these people are anxious to reciprocate our generosity of the past by buying as much as possible from the United States?

Secretary KISSINGER. I have not looked at the statistics of their foreign purchases but there is no question as I see it that they would like to be tied to the United States as closely as they can. I am not surprised at the figures you gave. I have no independent knowledge.

Mr. PASSMAN. I think they are accurate.

At this time I want to yield to my good friend, Mr. Koch.

Mr. KOCH. Thank you, Mr. Chairman.

Mr. Secretary, I too, want to add my commendation and congratulations to you for what I consider to be a superb job in negotiating the Mideast package. I happen to have been on a trip in the Mideast, as you know, with my good friends, and colleagues, Messrs. Obey and Early, at the same time you were there.

Secretary KISSINGER. I got some notes from you.

Mr. KOCH. Right. We happen to have spoken to the same people; General Gur was one of them.

BALANCE OF POWER IN MIDDLE EAST

Reference has been made to him today. At the time we saw him he talked about the need to maintain a balance of 3 to 1 with respect to arms, 3 for the Arab confrontation states——

Secretary KISSINGER. Against Israel.

Mr. KOCH. Right, 3 against Israel and 1 for Israel.

At this moment, would you say that that balance is in order?

Secretary KISSINGER. Well, one would have to look at categories. It is roughly in order. But in order to maintain it, these figures that we have submitted will be necessary. Of course, the cost of military equipment is going up so that it does not necessarily mean that the numbers available to Israel will increase.

Mr. KOCH. Right. So in order to maintain that rough balance of 3 to 1, this amount that you are requesting for Israel is necessary. That is what you said.

Secretary KISSINGER. That is correct. This is the exact calculation that we are making.

COST OF AIRCRAFT

Mr. KOCH. Isn't it a fact that 25 military airplanes cost $600 million?

Secretary KISSINGER. It depends which ones. I guess you are talking about the F–15?

Mr. KOCH. Yes.

Secretary KISSINGER. Yes, that is correct.

Mr. KOCH. Now, when reference was made earlier to Israel's strength, the language employed in the question was: "What is Israel's strength vis-a-vis the Arab world." That is not the complete picture, is it? That merely took into consideration Egypt and Syria and Jordan.

Secretary KISSINGER. That counted only the so-called confrontation states. It did not count Iraq.

Mr. KOCH. And it didn't count Libya.

Secretary KISSINGER. No, or Algeria.

Mr. KOCH. Or Saudi Arabia.

Secretary KISSINGER. That is right.

PARTICIPATION BY SAUDI ARABIA

Mr. KOCH. Have you heard, as I suppose you have, that Saudi Arabia has used its American-delivered planes in concert with Syria recently?

Secretary KISSINGER. I have heard that story. I'm checking it out at this moment. I have not had it confirmed.

Mr. KOCH. Would you advise the committee when you have information on that?

Secretary KISSINGER. Yes.

[The Department of State submitted response too late for printing. Request made November 18, 1975—hearings sent to page proof close of business February 12, 1976.]

FURTHER AIRLIFTS

Mr. KOCH. Second, with respect to the airlift, reference was made to whether or not Israel would be put in a better position so that it would not, at the end of a week, require an airlift.

The indication you gave in response to that question was that Israel might last more than a week because we have brought them up to a point today which is better than it was in 1973.

Secretary KISSINGER. That is right.

Mr. KOCH. It would be more difficult to undertake the kind of airlift that we undertook on that last occasion, would it not?

Secretary KISSINGER. It would be much more complicated, if only because of the fact that the Azores are no longer available as they were then and for many other foreign policy reasons as well.

Mr. KOCH. And the purpose of making sure that Israel is in a military condition of 1 to 3 is not only for the purpose of repelling aggression, but deterring it, isn't that a fact?

Secretary KISSINGER. That is correct.

Mr. KOCH. Now I want to ask one other question in that area and then move to a second one.

WAR MATERIAL IN LIBYA

Would you be able to provide to the committee an accounting of the storehouse of war material in Libya, at least in an approximate accounting?

Secretary KISSINGER. I don't know whether we have the precise figures but we can give you orders of magnitude.

Mr. KOCH. I would appreciate that.

Secretary KISSINGER. We can do that.

[The classified information to be provided to the committee.]

Mr. KOCH. I want to take you to the U.N. for a moment. First, I want to congratulate you on having a superb representative there, Daniel Patrick Moynihan, whose brother lives in my district. I think Patrick Moynihan has done a terrific job.

Secretary KISSINGER. He also writes half the cables that I read each day.

UNITED NATIONS VOTING RECORD

Mr. KOCH. What I would like to ask you is to elaborate on this basic question. I detect a lesser feeling of response on your part to the U.N.'s anti-Zionist resolution—and this is not by way of criticism although I do not happen to agree with you on this—than I detect from Patrick Moynihan. By that I mean I have sat through several markup sessions since I came on this committee and the committee is rightly concerned, I think, with what other nations to whom we give arms and substantial aid do in the U.N. with respect to our national interests. I think it is important that we have an evaluation of these countries and what they have done that has been contrary to our interest.

I speak not simply of the resolution on Zionism. That wasn't with us the last time we had a markup. We were considering other issues where countries had indicated support for the Soviet Union or indicated opposition to what we consider to be matters of major U.S. national interest. Ought not that be a factor in deciding whether we provide these countries with aid?

Secretary KISSINGER. First of all, Ambassador Moynihan has different responsibilities from me. He is in the United Nations fighting the day-to-day battle. He can, therefore, afford a vividness of expression that for somebody who has long term and continuing relationships over a wider area to consider would not be fully appropriate.

Mr. KOCH. Let me break in and say that I concur with that appraisal.

Secretary KISSINGER. Nevertheless, I agree with the thrust of Ambassador Moynihan. He is a close personal friend of mine and a man I admire very much.

Now with respect to the aid program, I am positive that if Ambassador Moynihan were called before this committee, he would strongly support this program and would urge you not to make any cuts in the program.

Mr. KOCH. Let me ask you this: Continually, as part of Ambassador Moynihan's statement, there is implicit—either articulated or otherwise—a statement that if the U.N. nations continue along the lines they are going, antithetical to the national interests of the United States and against what we consider to be conscientious and humanitarian measures that we are going to do something about it. I have heard him say that a number of times in one form or another.

Secretary KISSINGER. So have I.

Mr. KOCH. What are we going to do about it, if we don't do it in this committee?

Secretary KISSINGER. There are many things many nations of the world want of us in addition to money—political support, votes for them, and in some cases money.

We will look at all of these things. If countries consistently thwart our national interest, we will take it into account and they will know that we have taken it into account.

But I do not believe the legislative process is the best way to do that.

Mr. KOCH. Just to conclude because you have been very kind and patient, Mr. Chairman, as you always are: Wouldn't it be helpful to this committee if we could have an evaluation in whatever terms you thought appropriate with respect to each of these countries, the pluses and the minuses and why you have come out in support of continuing the aid?

I know you do it in a general way. What I am saying is, it would be nice to have you list for us all of the things that they have done that have been outrageous and then to list all the positive things that have caused you to forgive it.

Mr. PASSMAN. You will put that in the record, will you not?

Thank you, Mr. Koch.

That is a very good question.

[The information was provided.]

Mr. PASSMAN. Mr. Coughlin?

AID TO EGYPT

Mr. COUGHLIN. Thank you very much.

I apologize for not being here earlier. I had an amendment on the floor of the House and I was working on it.

Mr. Secretary, as I understand it, all the aid provided to Egypt is economic aid, and there is no military aid whatsoever in this package?

Secretary KISSINGER. You are right. There is no military aid in the package.

Mr. COUGHLIN. Is any military aid expected?

Secretary KISSINGER. We have said repeatedly that we have made no commitments to Egypt about military aid and if we decide to sell arms to Egypt, which is the framework within which it would take place, we would, of course, first consult with the Congress and it would be subject to Congressional approval in any event.

Mr. COUGHLIN. So you would seek Congressional approval of any arms sales to Egypt?

Secretary KISSINGER. Yes; by the procedures that have been established.

Mr. COUGHLIN. Would you assure us that you would consult with this committee about arms sales to Egypt?

Secretary KISSINGER. Yes.

Mr. COUGHLIN. And none of the aid as proposed will be military-related?

Secretary KISSINGER. That is correct.

ECONOMIC ASSISTANCE TO SYRIA

Mr. COUGHLIN. With regard to Syria, Mr. Secretary, what is the nature of the aid being requested?

Secretary KISSINGER. Also economic assistance.

With respect to Syria it is our concern to maintain, to the extent that we can, an ability to talk to Syria and to move Syria on as moderate a course as we can generate and not to give Syria the sense that we are playing off the various Arab countries against each other, but to give Syria at least a window toward a more moderate course.

Mr. COUGHLIN. Do we have the cart before the horse or do we have some feeling that that could happen?

Secretary KISSINGER. No.

First of all, Syria has made the disengagement agreement and has so far observed it rather meticulously. Second, we have not given up on the hope of negotiations between Syria and Israel.

Thirdly, there are many things that Syria could do that could exacerbate the situation considerably. We believe what we are doing, which is not a very large sum, is in the interests of encouraging moderation.

Mr. COUGHLIN. And the aid that is proposed for Syria then is in no way military related?

Secretary KISSINGER. That is correct.

Mr. COUGHLIN. Do you expect to have a request for any military aid for Syria?

Secretary KISSINGER. I cannot foresee that.

It would have to be a really dramatic chain of events to bring that about. But I see no basis for that.

AID TO PALESTINIANS

Mr. COUGHLIN. Mr. Secretary, I see no proposal here for any aid for the Palestinians, UNRWA or otherwise.

Secretary KISSINGER. UNRWA would not be in this budget.

Mr. COUGHLIN. Would you expect to aid the Palestinians through UNRWA or otherwise and if so, what magnitude?

Secretary KISSINGER. That request is in the State Department budget.

I assume it is in the same rough order of magnitude as in the previous years.

Mr. SHRIVER. It is before this committee.

Secretary KISSINGER. Well, I don't know which budget it is submitted in.

Mr. SHRIVER. It is United Nations.

Secretary KISSINGER. Of course.

Mr. COUGHLIN. Can anyone tell me what magnitude that would be expected to be?

Secretary KISSINGER. I understand the total sum last year was $13 million to which $6 million was added by the Congress later.

Mr. COUGHLIN. I believe this year it was $26.7 million.

Secretary KISSINGER. That is correct. We are requesting $26.7 million this year.

Mr. COUGHLIN. Do you expect any major additional requests for the Palestinians?

Secretary KISSINGER. We don't foresee any requests for the Palestinians beyond the framework with which you are familiar.

MUTUAL SECURITY IN FAR EAST

Mr. COUGHLIN. Mr. Secretary, with regard to the Far East, it has occurred to me that Korea, Japan, and Taiwan all have very similar national security interests. Is any effort being directed toward developing some kind of mutual security arrangements between those three countries?

I realize past history makes that difficult, but it might relieve some of our pressures in that part of the world.

Secretary KISSINGER. Of course Japan recognizes the Peoples Republic of China and not Taiwan. As far as the relationship between Korea and Japan is concerned, the Japanese Constitution makes it extremely difficult for Japan to play a security role outside of its territory. Moreover, the international situation in that area would make it very complicated if Japan began to project military power across the Straits of Tsushima toward the border of China. For all these reasons, we have been propelled into the security role in Korea which has to be maintained not only for the security of Korea, but has also to be maintained for the continuation of the kind of relationship that we have had with Japan.

Mr. COUGHLIN. It always seemed interesting to me that we have security relations between the United States and Taiwan, between the United States and Korea, and between the United States and Japan, but the three principals have no mutual security arrangements with each other. The burden therefore falls very heavily on us.

Secretary KISSINGER. One of the reasons is the one I have just given you.

Mr. COUGHLIN. Thank you, Mr. Chairman.

REPUBLIC OF CHINA

Mr. PASSMAN. I think I would leave here with a guilty conscience if I did not say for the record emphatically that I don't think the United States ever had a finer friend than the Republic of China. Those people are dedicated. I think they are making a great sacrifice. They are really our true ally. We have only to look at the great progress they have made to know that the Republic of China is very, very appreciative of what we have done for them.

MILITARY AID TO EGYPT

What discussions have taken place with Egypt regarding possible U.S. military aid to that country and have any levels of aid or types of equipment been discussed?

Secretary KISSINGER. President Sadat has discussed with officials of the executive branch and with Members of the Congress the problems he faces in keeping his armed forces properly equipped in the light of the substantial reduction of military supplies from the Soviet

Union. These discussions have been in general terms. President Sadat stated publicly during his visit to the United States that he did not bring any shopping list of equipment with him and that he was not seeking any specific commitments. This is a subject that will have to be examined in the future in close consultation with the Congress and in terms of the military balance in the Middle East.

Mr. PASSMAN. I note in various newspaper articles that Egypt is negotiating various arms deals with several European countries. Could you tell the committee the scope of these arms deals, the type of equipment being discussed, and how these deals will be financed?

Secretary KISSINGER. President Sadat has stated that the Soviet Union is no longer meeting his arms supply needs and that Egypt must therefore diversify its sources of arms supplies.

We expect that other governments, which share our interests in continued progress toward a negotiated settlement in the Middle East, will look at the question of arms sales within the context of not upsetting the overall military and political balance in the area. As information regarding arms sales by Great Britain and other of our European allies becomes available, we will be evaluating their impact on the overall Middle Eastern situation and will consult with our allies on this subject when necessary in light of our interest in continuing the peacemaking process in the area. We do not have confirmation of the details of the arrangements reportedly reached between the U.K. and Egypt, but we are informed that the recent press reports of huge arms sales are inaccurate and exaggerated.

We recognize the long-term importance of ending the arms race in the Middle East. We believe this can best be addressed in the context of the continuing peace negotiations.

NEGOTIATIONS WITH SYRIA

Mr. PASSMAN. Have any recent peace negotiations been started with Syria?

Secretary KISSINGER. We are in continuing contact with Syria as part of our ongoing peace effort, and our Ambassador to Damascus was recently in Washington for consultations as part of this process. We do not actually have negotiations going on but we are actively looking at ways in which it might be possible to start them. We are in the exploratory and preliminary stages.

CYPRUS

Mr. PASSMAN. What is the present situation in Cyprus and what is the status of negotiations between Greece and Turkey concerning this matter?

Secretary KISSINGER. The intercommunal talks remain suspended and all parties agree that they cannot be resumed until after the end of the UNGA debate on Cyprus. Differences on how to proceed with negotiations still exist, but progress has been made on establishing the basis for resumption. For the first time there is agreement that all substantive issues can be discussed in sequence. Thus, we are optimistic that there will be an early resumption of negotiations.

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REDUCTION OF THE MIDDLE EAST PACKAGE

Mr. PASSMAN. What would be the problem if the total Middle East package was reduced by a reasonable amount in light of the U.S. financial situation?

Secretary KISSINGER. In preparing the Middle East package, we have been mindful of the economic problems facing us here at home and the budgetary restraints they require. We have therefore tried to strike a balance between what we could do to assist constructively in the area and what we should ask the Congress and the American people to provide. Our program reflects this balance. We hope it will receive the support that it requires and deserves.

The total amount requested for the program is reasonable and any reduction in it would be very unfortunate. In arriving at this recommendation, we very carefully studied the estimated foreign assistance needs of the countries concerned, which in all cases were much higher than what we are requesting for them in this package.

For example, the request for Israel represents about $1 billion less than Israel's total estimate of its needs from the United States—The Government of Israel originally requested a total of $2.59 billion and later increased this request to a total of about $3.3 billion—Egypt's needs for reconstruction and economic development are massive and obviously much larger than the $750 million we recommend that the United States provide.

In sum, the amounts we are requesting, in our best judgment, are what is needed to play our role in helping these countries with their economic and security problems. The people of the Middle East will read congressional action on these requests as one measure of the determination and ability of the United States to continue to play a significant role in the Middle East.

U.S. BASES IN TURKEY

Mr. PASSMAN. What discussions have taken place with Turkey regarding the return of bases to the control of the United States? What has been the effect of losing U.S. control over these bases from a U.S. military point of view?

Secretary KISSINGER. We are now negotiating with the Turkish Government in an effort to establish a new basis for our bilateral defense cooperation as well as secure the earliest possible resumption of suspended U.S. activities. A number of formal negotiating sessions have taken place. The negotiations will doubtless be difficult and complex, but in the end we believe the Turkish Government will recognize the mutual benefits derived from its association with the U.S. and NATO, and will agree to a new Defense Cooperation Agreement, which should allow us to begin rebuilding our previous close mutual security relationship.

The Turkish suspension in late July of most of our primary mission operations cut off 100 percent of our electronic intelligence collection in Turkey which provides monitoring of Soviet missile testing essential for SALT negotiations. It also cut off vital early warning information

on Soviet missiles and satellites and important data on explosions of nuclear devices, and shut down an essential LORAN navigational link used by U.S. and other NATO warships. In addition, Turkey will no longer allow the staging of U.S. flights providing munitions and other supplies to other friendly countries and to our missions in those countries.

INTERNAL DISORDERS

Mr. PASSMAN. Would you discuss briefly the current situation in Portugal, Spain, Bangladesh, and Angola and indicate what the present U.S. attitude is towards providing these countries with U.S. assistance in light of their present internal conditions?

Secretary KISSINGER. With respect to Portugal, the United States has been encouraged by the present government's evident desire to restore political moderation and democracy. It faces enormous economic problems, partly as a result of internal disruption and partly due to the recession in Europe, and it is handicapped by an ongoing crisis of authority and attacks from determined minorities. The U.S. economic assistance proposed for Portugal is designed to help solve some of the pressing economic problems and to demonstrate support for moderate elements.

The passing of General Franco will undoubtedly lead to changes in many areas of Spanish life. We believe that Spain's institutions and leaders will have sufficient strength and flexibility to meet the challenges they will face, and that the new King will be able to point the way toward a more modern society in closer association with the other Western European countries. We intend to continue our close bilateral cooperation, in order to help achieve the desired progress at the pace set by Spain's leaders. In terms of possible U.S. assistance, we shall continue our bilateral programs in defense and other areas of mutual interest, with levels of assistance commensurate with this longstanding relationship. The extent of such assistance will be presented for congressional review when negotiations are completed on the new agreement on cooperation in defense and other fields.

Bangladesh has experienced several coups and countercoups in recent months, starting with the violent overthrow of Sheikh Mujibur Rahman on August 15. The government is now in the hands of a martial law administration headed by President—and former chief justice—A. S. M. Sayem. He and his deputies, the chiefs of the armed services, are concentrating on restoring civil order and discipline in the military. The present government faces enormous difficulties and the outcome of the continuing unrest in Bangladesh is far from clear. Throughout this period of political change, our aid to Bangladesh has continued to be directed toward improving the welfare of the Bangalee people, and we are maintaining our present programs of development assistance and food aid. At the same time, our mission is watching the political situation closely in order to assure that the effectiveness of our program is not adversely affected.

With respect to Angola, representatives of the administration have discussed and will be discussing further with the appropriate committees of the Congress the subject of U.S. interests in Angola.

MAP PHASEOUT

Mr. PASSMAN. What would be your reaction if the military grant assistance program was phased out completely and the foreign military credit and cash sales programs were retained as a substitute?

Secretary KISSINGER. We are endeavoring to reduce grant aid in favor of fulfilling legitimate defense needs through the foreign military sales program. This year we are also proposing the separate funding of reasonably sized military training programs outside the traditional MAP framework so as to enhance bilateral and multilateral cooperation. Improved attention to training also should assure more efficient and economic use of military material, which traditionally has represented such a significant cost element of security assistance. The remaining MAP program as proposed for fiscal year 1976 amounts to $422 million for 19 countries, plus nominal supply operation costs for 2 other countries being phased out of the MAP program. This is in marked contrast to the $5.2 billion program of fiscal year 1952, or even to the fiscal year 1974 program of $800 million; a decade ago, 52 countries were receiving grant aid.

While we favor an eventual complete transition from grant aid to credit and cash sales, the rate at which this can be accomplished depends to a large extent on the economic strength of our defense partners. There is no question about the ability of our Western/European allies to purchase their defense needs, and many former grant recipients in other geographic areas are making a transition due to their improved economic circumstances. However, the abrupt termination of MAP would override this orderly transition and pose many new problems in the area of sales credits. For example, the foreign military sales program to date has been remarkably free from defaults on the part of credit recipients, and we would hope to be able to continue extending credits for legitimate defense purchases on the same sound basis rather than as a forced substitute for MAP.

MILITARY AND ECONOMIC ASSISTANCE

Mr. PASSMAN. Why do you feel military and economic assistance is an essential ingredient in U.S. foreign policy, especially military assistance?

Secretary KISSINGER. Now, as in the past, development and security assistance can play a mutually complementary role in advancing American policy interests by creating a more tolerable international environment. Enlightened self-interest and responsible international behavior are just as mutually complementary as are these two forms of international cooperation. While it is increasingly popular to question the value and premises of military cooperation, the fact is that it has served us as a remarkably flexible and adaptive institution. While military assistance legislation indeed has become routinized through the requirements of the annual budgetary and legislative process, this does not mean that today's proposals are a mere repetition of yesterday's patterns. There is no doubt that the United States shouldered an inordinate share of the mutual security burden in past years; however, this picture is changing. In a number of instances, friendly nations that previously had to rely on grant aid from the United States

for defense articles and services are increasingly able to pay for some or all of their requirements with cash or through repayable credits.

Our investments in military assistance have not gone unrewarded. The security of the free world has been preserved and in many areas enhanced. However, this does not mean that the United States can precipitously abandon its mutually advantageous commitments any more than it can endure the inordinate financial burdens of the past.

TOTAL FOREIGN AID

Mr. PASSMAN. Mr. Secretary, you are requesting about $5.7 billion in new budget obligational authority for fiscal year 1976 for various foreign aid programs considered by the subcommittee. However, if you included all the foreign aid requests for fiscal year 1976 this total would reach about $15 billion. In light of the current economic situation in the United States and the cutback in domestic spending programs, how can the administration request such a large amount for foreign aid?

Secretary KISSINGER. Mr. Chairman, your figure of $15 billion included certain programs that we do not consider foreign assistance: the Export-Import Bank request, for example, is primarily designed to expand U.S. exports. While the total amount of foreign aid requested is substantial, it is a very small part of our total budget outlays—less than 2 percent—or of our gross national product.

Despite our domestic problems, we must play our part in providing aid to the less developed countries. Our foreign commitments reflect not a favor to other countries and not an act of charity, but an expression of American self-interest. Our prosperity and security are now inextricably linked with that of the rest of the world.

NUCLEAR SAFEGUARDS

Mr. PASSMAN. What efforts are being made to avoid further expansion of the nuclear club?

Secretary KISSINGER. U.S. efforts to preclude further proliferation of nuclear weapons can be summarized under six major initiatives:

(*1*) *Encouraging universal adherence to the NPT*

Adherence to the NPT is a key element in prevention of nuclear proliferation because it involves a binding commitment by nonnuclear weapons states not to develop nuclear weapons, and also because it requires those states to accept IAEA safeguards on all nuclear facilities in that country. While NPT adherence is still far from universal, nearly 100 states are now party to the treaty. The past 18 months have seen a number of important new adherents, including the Federal Republic of Germany, Italy, the BENELUX countries, the Republic of Korea, Libya, and Venezuela, as well as its submittal by Japan, which has already signed the treaty, to the Diet for ratification.

(*2*) *Continuation of U.S. restrictions*

Before significant nuclear equipment or nuclear materials can be transferred to another country, the United States requires, *inter alia*, an agreement for cooperation, which specifies a series of stringent safeguards, and a rather complex export licensing process, designed to encourage countries to utilize the atom solely for peaceful purposes.

(3) *Common supply policies*

The United States has continued to work with other suppliers on means of insuring that nuclear exports are under safeguards and will not contribute to proliferation.

(4) *Encouraging multinational fuel cycle centers*

As indicated in my September speech to the U.N. General Assembly, perhaps the single greatest danger from the perspective of preventing the further spread of weapons-producing capabilities is the increasing number of countries acquiring small-scale national reprocessing plants. The United States has suggested, as an alternative, the development of large-scale multinational centers serving an entire region. Such centers would be outside the control of any single national government, would be considerably easier to safeguard, and, we believe, would be economically more viable because of economies of scale when compared to smaller national plants. The United States is strongly supporting a detailed IAEA study of this concept.

(5) *Strengthening the IAEA safeguards system*

The United States continues to assist the International Atomic Energy Agency in improving and strengthening its system of safeguards on nuclear facilities. In that regard, the United States has provided most of the technical assistance in developing improved monitoring, instrumentation and other safeguards techniques.

(6) *Strengthening physical security*

The United States requires strong physical security measures on all significant quanties of U.S. supplied special nuclear materials. In addition, we have taken a leading role in the development of suggested IAEA standards for the physical protection of nuclear material and have suggested an international convention on physical security.

There is a direct link between our efforts in nonproliferation and our broader efforts to create a more stable and secure international climate. If countries remain convinced that international tensions can be reduced, that disputes can be resolved in a peaceful manner, and that U.S. security guarantees can be relied upon, there is little need for them to develop nuclear weapons.

NUCLEAR CAPABILITY

Mr. PASSMAN. What countries presently have the ability and have actually exploded a nuclear device?

Secretary KISSINGER. Except for the five nuclear weapons states—United States, United Kingdom, France, the Soviet Union, and China—the only country to date which has actually exploded a nuclear device is India which, in May 1974, detonated a nuclear device which it claimed was designed for peaceful explosive purposes.

Mr. PASSMAN. What other countries are on the verge of obtaining the ability to detonate a nuclear device and what is the time frame?

Secretary KISSINGER. We are unaware of any country on the verge of obtaining the ability to detonate a nuclear device in the near future. The longer term future is more difficult to assess. In that regard, it should be noted that, in order to explode a nuclear device, there are two primary requisites:

(1) An unsafeguarded source of weapons-usable material—or will-

ingness to take the extreme step of violating existing safeguards. To produce weapons-usable material, a country needs either a uranium enrichment facility capable of producing highly enriched uranium, or both a reactor which produces significant quanties of plutonium and a reprocessing plant to separate the plutonium from other wastes. Apart from the existing nuclear weapons states, only a handful of countries have both the technical capability and sufficient economic resources to undertake either of these approaches on a wholly indigenous basis. A considerably larger number of countries have the theoretical capability of producing weapons-usable plutonium from reactors and reprocessing facilities supplied by others or derived from other nation's technology.

(2) The technical capability to fashion a nuclear device. Fashioning a crude nuclear device once a country has weapons-usable materials might theoretically be possible for a number of countries. Even so, considerable research and testing would be required before a device could actually be fashioned and successfully tested.

Finally, it should be noted that intent is perhaps the single most critical factor. The most technologically advanced countries with significant economic capacities would have the least difficulty developing nuclear devices, but they would have to violate their international treaty obligations and. in some cases, their own constitutions to do so.

DÉTENTE

Mr. PASSMAN. How are our discussions progressing with Russia concerning détente? Has the United States been making any progress with regard to the SALT talks?

Secretary KISSINGER. Détente is an attempt to work out ground rules and agreed restraints in our relations with the Soviet Union that will lessen the danger of nuclear war and international conflicts in which either party might become involved. Efforts to cap the strategic arms race and to achieve a mutual balanced reduction of forces in central Europe are key elements in this endeavor, but the latter also includes a variety of political and economic measures. Consultations at the highest levels of our two governments have become a routine event. Cultural exchanges and bilateral cooperative agreements are designed to promote mutual understanding and increase each side's incentive to maintain good relations. In the economic sphere, we have concluded recently a grain agreement that should reduce the sharp fluctuations in world markets prompted in the past by heavy, unanticipated Soviet purchases. We also will be discussing an oil agreement, which while involving only a small proportion of our total imports, will be a step toward diversifying our sources of supply. In the political sphere, we will continue to express our concern and interest in the implementation of all aspects of the CSCE Final Act, including those parts dealing with social and humanitarian matters.

A key area in our relations with the Soviet Union continues, of course, to be the military balance. With respect to the strategic arms limitation talks, the United States and U.S.S.R. continue their efforts to embody the Vladivostok understandings in a new agreement to replace the interim agreement and to last through 1985. Our objective is a balanced agreement which strengthens strategic stability. Only several major issues now remain to be settled for completion of

this new agreement. While these remaining issues are of considerable signficance, we believe the remaining differences between the United States and U.S.S.R. are bridgeable by a serious effort on both sides and that an agreement in the U.S. national interest can be achieved.

AID TO ANGOLA

Mr. PASSMAN. Is the United States providing arms or any type of financial support to a liberation group or anyone in Angola?

Secretary KISSINGER. Representatives of the administration have discussed and will be discussing further with the appropriate committees of the Congress the question of current U.S. interests in Angola.

NUCLEAR INSTALLATIONS

Mr. PASSMAN. What countries presently have nuclear powerplants or other nuclear installations?

Secretary KISSINGER. The following chart, prepared on the basis of data published by the IAEA and/or the Stockholm International Peace Research Institute, lists those countries—other than the five nuclear powers—which have research reactors, power reactors, uranium enrichment facilities, or reprocessing facilities in operation or which were scheduled to go into operation by the end of 1975.

Country	Research reactors	Power reactors	Pilot-scale enrichment facilities	Pilot-scale reprocessing facilities
Argentina	X	X		X
Australia [1]	X			
Austria [1]	X			
Belgium [1]	X	X		X [2]
Brazil	X			
Bulgaria [1]	X	X		
Canada [1]	X	X		
China, Republic of [1]	X			X
Colombia	X	X		X
Czechoslovakia [1]	X			
Denmark [1]	X			
Egypt	X			
Finland [1]	X			
Germany, Federal Republic of [1]	X	X	X	X
Greece [1]	X			
Hungary [1]	X			
India	X	X		X
Indonesia	X			
Iran [1]	X			
Iraq [1]	X			
Israel	X			
Italy [1]	X	X		X
Japan	X	X		X
Korea, Republic of [1]	X	X		
Mexico [1]	X			
Netherlands [1]	X	X	X	
Norway [1]	X			
Pakistan	X	X		
Philippines [1]	X			
Poland [1]	X			
Portugal	X			
Romania [1]	X			
South Africa	X			
Spain	X		X	
Sweden [1]	X	X		X
Switzerland	X	X		
Thailand [1]	X	X		
Turkey	X			
Venezuela [1]	X			
South Vietnam [1]	X			
Yugoslavia [1]	X			
Zaire [1]	X			

[1] Indicates an NPT Party.
[2] Multinational plant, not currently in operation.

INTERNATIONAL NUCLEAR SAFEGUARDS

Mr. PASSMAN. On a broader scale, many other countries are providing nuclear equipment to other countries around the world (Germany, France, Japan, et cetera). Are provisions required to be included in the basic agreements which would insure against nuclear materials being directed to the production of weapons?

Secretary KISSINGER. All major nuclear suppliers, with the exception of France, are parties to the Nonproliferation Treaty. Although not a party to the treaty, France has declared its intention to act as though it were a party and, in its nuclear transactions, has required the same safeguard provisions in its nuclear cooperation agreements. The treaty requires each nonnuclear weapon state party to accept IAEA safeguards to prevent the diversion of nuclear energy for peaceful purposes to nuclear weapons or other nuclear explosive devices. The treaty specifically prohibits each state party from transferring source or special fissionable material, or equipment or material especially designed or prepared for the processing, use, or production of special fissionable material to any nonnuclear weapon state for peaceful purposes unless the source or special fissionable material is subjected to IAEA safeguards.

Mr. PASSMAN. What type of safeguard procedures does the United States presently follow to insure against using U.S.-supplied nuclear material for weapons production?

Secretary KISSINGER. The approach we have followed since the early 1950's to insure against the proliferation of nuclear weapons has been nuclear cooperation under effective controls. These controls consist of assurances by other governments with whom we have agreements that materials and equipment provided by the United States will not be used for the production of nuclear weapons or for other military purposes, with these assurances being independently verified by measures which we designate as "safeguards." This term refers to the procedures which have been developed to assure and demonstrate the observance of government guarantees against the diversion of nuclear materials and equipment to military purposes. They rely upon independent and objective verification techniques (including onsite inspection, applied by personnel from outside the inspected country) designed to detect any diversion of nuclear material to unauthorized purposes. Until the mid-1960's these safeguards were applied by U.S. personnel. For the past decade, the responsibility for the application of safeguards was assumed largely by the International Atomic Energy Agency located in Vienna. The safeguards system of the IAEA includes three basic elements: material accountability, containment, and surveillance. All three elements are necessary for an effective safeguard system. Today more than 50 IAEA inspectors are applying safeguards, including onsite inspection, to more than 60 major facilities in some 50 countries.

U.S. EXPORT OF NUCLEAR REACTORS

Mr. PASSMAN. Is the United States presently supplying or do we have discussions in process concerning the purchase of U.S. nuclear reactors by other countries?

Secretary KISSINGER. Yes.

Mr. PASSMAN. If so, name the countries and indicate how the reactors will be financed?

Secretary KISSINGER. There are discussions in progress between U.S. vendors and a number of countries concerning the purchase of U.S. nuclear power reactors. These discussions are at various stages in the purchasing process. U.S. power reactor vendors are competing for sales in Egypt, Austria, Spain, South Africa, Sweden, Switzerland, and Israel. However, these potential purchasers have as yet made no final selections. U.S. vendors are also, of course, interested in likely or potential sales in a number of countries around the world which are planning to embark on their first nuclear power project or are planning additions to their nuclear power programs, particularly those planned for commercial operation in the mid to late 1980's. For example, Iran has held serious discussions with U.S. firms concerning a number of projects beyond the first four units which are to be built by France and Germany. Other examples are Korea which plans additional projects and Denmark which is exploring possibilities for nuclear power.

With respect to financing, there have been no final decisions regarding the source of funds for the above potential transactions. Under current legislation, prospective foreign customers may approach the Export-Import Bank for direct credit or guarantees. Other funding alternatives include direct cash payments by the concerned government and private sources. In case of Export-Import Bank involvement, the Bank would apply the rules prescribed by existing legislation, including coordination with the State Department and ERDA, in deciding the merits of applications. Also, congressional approval is required under certain circumstances. In summary, it is not possible at this juncture to stipulate the precise mode of financing which may be agreed upon in future reactor sales.

Mr. PASSMAN. What type of safeguards will be attached to these nuclear reactor purchases to insure against diverting nuclear materials to the production of weapons?

Secretary KISSINGER. The following safeguards would apply to these nuclear reactor purchases:

An assurance that none of the assistance provided will be used for any military purpose, including a specific guarantee that it will not be used to manufacture any type of nuclear explosive device. This precludes the acquisition of so-called peaceful nuclear explosives as well as actual nuclear weapons.

International safeguards, administered by the International Atomic Energy Agency (IAEA), to be applied to all U.S.-supplied materials and facilities, as well as the plutonium produced from such supply. The IAEA system uses techniques of accountability, surveillance, and containment to assure the continued use of supplied items for agreed purposes, and material from an IAEA safeguarded facility has never been used for a nuclear explosive.

The plutonium produced from U.S.-supplied fuel or derived from the operations of U.S.-supplied reactors would be reprocessed, stored, and fabricated outside the area. This recognizes the special sensitivity, from a proliferation standpoint, of plutonium and the fuel reprocessing plants, in contrast to low-enriched fuel and power reactors which are substantially less dangerous and economically justified.

Materials and facilities supplied under the proposed agreement would be subject to measures to guard against theft, diversion, or sabotage by sub-national groups.

A provision which would require the application of international safeguards on any facilities built in Egypt or Israel utilizing technology obtained from the United States. This provision would prevent later unsafeguarded facilities from arising, for example, as a result of "replication" of a U.S. reactor. Other than technology naturally associated with the provision of reactors, we do not contemplate major technology transfers to either Egypt or Israel under the proposed agreements.

NUCLEAR REACTORS TO EGYPT

Mr. PASSMAN. How would Egypt pay for this nuclear package, and if the United States is going to provide financial assistance in what form will this be done?

Secretary KISSINGER. There are a number of potential sources of financing which would be considered. However, this matter has not yet been worked out with the Egyptians. Whatever the funding source, there is no intention to increase the amount of the AID request recently sent to the Congress.

Mr. PASSMAN. What would be the cost of the package being discussed with Egypt?

Secretary KISSINGER. We estimate that the cost of these two reactors to Egypt may approximate $1.2 billion. At least one-quarter, and probably much more, of the amount may be in the form of dollar costs for purchases made in the United States.

Mr. PASSMAN. Would these reactors be used for electrical power generation?

Secretary KISSINGER. Yes, the nuclear reactors envisioned under these prospective agreements would play a major role in Egypt's and Israel's peaceful economic development by providing a vital source of electrical energy in the 1980's.

Mr. PASSMAN. What is the status of current negotiations to provide Egypt and Israel with nuclear reactors?

Secretary KISSINGER. In early 1974 Egypt and Israel both approached the United States to negotiate government-level agreements for cooperation necessary to permit the sale of power reactors and nuclear fuel to these countries. During a Presidential trip to the Middle East in June of that year, it was announced that negotiations on such agreements would begin. With respect to Egypt, the ensuing negotiations resulted in the issuance of a United States-Egyptian Joint Statement during President Sadat's recent visit which recorded an agreement in principle between our two countries to undertake a program of cooperation in the field of the peaceful uses of atomic energy. This agreement in principle contemplates that we will still have to negotiate and finalize the detailed agreement for cooperation covering the two reactors and their fuel. Moreover, it also explicitly contemplates congressional review of the text. The Government of Israel has been assured of our readiness to conclude a comparable agreement with Israel. Discussions with Israel are continuing but they have not reached the stage of those we have conducted with Egypt. Israel's plans for a nuclear power station, while under active consideration, are not as far along as Egypt's.

ARMS FROM USSR

Mr. PASSMAN. What countries in the Middle East are receiving arms from Russia? Have we had any discussions with Russia or other countries to try and curtail their efforts in supplying additional arms to the various Middle Eastern countries so an arms balance could be reached?

Secretary KISSINGER. Syria and Iraq have received most of their arms from the Soviet Union. The Egyptian armed forces are almost completely Soviet armed. However, for some months Egypt has been substantially cut off from Soviet supply of new items as well as spare parts. Lebanon has received a small amount of Soviet arms indirectly from Libya.

From time to time over the years, we have broached this subject with the Soviets as well as our NATO allies. We have not had much success with our allies. The oil embargo and other economic problems of our allies have tended to make foreign military sales much more important to them. With the Soviets, we have found invariably the same answer: namely, this is something that can be discussed only after there has been an overall peace settlement in the Middle East. Nevertheless, we are continuing to study this problem and to consult informally with other countries.

SINAI AGREEMENT

Mr. PASSMAN. Does the United States have any military commitments to Israel as a result of the Sinai agreement?

Secretary KISSINGER. No; there are no treaties or commitments which bind the United States to defend Israel, nor has Israel requested such a commitment.

Mr. PASSMAN. Is the United States committed to any future level of economic, military or Public Law 480 food assistance to Egypt, Israel, Syria or Jordan as a result of the Sinai agreement?

Secretary KISSINGER. No, there is no commitment to any future level of economic or military assistance to any of these countries as a result of the Sinai agreement. However, these countries look to the United States to continue to play a constructive role in bringing stability to this area and U.S. economic and military assistance will continue to be essential to U.S. efforts to bring stability to the Middle East. Therefore, the requirement for aid will continue for some time to come.

STRONG ALLIES

Mr. PASSMAN. It has been my privilege to chair this committee for 21 years. We have disbursed in excess of $269 billion in foreign aid and assistance. That does not include the cost of the Defense Department. We have dispensed those funds to 128 nations of the world. When I start looking for our true friends and our true allies, people who would, when the chips are down, fight like tigers to support our policy, I really only find Korea, Taiwan and Israel. I think they would be prepared to make any sacrifice necessary.

Taiwan offered their assistance in Vietnam and it was declined. I am not any more pro-Israel or pro-Korea than I would be toward any other country that would be willing to make the sacrifice that

these countries are willing to make to carve out for themselves a sovereign nation. Do you know, Mr. Secretary, of any information that any other agencies, regardless of name, would have had that you would not have had with respect to the level of funds of this Middle East package?

Secretary KISSINGER. No.

Mr. PASSMAN. Have you given us all the information pertaining to this that you have or any other agency would have?

Secretary KISSINGER. I have given you all the information that is relevant to this program.

Mr. PASSMAN. We can rely on your formula as being the result of the best intelligence in our Government?

Secretary KISSINGER. That is right.

Mr. PASSMAN. I yield to Mr. Shriver.

LONG-TERM COMMITMENT IN MIDDLE EAST

Mr. SHRIVER. If Congress goes along with your proposed policy in the Middle East and possibly arming both sides of the dispute, what kind of a long-term commitment are we getting into? Is it going to be $3 billion this year and a similar amount next year?

Secretary KISSINGER. This program does not involve arming both sides of the dispute. Most of the military assistance goes to Israel. Israel will have a need, for as long as I can foresee, for assistance from the United States.

Egypt will have a need for economic assistance from the United States. In the long term the United States is making a major attempt to bring about a just and lasting peace in the area which, by itself, should reduce the burden of armaments on all countries and would hopefully reduce the burden of the American military part of this program. But an element of support for Israel will continue to be necessary.

CURRENT SITUATION IN ANGOLA

Mr. SHRIVER. I wonder if you will comment on the current situation in Angola.

Secretary KISSINGER. In Angola our concern is to bring about a coalition government in which all parties participate. The Soviet Union and to a lesser extent Cuba have, since the early part of this year, introduced very substantial amounts of military equipment, at least very substantial in terms of the requirements of that country.

Therefore, a faction which earlier this year was in the third place in everybody's estimate of power there has now become the dominant factor in the capital, though not in the rest of the country.

This has consequences for surrounding countries like Zaire and Zambia whose outlet to the sea is by means of two railways that go through Angola and who see this projection of military power in a neighboring country.

We will use our influence and our encouragement to bring about a solution in which outside influences are reduced and in which the people of Angola have an opportunity to determine their own fate. We will not recognize the group that has established itself in Luanda.

ASSISTANCE TO ZAIRE

Mr. SHRIVER. Have you gone ahead and financed Zaire in their recent financial crisis?

Secretary KISSINGER. Yes, we have contributed to Zaire to help alleviate its financial crisis. We are proposing a total of about $60 million in long-term loans and commercial credits to help alleviate Zaire's critical but temporary exchange shortfall. In addition to the $20 million security supporting assistance loan, which is before the Congress and has not been authorized, the package includes $11 million in 3-year Commodity Credit Corporation (CCC) credits, an $8 million Public Law 480, title I loan, and $20 million in Export-Import Bank credits. The CCC credits have already been extended.

NUCLEAR SAFEGUARDS

Mr. SHRIVER. Maybe you wouldn't have time to elaborate upon this but you may put it in the record.

What are the safeguards involved in the nuclear reactor agreement initialed by you and the Egyptian Foreign Minister?

Secretary KISSINGER. They are the most sweeping safeguards that exist between the United States and any other recipient countries because what concerns people about the nuclear technology is that the final product of the nuclear reactors could be used for nuclear weapons. Egypt has agreed that the final product of its nuclear reactor would be reprocessed outside of Egypt and would be stored outside of Egypt. This is a safeguard which we have been attempting to achieve with many other countries and have not in the past been able to obtain.

STATEMENT BY COLOMBIAN PRESIDENT

Mr. SHRIVER. Turning now to other issues, I am sure you are aware that recently the President of Colombia announced that his country would no longer seek or accept bilateral assistance from the United States. He said this was not based on any disagreement with our country, but that he had concluded "that foreign aid breeds an unhealthy economic dependency and delays or undermines measures that should be taken for development." I believe he has made a good point, especially for those countries which substitute our aid for needed structural reform within their own borders. India is a good example. Would you comment on his conclusion?

Secretary KISSINGER. I think one has to make distinctions between countries. Certainly there is a point at which a country is capable of sustaining its own growth; one of our objectives is to help bring about this moment as quickly as feasible. At such a point, bilateral foreign aid becomes not only unnecessary but may also be, as sugested by the President of Colombia, counter-productive. But unfortunately many countries have not reached the point of development at which self-sustaining growth becomes possible. In those countries, the transfer of resources and skills forms an indispensable part of the growth process without which growth either does not take place or takes place at an agonizingly slow pace. Bilateral aid, if it intervenes at the right times and in the right places of an economy, can challenge and accelerate development.

It is possible in a large number of countries to demonstrate the contribution of bilateral aid to growth. In India, which you cite, food grain production has, for example, exceeded the population growth rate by some margin and the contributions to this achievement of bilateral assistance, especially of U.S. aid, can be readily demonstrated. One of the arts of the development business is to know when to help, and how, and when not to. Obviously, we have made some mistakes of judgment over the years, but on balance the record of the United States is an excellent one.

TERMS OF INDIA'S AID TO SRI LANKA

Mr. SHRIVER. Returning to India for a moment, there was a report in the Journal of Commerce this month that India has issued a foreign assistance loan to Sri Lanka for a new urea plant. The loan carries a 5-percent interest rate and is repayable in 15 years. What are the terms of the foreign assistance loans the United States has given to India over the years? Generally, they run easier than India's terms for Sri Lanka, do they not?

Secretary KISSINGER. Yes; India has recently made a loan of $12.5 million equivalent to Sri Lanka for the construction of a new urea fertilizer plant. This is a multidonor project that is also being supported by the Asia Development Bank, $30 million; Kuwait Fund for Arab Economic Development, $25 million; and Federal Republic of Germany, $24.5 million. The Government of India contribution to the project will be in the form of goods and services which India is able to export.

The IBRD, the United States, and other donors have encouraged India in the past to develop its goods and services for export in order to cover its import requirements. In order to accomplish this, India, like many other countries, provides export credits to certain trading partners. The terms of these credits vary. The 5 percent, 15-year repayment terms of the urea plant loan are relatively low, reflecting India's desire to promote regional cooperation and to develop a particular export market in Sri Lanka.

The terms of the loans that the United States has supplied India in recent years are standard Development Loan terms of 40-year repayment with a 10-year grace period, a 2-percent interest rate during the grace period and 3 percent thereafter.

EGYPT'S DEBT SERVICE OBLIGATIONS

Mr. SHRIVER. The request for Egypt is $750 million. That country needs about $800 million a year just to service debts on prior foreign loans. Egypt owes the Soviet Union more than $6 billion according to reports. Couldn't our aid be considered the means by which Egypt can pay debt service on their Russian obligations?

Secretary KISSINGER. Our proposed program is designed to address specific reconstruction and development needs of the Egyptian economy—and finances the procurement of U.S. goods and services. Egypt has other free foreign exchange which is used to satisfy her foreign debt service requirements. We would not agree to the use of U.S. assistance to repay any foreign government creditor.

Mr. PASSMAN. Dr. Long, we are working on very limited time.

ECONOMICS OF SINAI AGREEMENT

Mr. LONG. I will consume 4 minutes. I intend to support the Middle East package. There have been rumors, and I believe the Washington Post today suggests that Congress may cut the aid request substantially below the proposed amount. What effect would this have on the Sinai agreement? Would this mean the collapse of the agreement or a weakening of it?

Secretary KISSINGER. I think it would lead to a weakening of the general situation. It would not lead to a collapse of the Sinai agreement which is independent of the particular aid levels but it would undermine the confidence of the participants in us, particularly for the future.

NUCLEAR AGREEMENT WITH EGYPT

Mr. LONG. On the matter of the U.S.-Egyptian bilateral nuclear agreement, I believe you have said that there are very sweeping safeguards, stronger than any other nuclear agreement. But I am very greatly concerned with whether there will be a clause requiring U.S. approval for any transfer to third countries or for any reprocessing of plutonium produced in U.S. reactors, whether or not U.S. fuel is used in those reactors. The point that I am getting to is this:

Without such a clause, could not Egypt at some time in the future be able to use non-U.S. fuel in U.S. reactors, transfer the plutonium produced to a nonparty to the Nuclear Non-Proliferation Treaty such as Argentina or South Africa for other laundered plutonium?

Secretary KISSINGER. I understand the question. I will have to look into the question of what control we have over the introduction of non-U.S. uranium. We do have control over the final product of the reactor regardless of whether we supply the materials or not. So that the reprocessing is under our control.

Mr. LONG. This is a question I think concerns everyone.

There are disturbing reports concerning Egypt's nuclear intentions. An article from the July 27, 1975, Los Angeles Times, entitled "Nuclear Shadow Touches Mideast," says:

> It is important to remember that certain weapons already in the Mideast—particularly surface-to-surface missiles—were built specifically as delivery systems for nuclear warheads. The Frog-7 and Scud missiles in Egypt and Syria, for instance, apparently were developed by the Russians originally for use with nuclear warheads in Europe. Egypt's President Sadat has warned that he would use his missiles against Israel if necessary, although he did not specify the nature of the warheads.

Secretary KISSINGER. We have the veto.

Mr. LONG. We have control over this only so long as we have diplomatic relations with Egypt. Once Egypt has acquired the technology and otherwise expert personnel to go ahead with this, there is nothing to prevent Egypt from developing nuclear weapons. We would hope this wouldn't happen, but perhaps Sadat would be swept out of power and someone else could come in and simply say, "get out of here" as Egypt did to the Russians and go ahead and develop the nuclear weaponry. Isn't that possible, Mr. Secretary?

Secretary KISSINGER. This is the problem in the transfer of any nuclear technology. In order to deal with this we are trying to establish

safeguards to arrangements among all possible nuclear suppliers in which they all would apply similar safeguards in their export of nuclear technology, including incidentally, the Soviet Union.

AID TO SYRIA

Mr. LONG. I am concerned with why we are giving $90 million in aid to Syria, which has indicated a reluctance to seek peace by refusing to extend the mandate for the United Nations forces in the Golan Heights.

Secretary KISSINGER. No, they have not. I am sorry, Mr. Long. They have not yet indicated a reluctance, or have not yet refused to extend the mandate. They have never in the previous extensions agreed until the last minute. This is the Syrian negotiating method.

Mr. LONG. But why give them the $90 million before you get an agreement?

Secretary KISSINGER. The extension of the UNDOF mandate will be due November 30. I don't think this bill is going to pass before November 30.

Mr. LONG. I think you are probably right about that.

SAFEGUARDS ON NUCLEAR REACTORS TO EGYPT

Mr. LONG. Please list and describe for the record the exhaustive safeguards that will apply to the reactors the administration is proposing to supply to Egypt.

Secretary KISSINGER. Given our concerns over the danger of nuclear weapons proliferation and the sensitivity of the Middle East, we have sought in our negotiations with Egypt the most stringent set of controls ever incorporated in a U.S. nuclear cooperation agreement. As the November 5 United States-Egyptian joint statement indicated, we believe we have achieved this objective.

In particular, the United States and Egypt have agreed, inter alia, to include the following safeguards or controls in the agreement now being negotiated—these would be expected to be included in any nuclear agreement with Israel:

An assurance that none of the assistance provided will be used for any military purpose, including a specific guarantee that it will not be used to manufacture any type of nuclear explosive device.

An agreement that international safeguards, administered by the International Atomic Energy Agency (IAEA), will be applied to all U.S.-supplied materials and facilities, as well as the plutonium produced from such supply. The IAEA system uses techniques of accountability, surveillance, and containment to assure the continued use of supplied items for agreed purposes, and material from an IAEA-safeguarded facility has never been diverted for use in a nuclear explosive. The agreement also will accord us bilateral safeguard rights that would be suspended while IAEA safeguards are being applied.

U.S. rights of approval as to where irradiated fuel can be reprocessed and, as noted, where the produced plutonium can be fabricated or stored.

An understanding that the plutonium produced from U.S.-supplied fuel or derived from the operations of U.S.-supplied reactors would

66-317 O - 76 - 5

be reprocessed, stored, and fabricated outside Egypt. This recognizes the special sensitivity, from a proliferation standpoint, of plutonium and fuel reprocessing plants, in contrast to low-enriched fuel and power reactors which are substantially less dangerous.

A provision that materials and facilities supplied under the proposed agreement would be subject to measures to guard against theft, diversion, or sabotage by subnational groups. We are discussing such measures with Egypt and will insure that effective physical security arrangements are developed and applied by the GOE.

Finally, we have informed the Egyptians that we expect to include a new provision which requires the application of international safeguards on any facilities built in Egypt utilizing technology obtained from the United States under the agreement. This provision would prevent later unsafeguardable facilities from arising, for example, as a result of Egyptian "replication" of a U.S. reactor. Other than technology naturally associated with provision of reactors, we do not contemplate major transfers to Egypt under the proposed agreement. As reflected in the November 5 statement, Egype has agreed, in principle, to have such a provision included in the proposed accord.

Mr. LONG. Will the United States-Egyptian nuclear agreement have a clause requiring U.S. approval for any transfer or reprocessing of plutonium produced in U.S. reactors, whether or not U.S.-supplied nuclear fuel is used in those reactors? If not, why not?

Secretary KISSINGER. Yes, the agreement for cooperation will provide that the fuel to be transferred under the agreement and special nuclear material processed through the use of U.S.-supplied reactors cannot be retransferred without our approval. In addition, the United States will have the right to approve where any fuels used in U.S. reactors can be reprocessed or where any separated plutonium may be fabricated or stored. Egypt also has agreed that such operations will take place outside of Egyptian jurisdiction.

NUCLEAR AGREEMENTS

Mr. LONG. What is your response to my recommendation that the United States should move immediately to close loopholes that exist in our nuclear agreements, such as the Spanish nuclear agreement, that would allow countries to transfer or reprocess plutonium produced in U.S. reactors from non-U.S.-supplied fuel without U.S. approval?

Under this loophole, a country could transfer plutonium produced in a U.S. reactor with non-U.S.-supplied fuel with other "laundered," plutonium—produced in a country nonparty to the NPT—and thus could build a nuclear explosive without violating the U.S. nuclear agreement.

If you argue that the U.S. nuclear agreement with Spain does not contain such a loophole, please cite specific clauses in the agreement which prevent such transfers or reprocessing.

Secretary KISSINGER. While it is true that our explicit rights of approval covering reprocessing under article VIII(C) of the United States-Spanish agreement only apply to U.S.-supplied materials, articles X and XI(B)(2) of the accord provide that any plutonium derived from U.S.-supplied equipment as well as material shall be subjected to a peaceful use guarantee and safeguards. There are pro-

visions in our other nuclear agreements which impose similar requirements. There are thus no loopholes. In the case of states like Spain that are not parties to the NPT, these undertakings are reinforced by the special provisions of our applicable trilateral safeguards agreements with the IAEA. Specifically, under sections 10 and 12 of the United States/Spanish/IAEA safeguards agreement, special nuclear material produced in or by the use of U.S.-supplied reactors must be added to the inventory and subjected to Agency safeguards, and section 14 specifies the conditions under which material that is under IAEA safeguards—including any plutonium in a safeguarded reactor—may be transferred to another jurisdiction. Such materials may only be transferred and deleted from the IAEA's inventory if arrangements have been made by the Agency to safeguard such materials, or if they are subject to safeguards other than those of the Agency but generally consistent with its safeguards and accepted by the Agency.

It is our judgment that these understandings serve to assure that the plutonium produced through our assistance will only be employed for peaceful purposes. Having made this point, however, we should stress that some of the more sensitive new agreements that we now have under negotiation (including those with Egypt) go even further and include rights related to the approval of reprocessing of material used or produced in transferred equipment as well as that produced from transferred nuclear material.

NUCLEAR SAFEGUARDS

Mr. LONG. What details can you provide on a report in the Hamburg Morgenpost that a West German legislator walked into a nuclear reactor with an antitank grenade launcher on his back?

Secretary KISSINGER. According to reports which we have received, a group of legislators from one of the German states, Hesse, was on an official tour of a civil nuclear power plant at Biblis in Hesse. After the group had completed their tour, one of the legislators produced a cardboard model of a grenade launcher and reentered the facility.

Mr. LONG. What is your response to my recommendation that the U.S. act to strengthen nuclear safeguards including proposing the application of physical security standards at all nuclear facilities?

Secretary KISSINGER. The administration is currently taking action in a number of ways to strengthen nuclear safeguards, including continued active support for the NPT and the IAEA, and the consultations in progress among major nuclear suppliers. One of the important elements in our nonproliferation strategy is to encourage the application of effective physical security measures at all nuclear facilities. We have taken the lead in promoting recommendations on adequate standards for physical security in the IAEA. We have proposed to the United Nations General Assembly the consideration of an international convention on this subject, and we will be pursuing this idea within the IAEA and with other states.

Mr. LONG. What is your response to my recommendation that the United States suspend nuclear exports (including nuclear fuel supplies) to countries that are exporting enrichment and reprocessing plants?

Secretary KISSINGER. We do not favor suspension of nuclear assistance to other nuclear supplier countries as a means of coercing them to withhold transfer of enrichment and reprocessing technology to other countries. To act in this manner would undermine the progress we have made in forging common supplier policies regarding nuclear exports. Moreover, such an approach would not be likely to have a positive effect on importing countries. The amount of leverage we could exert in this manner might not be sufficient to insure that such a policy would be effective even if we were prepared to adopt it; the United States does not hold a monopoly on nuclear supplies and the long-term effect of a policy of this kind might well be to drive these countries to develop or expand indigenous sources, or look elsewhere for assistance, while continuing to export sensitive technologies. In addition, to pursue such a policy might be perceived as an evasion of governmental and contractual obligations. The fundamental question here is whether an effective nonproliferation regime, which ultimately must rest on perceived mutual interest, can be based upon unilateral actions which might be regarded as acts of bad faith. We do not believe it can.

Mr. LONG. What is your response to my recommendation that the United States use its leverage if necessary to obtain Soviet agreement to cooperate in stopping the exports of enrichment and reprocessing plants?

Secretary KISSINGER. The U.S.S.R. has not exported any enrichment or reprocessing technology to date, and has given no indication of any intention to change that policy. We believe that the Soviets would be likely to take a position on U.S. "leverage" similar to that expressed in the response to the preceding question.

Mr. LONG. What results can you report from the nuclear suppliers conference on agreements to restrict the export of enrichment or reprocessing plants and on any agreement to strengthen international nuclear safeguards?

Secretary KISSINGER. The United States has continued to work with other suppliers on means of insuring that nuclear exports are safeguarded and will not contribute to proliferation. The Joint Committee on Atomic Energy is being kept informed of these efforts.

PLUTONIUM REPROCESSING PLANTS

Mr. LONG. Please list the capacities of the plutonium reprocessing plants in Argentina, Spain, and India.

Secretary KISSINGER. The capacities of the reprocessing facilities in these three countries are as follows:

Argentina. Laboratory-scale facilities, designed for handling a few kilograms per day of metallic uranium fuel (from research reactors); presently shut down but being reactivated for operation in about 1977 and may include redesign for low-enriched uranium oxide fuel.

Spain. Small pilot plant, designed for handling a few kilograms per day of metallic uranium fuel.

India. Built—pilot-scale facility designed to handle 350 kilograms of uranium per day (metal and low-enriched oxide). Laboratory-scale facility designed for handling a few kilograms per day of thorium/uranium oxide fuel. Being built—plant designed to reprocess 100 metric tons of uranium per year (metal and low-enriched oxide).

Mr. LONG. What nuclear safeguards apply to the reprocessing plants listed in the previous question? What international safeguards apply to these plants?

Secretary KISSINGER. The reprocessing facilities in Argentina, Spain, and India would be subject to safeguards of the International Atomic Energy Agency (IAEA) when fuel subject to IAEA safeguards is put through the facilities. Any reprocessing of U.S.-supplied material in such facilities would be subject to IAEA safeguards. The respective agreements for cooperation the United States has with the three countries establish U.S. safeguard rights over fuel supplied under the agreements. The United States has suspended its rights under the bilateral agreements (but has not relinquished them) as long as trilateral safeguard agreements among the United States, IAEA, and respective bilateral partners are in effect.

Mr. LONG. What types of safeguards does the administration propose be applied to enrichment and reprocessing plants?

Secretary KISSINGER. The administration has taken, as you know, a strong public position in favor of multinational, regional fuel-cycle centers to meet established needs for these and associated nuclear services. We believe that the IAEA would be the most desirable instrument for safeguarding such facilities. We also believe that the IAEA safeguards system is fully adequate for application to such facilities. Indeed, the IAEA safeguards documents were framed with such facilities in mind, as well as facilities of lesser sensitivity such as reactors. Specifically, the Agency is empowered to apply a comparatively heavy degree of inspection effort, including continuous inspections, to facilities such as reprocessing plants that have a high throughput of weapons-usable materials such as plutonium. Special safeguards arrangements also are contemplated for enrichment plants that will serve to assure intensive application of safeguards to the key measurement points at such facilities without compromising sensitive classified information or commercial secrets.

SPANISH VANDELLOS NUCLEAR REACTOR

Mr. LONG. What are the nuclear safeguards that apply to the Spanish Vandellos 487-megawatts-electrical nuclear reactor supplied by France?

Secretary KISSINGER. This project, agreed upon in November 1964, was conceived as a joint cooperative venture between the two governments, with the electricity going into both national grids. We understand that the fuel for the facility has been supplied by France and is subject to French bilateral safeguards. We further understand that the reprocessing of all spent fuel takes place in France and that France has retained all recovered plutonium.

Mr. LONG. Would Spain break any nuclear or other international agreement if it reprocessed spent nuclear fuel rods from the Vandellos reactor, obtained weapons-grade plutonium, and constructed a nuclear explosive device?

Secretary KISSINGER. The United States is not involved in any assistance to this project. Therefore, we are not in a position to comment on the specific provisions of the French-Spanish agreement covering this project.

ENVIRONMENTAL IMPACT OF NUCLEAR REACTOR

Mr. LONG. What is your estimate of the environmental damage and the human casualties that would result from the meltdown of a 1,000-megawatts-electrical nuclear reactor?

Secretary KISSINGER. The following is drawn from the Reactor Safety Study which was submitted to the Congress in late October of this year and is the most definitive study ever undertaken in this field. As the report notes, the statistical variations affecting the environmental damage and human casualties resulting from a nuclear accident are numerous. The location of the reactor, whether it is raining or sunny, the direction of the wind and the magnitude of the release are some of the factors that would bear on the question.

In the most unlikely event of a reactor core meltdown—for all of 100 reactors in the United States 1 chance in 10 million each year—estimated damage and casualties are calculated on 2 bases: under average circumstances and under peak—that is, worst case—circumstances. Under average circumstances, property damage resulting from an accident was estimated at around $20,000, with relatively few square yards of area affected. In an accident involving the worst possible circumstances, property damage could theoretically run as high as $14 billion. This would involve relocating people within an approximate 290-square-mile area and performing decontamination measures over a 2,000-square-mile area.

In terms of human casualties resulting from an accident, the average—per reactor year—was calculated in the study as follows: Immediate deaths, 0.00003; early illnesses, 0.002; and latent deaths each year 10 to 40 years after accident, 0.02.

The peak of worst case—per reactor year—was calculated as follows: Immediate deaths, 3,300; early illnesses, 45,000; and latent deaths each year 10 to 40 years after accident, 1,500.

The above average figures are based on a population of 78 people per square mile, the density of the areas of the United States where most of our reactors are located.

PLUTONIUM IN ITALY

Mr. LONG. What does the State Department mean in its answer on the license application analysis for a recent export of 130.5 kilograms of plutonium to Italy—letter of August 21, 1975, from George S. Springsteen to Lee V. Gossick of the Nuclear Regulatory Commission—where it says that Italy can "* * * deter, prevent, or respond to any attempt to divert plutonium or highly enriched uranium * * *"? Specially, what does the phrase "respond to" mean?

Secretary KISSINGER. As a result of a physical evaluation survey in Italy in which U.S. experts participated, it was determined that Italy has the capability to respond to a subnational or international terrorist attempt to divert plutonium or highly enriched uranium. This "response" would be accomplished by security forces at the fabrication plant, local police forces, and/or Italian military forces. The adequacy of the Italian capability in this area extends to Italy's airports where the special nuclear material would arrive, the transportation routes to and from the fabrication plant, as well as the plant itself.

OPEC AID TO LDC'S

Mr. LONG. Please list and briefly describe—with estimates of the resources involved—the amounts of foreign aid provided by the OPEC nations to developing countries—either directly or through contributions or bond purchases in the multilateral development banks.

Secretary KISSINGER. The Development Assistance Committee of the OECD estimates that in 1974 OPEC nations committed approximately $13 billion in bilateral assistance and financial support to multilateral institutions. Of this total, at least $7.4 billion is estimated to have been in the form of concessional assistance. The LDC's also benefited to a significant extent from OPEC assistance to the IMF oil facility—$3.2 billion—the purchase of IBRD bonds—$2 billion—and Venezuela's pledge to the IDB special trust fund—$0.5 billion. It is believed that 1975 assistance flows from the OPEC nations will be of the same order of magnitude.

Disbursement figures are subject to even more uncertainty than the estimates of OPEC commitments. Available materials do suggest, however, that OPEC disbursements are likely to be higher in 1975 than in 1974. Disbursements of OPEC nations in 1974 are estimated to have ranged between $5 and $5.5 billion and are likely to be roughly $6 billion in 1975.

Concessional assistance disbursements in 1974 are estimated to have ranged between $2.5 billion and $3 billion. Disbursements to LDC's financed from OPEC contributions to the IMF oil facility or purchases of IBRD bonds may well have added at least an additional $2.5 billion in disbursed assistance to the LDC's.

Mr. PASSMAN. Mr. Coughlin?

MILITARY STRENGTH OF ISRAEL

Mr. COUGHLIN. I have two brief questions. This may have been asked earlier. There have been reports in the press and otherwise that the Israelis are literally tripping over their own ammunition cases. I take it from the information that is available to you that such is not the case in terms of their military situation.

Secretary KISSINGER. Well, I don't know whether they are tripping over the ammunition cases.

Mr. COUGHLIN. They are very well armed.

Secretary KISSINGER. I think they are well armed and better armed than they have been at other periods, but so are their neighbors. And we believe that what we have submitted to the Congress is necessary for Israel's security, and it must be seen in terms of the long-term requirements of Israel's security.

BALANCE IN MIDDLE EAST

Mr. COUGHLIN. The second question that follows a little on Mr. Long's question is, That if the purpose of the aid is to help maintain the balance in the area, if we reduce both sides proportionately, wouldn't the balance stay about the same?

Secretary KISSINGER. The overwhelming threat to Israel's security derives from Russian arms, not American arms. Most of Israel's neighbors are armed by Soviet arms.

Mr. COUGHLIN. But I mean, dollars can be spent in arms and also in economic aid. If you just took a package on both sides and cut it down some, you would retain essentially the same balance, wouldn't you?

Secretary KISSINGER. Not necessarily, because, first of all, Israel's margin is much narrower than that of its neighbors, and if you cut the package down, it would lead to increasing austerity in Israel. Even the present package will require Israel to pursue greater austerity than they have in the past, and I don't think it would work the way you have indicated.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Obey?

Mr. OBEY. Thank you, Mr. Chairman.

Mr. Secretary, I wonder if you could supply for the record some of the following information.

PIPELINE TO ISRAEL

No. 1, could you supply for the record a list of the pipeline items which are scheduled to go to Israel or any other country in the Middle East under previous legislation?

ISRAEL VERSUS ARAB STATES

Could you also provide to the committee what the administration's overall best intelligence estimates are on a number of items? The 3-to-1 ratio has been mentioned earlier. It is my own feeling that the ratios for almost all items are, in fact, better than that now, and I wonder if you could supply a listing of what the ratios are for Israel vis-a-vis Jordan, Syria, and Egypt for troops, planes, armored personnel carriers, antitank missiles, et cetera. I will provide a complete listing for the record.

Secretary KISSINGER. The 3-to-1 isn't toward Egypt but toward all of them.

Mr. OBEY. That is right. Do it with relation to all of them.

Secretary KISSINGER. Because it would certainly be better than 3-to-1 vis-a-vis Jordan.

Mr. OBEY. I mean the total of the combined.

Also, the ability of the Israelis versus Arabs to defend their own air space; the ability of the respective parties to conduct offensive operations; compare plane-to-pilot ratios in the given countries; relative logistics, communications, and command and control capabilities of each of the parties, and so on. I will supply a complete list for the record.

[Classified information to be provided to the committee.]

FURTHER MOVES IN MIDDLE EAST

Mr. OBEY. Let me ask a couple of quick questions. Both Mr. Sadat and King Hussein indicated to the three of us when we were over there their concern that there be, in fact, further immediate actions and that this not be the final step for quite some time.

They were all, I think, concerned about the fact that election year problems come into play in this country on both sides of the political aisles, and it might be more difficult for the United States to move after this step.

What do you think the likelihood is that by spring there will be movement of some kind on other fronts, either Golan Heights, or some way related to the West Bank or the Palestine question?

Secretary KISSINGER. I will be better able to give you an estimate on that, say, by the end of the year, after our present consultations are further advanced, but we are certainly proceeding on the assumption that the Middle East cannot tolerate a prolonged stalemate. We are doing everything we can to encourage the movement.

Mr. OBEY. I really think it would be helpful to the Congress to have an indication certainly before this bill passes, and it would be helpful, although it is probably difficult, to have some kind of a judgment before the authorization passes, because there will be a fight on the amount of the authorization bill. Can you give us any indication whatsoever?

Secretary KISSINGER. I don't want to make any firm predictions because we are not yet at the point where a direct negotiation is underway. After we have a forum established, I will be in a better position to give you an estimate.

EFFECT OF RABAT

Mr. OBEY. It has been our traditional position that we have been relying until recently on King Hussein to do the negotiation for the Palestinians. In light of Rabat, do you think there is any possibility whatsoever that that may still in fact be the case, or is that an option which is long gone?

Secretary KISSINGER. The possibility exists that the Arabs may decide to entrust Hussein with some negotiating responsibility, and he has recently improved his relationships with Syria so that possibility exists. That would make the negotiation much less complicated.

EGYPT'S "RIGHT TO PURCHASE"

Mr. OBEY. I wonder if you might clear up another question I have. We see the New York Times article, which was referred to concerning Mr. Sadat's request for aid. When we were over there, he was not talking in terms of our providing any aid in that sense. He was talking only in terms of our making available to him the right to purchase arms.

Secretary KISSINGER. That is correct.

Mr. OBEY. Is that all we are talking about?

Secretary KISSINGER. You are talking about military equipment now?

Mr. OBEY. Yes.

Secretary KISSINGER. That is all he has ever talked to us about. He has never asked for aid.

[Mr. Obey submitted the following questions to Secretary Kissinger. In response, the Department of State offered to provide an oral briefing to subcommittee members.]

A. I would like an intelligence community assessment or, if this is not available, the individual assessments of the State and Defense Departments and the C.I.A., on the following subjects: (1) The current ratios between Israel and the Arab confrontation states for personnel, aircraft, artillery, APC's, tanks and other relevant military equipment; (2) The current pilots to plane ratio in each country; (3) The ability of each party at the present time to (a) defend its own airspace, and (b) conduct air operations over enemy territory; (4) An assessment of Israel's present ability to fight a one-, two-, or three-front war. How has this improved since 1973? (5) The current ability of each country to

conduct sustained offensive operations; and (6) The U.S. assessment of the amount of military equipment in the hands of the non-confrontation Arab states which, if another war began, are likely to be transferred effectively to the confrontation states in time to affect meaningfully the course of that war.

B. What is the estimate of the Intelligence community (or, if that is not available, of the State and Defense Departments and the C.I.A. individually) of the current situation in all of the above categories compared with the situation in 1973, before the October War.

C. I would like placed in the record a list of the weapons and other military-related material in the pipeline, plus any other sums authorized and appropriated but not yet obligated, which will be going to Israel this year or in future years as a result of previous legislation.

D. What is the assessment of the intelligence community (or the member agencies individually) of the likelihood that the proposed FY76 military aid package for Israel could in fact destabilize the situation in the Middle East and promote another round in the Middle East arms race?

E. What is the Israeli assessment of the threat Israel will be facing by 1980 (include projections for numbers of divisions, tanks, missiles and other items mentioned above). What is the U.S. intelligence community's evaluation of the validity of this Israeli assessment?

AID TO EGYPT AND ISRAEL

Mr. CHAPPELL. Mr. Secretary, in the economic assistance area, I notice you recommended almost the same dollar amount for Egypt as you do for Israel. Is there any particular significance to this, or is it just a coincidence?

Secretary KISSINGER. That is a coincidence.

Mr. CHAPPELL. This represents a substantial increase in the case of Egypt. Can they productively assimilate all of this assistance between now and the end of the fiscal year?

Secretary KISSINGER. Our belief is that they can.

AID TO FOUNDATIONS OPERATING IN OTHER COUNTRIES

Mr. CHAPPELL. Mr. Secretary, what moneys, if any, are funneled through the Department of State to foundations operating in other countries, any money at all?

Secretary KISSINGER. I would be most amazed if any substantial sums were funneled, but I would have to look into that. I am not aware of any.

Mr. CHAPPELL. Yes, sir; I wanted to ask you about this, and if you are not familiar with it, I would certainly like to have a rundown on it.

The Inter-American Foundation, are you acquainted with that?

Secretary KISSINGER. Only in the most general way.

Mr. CHAPPELL. It supposedly is a congressionally chartered corporation. I have before me an article in the San Jose News, Costa Rica, which says that:

A U.S. Government foundation has poured about $400,000 into a leftist newspaper and school, Vice President Carlos Manuel Catillo, revealed late last week. The U.S. Embassy—

Secretary KISSINGER. What week was that?

Mr. CHAPPELL. This is the October 21, 1975, issue which says:

The U.S. Embassy confirmed the report and said the Inter-American Foundation is an autonomous agency not controlled by either the State Department or any other branch of the U.S. Government.

The question I ask is whether or not these moneys are ever checked through the Department of State, and, if so, how would such a recommendation come about if, in fact, it is true.

So I would like to ask the Secretary if he could find out whether it is true.

Secretary KISSINGER. I would have to look into it. It is conceivable some money could be given to a foundation. I just can't comment on it. I have never heard of this. If this account is correct, I would question what we are doing.

Mr. CHAPPELL. That is correct; I don't know whether it is correct. That is why I was asking the Secretary.

Secretary KISSINGER. I will check for you whether it is correct, and if it is, we will have to see what the basis for this is. This is not our national policy, in any event.

Mr. CHAPPELL. Mr. Chairman, I would like to ask, in view of that, if the Secretary would be so kind as to give us a breakdown, if he finds that any moneys are funded through foundations, and I am talking about congressionally approved foundations primarily, and, second, whether or not funds are suggested or approved by the Department of State to foundations other than those congressionally permitted, aside from those which might touch very sensitive expenditures.

Secretary KISSINGER. I understand what your question is.

Mr. PASSMAN. And you will furnish the information for the record?

Secretary KISSINGER. Under the "Mutual Educational and Cultural Exchange Act of 1961" the Department of State is authorized to enter into bilateral agreements with foreign governments which provide for the creation or continuation of educational and cultural foundations and commissions abroad for administering programs in furtherance of the act's purposes. There is also provision for entering into agreements with international organizations in furtherance of the purpose of this act.

However, it is neither State Department policy nor practice to provide other foundations with funds which are in turn used for or by other organizations.

Grants-in-aid to foundations contain descriptions of the specific uses to which the funds are to be put and a stipulation against the recipient's transferring or assigning any part of the sum made available to any other institution or organization without State Department approval. Reports are required to confirm actual use of funds, thereby precluding misuse without Department knowledge. Such funds come under congressional review during budget presentations.

Mr. PASSMAN. Thank you, Mr. Chappell.

Mr. Koch?

MILITARY STOCKS OF ARAB STATES

Mr. KOCH. Mr. Secretary, I think the question asked by Mr. Obey requesting certain information is very important. I would like to have it. But I would like to have, in addition to that, so we have all the information before us, the stocks of Iraq and Libya and Saudi Arabia. I am talking about the material on hand and prospective deliveries insofar as contracts that we know of or future deliveries that we know of, in any form, from the Soviet Union, France, England, et cetera. I would like to know the stocks of any of the confrontation states as well as the states that I have mentioned.

So when you supply the initial information, would you simultaneously provide that?

Secretary KISSINGER. Right.

[Classified information to be provided to the committee.]

Mr. KOCH. Now I want to take you to another area, and that is the Republic of Korea. On every occasion I have been here when we have had a bill involving the Republic of Korea, I have asked the member of the State Department testifying, generally Mr. Habib: Isn't there a point that can be reached where oppression is so great in a country receiving our aid that, notwithstanding our own national security considerations, we will not provide aid to that country?

I am not asking you now to comment on whether we have reached that point with respect to the Republic of Korea, but can you envision such a situation?

Secretary KISSINGER. It is a very difficult question to answer in the abstract, because if you are cutting off assistance to a country, and if that means that this country will then collapse, and if the collapse of that country may mean a reorientation of the policy of a major power like Japan, then you have a very serious problem.

On the other hand, I wouldn't want to say that if a country started building gas chambers that we would be able to support its security. So where you draw the line, that is a question of judgment.

Mr. KOCH. But there is a line that can be drawn. The question is: Who draws it? Is that a fair statement?

Secretary KISSINGER. Yes; but we have to keep in mind that it has to be done with the greatest circumspection.

Mr. KOCH. I agree, and I want to make something clear, as I have to Mr. Habib. I am not one of those who believes that the countries we support have to be in our democratic image, because there may be 25 in the whole world. Then it becomes a question of a balance, our interest and our need to support those countries and the extent of oppression. Isn't that a fair way to look at the situation?

Secretary KISSINGER. That is right; that is what has to be balanced.

Mr. KOCH. Now, has there been an evaluation of the oppression in the Republic of Korea so that you have concluded that that oppression has not reached the point where we must end our aid? Have you made such an evaluation on the subject of oppression?

Secretary KISSINGER. Well, we have made that judgment; yes.

Mr. KOCH. Is it possible for this committee to have that evaluation? I have never been to the Republic of Korea. I have been visited by members of the Republic of Korea's National Assembly who know my points of view and who have urged me to withdraw my opposition to aid to the Republic of Korea. I mentioned to them what I consider to be the repressive actions taken by their government, and they basically agree that repression has taken place, but notwithstanding that, they want to excuse it.

It would be helpful to me in forming my ultimate conclusion on the matter, if I had the reasons that you have used to conclude that the repression—describe it how you will—has not reached that point where we should end our support of the Republic of Korea. Would you do that for me?

Secretary KISSINGER. Yes.

[The Department of State submitted the response too late for printing. Request was made Nov. 18, 1975—hearings sent to page proof close of business Feb. 12, 1976.]

ANTI-CATHOLICISM IN ZAIRE

Mr. KOCH. There have been published reports that the Government of Zaire has engaged in anti-Catholic actions. What is the State Department's position on this matter?

Secretary KISSINGER. There has been conflict, reflected in public utterances, between the Catholic Church and the government about the demarcation between church and state authority. The church schools, which had been government-subsidized, have been nationalized, and religious instruction has been banned from the classroom. Restrictions have also been placed on the public display of pictures other than that of President Mobutu. Christmas and Easter are no longer public holidays.

However, freedom of worship is guaranteed in the constitution and respected in fact. The Catholic Church and others continue to perform their pastoral functions unobstructed, and no churches have been closed.

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

Secretary KISSINGER. I can give you the conclusions and the other material.

INTERNAL SECURITY OF SOUTH KOREA

Mr. PASSMAN. I think I should comment at this point, that you have oppression here. One Member of Congress can't travel 12,000 miles and spend 2 or 3 hours at some jail, you understand, and come back and write a factual report. It is perfectly obvious that you either have strict discipline in South Korea or it goes down the drain; isn't that true?

Secretary KISSINGER. The problem of security for South Korea is more acute than it is for countries that have a less immediate problem.

Mr. PASSMAN. I don't want to overstate the case, but you have rabble-rousers; you have troublemakers; you have individuals in this country that we have to put in jail. They are trying to overthrow our Government; they are trying to assassinate the President. If you don't have some form of discipline in this country, first thing you know it is going to go to the dogs. Let's be realistic about this.

I don't know of anything that has happened in Korea that hasn't happened in this country. If you have people advocating the overthrow of the Government or the assassination of the Secretary of State or the President, you have to arrest them, do you not? And I would hate to see Korea ever interfering with situations in our country.

I have been to South Korea many times and I have tried to find these things that these people talk about and I have trouble finding them. Look at the attempts on the President's life. They assassinated the First Lady. That is serious business over there.

You have to keep these rabble-rousers under control, or it is a sure thing it will go down the drain.

We need to show both sides of it, because troublemakers are in jail in Israel and they are in the United States in jail.

Secretary KISSINGER. I have already stated our conclusion that to cut the assistance to Korea would run an unacceptable danger to our national interest.

Mr. PASSMAN. Is it not true up on parallel 38 many tunnels have been found which are to be used for infiltration?

Secretary KISSINGER. We know of six or seven.

Mr. PASSMAN. It is touch and go, and you either have strict discipline in that country or there will be no South Korea. Is that a fair evaluation?

Secretary KISSINGER. The danger to South Korea is extremely great.

Mr. PASSMAN. Well, that means you either have strict discipline or you wouldn't have the form of government that could control the situation, would you?

Secretary KISSINGER. Well, I don't want to comment about all the particular steps that the South Korea Government may take.

Mr. PASSMAN. Certainly you don't like everything they do, but on the mean average, you have that form of government, or there will be no government.

Secretary KISSINGER. In answer to the question, we believe that the program of assistance to Korea is essential for our national interest.

Mr. PASSMAN. Can it be justified on the basis that you have requested it this year?

Secretary KISSINGER. Absolutely.

Mr. PASSMAN. And the policy in effect has been just about the same since Truman ordered MacArthur in?

Secretary KISSINGER. That is correct.

Mr. PASSMAN. That is a statement of fact.

Secretary KISSINGER. Yes.

Mr. PASSMAN. Six great Presidents and all the great Secretaries of State, generals, and admirals realize, as you do, that you had to maintain this type of discipline or give the whole situation up. Thank you very much, sir.

Secretary KISSINGER. Thank you.

Mr. PASSMAN. The committee stands adjourned.

TUESDAY, NOVEMBER 18, 1975.

MILITARY ASSISTANCE AND FOREIGN MILITARY CREDIT SALES PROGRAMS

WITNESSES

HON. WILLIAM P. CLEMENTS, JR., DEPUTY SECRETARY OF DEFENSE
HON. ROBERT ELLSWORTH, ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY AFFAIRS
LT. GEN. H. M. FISH, U.S. AIR FORCE, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY
BENJAMIN FORMAN, ASSISTANT GENERAL COUNSEL FOR INTERNATIONAL AFFAIRS, DEPARTMENT OF DEFENSE
DOUGLAS J. SMITH, SPECIAL ASSISTANT TO THE ASSISTANT SECRETARY OF DEFENSE (INTERNATIONAL SECURITY AFFAIRS)

MILITARY ASSISTANCE

Program and Financing (in thousands of dollars)

Identification code 04-09-1080-0-1-052	1974 actual	1975 est.	1976 est.
Program by activities:			
Grant aid operations:			
Requirements ordered from U.S. military services (22 U.S.C. 1819):			
1. Aircraft	161,639	70,000	90,400
2. Ships	15,528	8,700	9,000
3. Tanks, other vehicles, and weapons	31,078	19,700	23,600
4. Ammunition	328,951	506,800	411,900
5. Missiles	7,765	5,600	7,200
6. Electronic equipment	16,373	17,800	25,400
7. Other	49,383	41,900	38,000
Subtotal	610,717	670,500	605,500
Other requirements:			
8. Offshore procurement	1,017	2,000	2,000
9. Supply operations	90,174	168,000	160,000
10. Training	25,839	26,500	----------
11. Administration	25,887	29,000	23,800
12. Other activities	34,980	30,000	26,700
Subtotal	177,897	255,500	212,500
) Total obligations	788,614	926,000	818,000
Financing:			
Receipts and reimbursements from:			
1 Federal sources	−69,300	----------	----------
4 Non-Federal sources	−4,143	−5,000	−5,000
7 Recovery of prior year obligations	−16,051	−19,404	−23,000
21.40 Unobligated balance available, start of year (appropriation)	−8,716	−4,596	----------
24.40 Unobligated balance available, end of year (appropriation)	4,596	----------	----------
Budget authority	695,000	897,000	790,000
Budget authority:			
40 Appropriation	450,000	600,000	1,040,000
Amendment to 1975 budget now pending	----------	222,000	----------
40.49 Portion applied to liquidate contract authority	----------	----------	−250,000
41 Transferred to other accounts	−5,000	----------	----------
43 Appropriation (adjusted)	445,000	822,000	790,000
49 Contract authority	250,000	75,000	----------
Relation of obligations to outlays:			
71 Obligations incurred, net	699,120	901,596	790,000
Obligated balance, start of year:			
72.40 Appropriation	782,781	771,938	889,219
72.49 Contract authority	----------	250,000	325,000
Obligated balance, end of year:			
74.40 Appropriation	−771,938	−889,219	−1,011,836
74.49 Contract authority	−250,000	−325,000	−75,000
90 Outlays	459,963	709,315	917,383

Object Classification (in thousands of dollars)

Identification code 04-09-1080-0-1-052		1974 actual	1975 est.	1976 est.
	Grant operations:			
	Requirements ordered from U.S. military services:			
25.0	Other services	10,368	29,900	24,000
26.0	Supplies and materials	358,295	533,300	376,000
31.0	Equipment	242,054	107,300	205,000
	Total grant aid operations	610,717	670,500	605,000
	Obligations for other requirements:			
	Personnel compensation:			
11.1	Permanent positions	11,261	11,891	11,437
11.3	Positions other than permanent	54	49	35
11.5	Other personnel compensation	216	262	242
	Total personnel compensation	11,531	12,202	11,714
	Personnel benefits:			
12.1	Civilian employees	1,201	1,298	1,158
12.2	Military personnel	2	6	4
13.0	Benefits for former personnel	119	510	231
21.0	Travel and transportation of persons	12,145	12,500	12,000
22.0	Transportation of things	62,147	133,000	116,000
23.0	Rent, communications, and utilities	3,100	3,200	2,900
24.0	Printing and reproduction	76	78	75
25.0	Other services	83,915	89,206	65,718
26.0	Supplies and materials	2,456	2,400	2,200
31.0	Equipment	1,205	1,100	1,000
	Total obligations for requirements other than through reservations	177,897	255,500	213,000
99.0	Total obligations	788,614	926,000	818,000
	Obligations are distributed as follows:			
	Secretary of Defense	2,419	2,600	2,800
	Army	517,876	701,000	528,000
	Navy	43,330	38,000	40,000
	Air Force	219,210	178,600	241,600
	State	5,779	5,800	5,600

Personnel Summary

Total number of permanent positions	1,101	1,104	992
Full-time equivalent of other positions	2	2	2
Average paid employment	1,054	1,132	987
Average GS grade	8.50	8.50	8.70
Average GS salary	$16,021	$17,039	$18,135
Average salary, positions authorized by 22 U.S.C. 2151	$35,874	$36,000	$36,000
Average salary of ungraded positions	$4,406	$4,297	$4,140

FOREIGN MILITARY TRAINING

Program and Financing (in thousands of dollars)

Identification code 04-09-1081-0-1-052	1974 actual	1975 est.	1976 est.
Program by activities:			
10 Foreign military training (costs—obligations)	----------	----------	30,000
Financing:			
40 **Budget authority (appropriation)**	----------	----------	30,000
Relation of obligations to outlays:			
71 Obligations incurred, net	----------	----------	30,000
74 Obligated balance, end of year	----------	----------	−13,000
90 Outlays	----------	----------	17,000

Object Classification (in thousands of dollars)

Identification code 04-09-1081-0-1-052	1974 actual	1975 est.	1976 est.
25.0 Other services	----------	----------	13,850
26.0 Supplies and materials	----------	----------	1,105
31.0 Equipment	----------	----------	15,045
99.0 Total obligations	----------	----------	30,000

FOREIGN MILITARY CREDIT SALES

Program and Financing (in thousands of dollars)

Identification code 04-09-1082-0-1-052	1974 actual	1975 est.	1976 est.
Program by activities:			
Credits and guaranties:			
1. Long-term credit agreements	713,276	872,500	1,021,500
Portion financed privately	−517,701	−519,444	−512,800
Portion financed directly	195,575	353,056	508,700
2. Guaranty of private financing	129,425	51,944	51,300
10 Total obligations (object class 33.0)	325,000	405,000	560,000
Financing:			
40 **Budget authority (appropriation)**	**325,000**	**405,000**	**560,000**
Relation of obligations to outlays:			
71 Obligations incurred, net	325,000	405,000	560,000
72 Obligated balance, start of year	656,625	561,931	551,931
74 Obligated balance, end of year	−561,931	−551,931	−593,931
77 Adjustments in expired accounts	−13,686	−15,000	−18,000
90 Outlays	406,008	400,000	500,000

CLERK'S NOTE.—Amounts do not include budget amendments submitted in H. Doc. 94-292 and H. Doc. 94- .

66-317 O - 76 - 6

Mr. PASSMAN. The committee will be in order.

We shall continue our examination this afternoon on the budget request for foreign aid and assistance for fiscal year 1976 and the transition period. Today we will consider the requests for military assistance and military credit sales.

I have heard some criticism about the lateness of our distinguished Secretary of State last Friday. Let me say for the record, the Secretary of State had to cancel three prior appointments to be able to appear before the committee. He notified me well in advance that he would be 30 minutes late. So it is the humble chairman's fault that I didn't announce to the committee that Secretary Kissinger had forewarned us that he would be 30 minutes late and he did cancel three other meetings to be here.

GENERAL STATEMENT

Mr. PASSMAN. We will be very happy to have the Secretary's statement read into the record at this point and we will ask questions subsequently.

Mr. CLEMENTS. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you to discuss the security assistance program.

The President in his recent message spoke of the U.S. responsibility to take the lead in creating conditions in the world which will insure justice, international cooperation and enduring peace. The Secretary of State has presented to the committee the foreign policy considerations upon which this year's security assistance request is based. We fully support his views. Our purpose here today is to outline the defense considerations in formulating that program. Both in terms of its contribution to defense strategy and defense programs we strongly urge your support for the security assistance program.

Twenty-six years ago, Congress, in the Mutual Defense Assistance Act stated its intention to promote peace and the foreign policy, security, and general welfare of the United States by fostering an improved climate of political independence and individual liberty, and by facilitating arrangements for collective security, thus creating an environment of security and stability among friends and allies. Successive Congresses have reaffirmed that policy and we believe the program, in its present greatly altered form, warrants your continued support as well.

The principal purpose of security assistance—both the grant aid and the military sales programs—is to strengthen deterrence and promote peaceful resolution of international issues by helping our friends and allies to maintain adequate defense forces of their own. We believe that hostilities can often be avoided altogether; and when they cannot we should attempt to insure that our friends and allies have the capacity to defend themselves. If we achieve regional stability in crucial areas of the world without the need for direct intervention by American forces then our security assistance efforts have been rewarded.

Since its initiation in the early years following World War II, security assistance has served as a particulary effective instrument of U.S. foreign and defense policy. For much of that period, security assistance meant primarily grant materiel assistance under the military assistance program, or MAP. In that earlier period, the United States possessed a virtual monopoly on the supply of modern arms—excluding Com-

munist sources—and where our allies could not equip their forces adequately on any other basis than through outright gifts, the United States provided the necessary materiel as grant aid.

The results of our efforts have proved notably successful. In combination with our massive economic assistance to Western Europe, in the late 1940's and early 1950's, our military assistance laid the foundations for a strong NATO alliance and enabled it to serve as a most effective instrument for deterring Soviet expansionism in central Europe.

In a somewhat later period, our military assistance to South Korea, once again in combination with extensive economic aid and a strong U.S. defense commitment, served to build the Republic of Korea's armed forces into a capable fighting force which the North Koreans have not challenged. As a result, stability has been successfully maintained on the Korean peninsula, sustaining the four-power balance among the U.S.S.R., the PRC, the United States, and Japan which is essential to our overall security goals in Northeast Asia.

In recent years, our allies have made notable economic progress. Most of them have for some years been able to meet all or virtually all of their needs with their own resources or credits. Nevertheless, grant assistance, at greatly reduced levels and for a few countries, remains an essential element of our security assistance program.

This year the President has requested $394.5 million in new obligational authority for the military assistance program. Adding to this $28.3 million in recoupment funds and $323.9 million in payback under section 506 contract authority, we are asking for $718.4 million in fiscal year 1976 funding.

With the grant aid program steadily diminishing, it is vital that we maintain a strong security assistance sales program. These sales give us a means of continuing to support traditional friends and allies who can now afford to pay, in whole or in part, for their security requirements. These security assistance programs help us maintain important political and military relationships in key areas of the world and provide an effective means of strengthening and stabilizing regional military balances. In the Middle East, for instance, they provide a means for the United States to help shore up the security posture of two critical Persian Gulf states against regional and extraregional threats to their stability. Moreover, with the increased military capabilities of our friends, there is a reduced likelihood of U.S. military involvement in crisis situations.

We are proposing a $2.375 million fiscal year 1976 credit program which would require $1.065 million in new obligational authority for both direct DOD credit and to guarantee private financing.

These programs also have very useful side benefits for U.S. defense programs. They help to provide lower unit costs for the items provided to the U.S. Armed Forces, as well as standardization of equipment, doctrine, and training with our allies. Maintenance of the U.S. production and technological base for many defense articles is made possible and a broader logistics support base is achieved through these programs. Security assistance achieves closer U.S. and foreign military relations and cooperation; joint use of facilities is made easier; and our ability to maintain U.S. base and overflight rights with several key countries is enhanced.

An obvious advantage of the shift from grant aid to credit and cash sales, which should be emphasized, is that under this program the necessary defense articles and services are made available to our friends without cost to the U.S. taxpayer. Except in a few cases where concessionary credit rates have been granted, the net cost of the program to the American public is zero. In all cases, principal and interest are paid into the U.S. Treasury. The repayment record of purchasing countries has been truly remarkable. No nation has ever defaulted in its obligation under the credit program to repay any portion of these loans, and the record on timely payment of installments has been outstanding.

The increase in these worldwide sales has in the past year received a great deal of publicity, some of which has been misleading. Invariably all of these sales are characterized as "arms transfers," when in fact considerably less than half of the total sales figures represent weapons placed in the hands of troops. A large portion of the sales involves basic and technical training, installation of communication systems, improvement of naval and airport facilities, and the providing of transportation, support equipment, and spare parts.

A second point which is often misunderstood is that the total sales figures generally quoted refer to orders placed during the fiscal year rather than actual deliveries of equipment or services. In many cases long leadtimes for manufacture and delivery will mean that the equipment will not be delivered or the facilities completed for several years. Thus, last year, deliveries were worth $3.4 billion, whereas orders totaled $9.5 billion.

A question which has frequently been asked is to what extent have our military capabilities and our force readiness suffered as a result of increased sales of major U.S. weapons systems.

As a result of the October 1973 war in the Middle East, we selected some items of equipment primarily from U.S. Reserve Forces' inventories and from pre-positioned NATO war reserve stocks in Europe and provided them to Israel under Foreign Military Sales Agreements on an emergency basis to maintain an arms balance in the Middle East. As a result there was some adverse impact on our short-term ability to deploy reinforcements to Europe. Also Reserve modernization has been delayed somewhat as a result of the transfer of armored combat vehicles, air-to-ground, antitank and air-to-air missiles, and fighter aircraft, but eventually improved modernization will result as the older equipment diverted to allies is replaced with more modern items. In addition, these requirements have focused attention on the need to augment parts of our own production base for supplying the U.S. forces.

It should be emphasized that meeting foreign requirements from assets in the hand of U.S. units, or being produced to equip those units, is not our normal way of executing sales. Equipment is diverted from U.S. requirements only when such action is determined to be in the best interests of the United States in coping with an unusual situation. Most sales are from production arranged specifically for the foreign buyer, and this production helps rather than hurts the equipping of U.S. forces.

With regard to such emergency transfers from defense stocks, a matter of particular concern to the Department of Defense is section

514 of the Foreign Assistance Act. Enacted in December 1974, it forbids the obligation of DOD funds to procure, store, or maintain any war reserve materiel if they are "set aside, reserved, or in any way earmarked or intended for future use for any foreign country." Such funds must be charged to the Foreign Assistance Authorization.

Section 514 has broader, more adverse impacts than are generally recognized. It seriously limits our ability to design a support posture that could support Israel, the Republic of Korea, or our NATO allies in the future without degrading U.S. support capability. It also forecloses what is coming to seem an attractive possibility: enhancing the standardization of hardware in use by the NATO allies through agreements whereby the United States would offer to stockpile war reserves of certain items for the European allies in return for their agreement to pick up certain other parts of the total NATO defense and support burden.

The Department of Defense has proposed an amendment that would permit us to include possible allied war reserve requirements in our own planning, and to fund the procurement, storage, and maintenance of such war reserves in the DOD budget. We solicit your support for this proposed amendment which we believe meets the desires of Congress by guaranteeing congressional control over the actual transfer of any such materiel to any foreign country.

The President has recommended to the Congress the establishment of a separate foreign military training program for fiscal year 1976 and subsequent fiscal years. The establishment of a separate program will more clearly identify its costs, objectives, and impact as an instrument of national security and foreign policy while at the same time developing a means of maintaining an identification with the U.S. military forces and of strengthening the military potential of our friends.

The supervision of the grant materiel aid, foreign military sales, and foreign military training program is the mission of the military assistance advisory groups. The DOD personnel in the MAAG's identify requirements, evaluate requests, insure effective utilization of military materiel and training, and provide the necessary supervision of end-item use to protect against improper third-country transfers. As the Department of Defense representatives in the host country, they provide the U.S. Chiefs of Mission with military advice, maintain professional contact with foreign military personnel, and insure that these programs are in furtherance of our national policy from a military point of view.

The strengths of these MAAG's have been reduced every year over the past 15 years, from 7,192 in 1960 to 1,622 for 1976. The host countries, depending on their ability to do so, provide facilities and material to reduce our costs in maintaining the MAAG's. Negotiations have been completed with Iran to pay most MAAG costs. Similar negotiations are being conducted with Saudi Arabia. It would be inappropriate for the host country to pay all MAAG costs because the MAAG's are deployed to serve the U.S. interests which I have cited, as well as to assist the host country.

In summary, the security assistance program has numerous advantages. It supports several of our most important security objectives, strengthening friends and allies so that they can contribute to

stable regional balances, thereby minimizing the possibility of direct U.S. military involvement and eventual Great Power confrontation. It enhances our ability to maintain facilities and base rights in key areas of the world. It also strengthens the economies and the defensive production base of the friends and allies with whom we have coproduction agreements. It assists in standardization of equipment among U.S. and allied forces. It strengthens our own production and mobilization base, providing employment and keeping some production lines open. Foreign orders result in lowered unit proceurement costs for the U.S. Armed Forces. Finally, revenues earned from military exports strengthen the U.S. International Balance of Payments.

The security assistance program is inseparable from the U.S. defense program. While the levels of resources devoted to the program have greatly diminished and the shift to credits and sales has altered its character somewhat, it remains an invaluable instrument of defense and foreign policy worthy of continued congressional support. I therefore strongly urge your favorable consideration of the President's proposals for fiscal year 1976.

BIOGRAPHIES AND JUSTIFICATIONS

Mr. PASSMAN. We will insert Mr. Clements' and Mr. Ellsworth's biographies in the record at this point along with certain justifications.

[The material follows:]

WILLIAM P. CLEMENTS, Jr.

(DEPUTY SECRETARY OF DEFENSE)

William P. Clements, Jr., was nominated by President Nixon to be Deputy Secretary of Defense on January 4, 1973, and was confirmed by the U. S. Senate on January 23, 1973.

Deputy Secretary Clements previously was Chairman of the Board of SEDCO, Inc., a company whose major activity is oil well drilling.

Mr. Clements was born in Dallas, Texas, on April 13, 1917, and received his education in Dallas public schools and at Southern Methodist University.

Mr. Clements was a member of the Department of Defense Blue Ribbon Panel in 1969-70. He also has been active in numerous civic and educational activities in Dallas and the Southwest.

He was chairman of the Board of Governors of Southern Methodist University from 1965 until 1973. He has been a trustee of the Southwestern Medical School of the University of Texas, a trustee of the Texas Research Foundation, and has been a member of the Advisory Council on the Southwest Center for Advanced Studies.

Mr. Clements has served as president of the five-state South Central Region of the Boy Scouts of America and is a member of the National Executive Board.

The Deputy Secretary previously had been a member of the National Petroleum Council, and president of the International Association of Drilling Contractors.

He is married to Rita Crocker of Brady, Texas, whose family background is ranching.

ROBERT ELLSWORTH

Assistant Secretary of Defense for International Security Affairs

Robert Ellsworth of Katonah, New York, was nominated by President Richard M. Nixon to be Assistant Secretary of Defense for International Security Affairs on May 6, 1974, confirmed by the Senate on May 31, 1974, and sworn into office on June 6, 1974.

Mr. Ellsworth was born in Lawrence, Kansas, on June 11, 1926. He received his BSME (Bachelor of Science in Mechanical Engineering) in 1945 at the University of Kansas and his JD (Juris Doctor) in 1949 from the University of Michigan. He was admitted to practice law in the Supreme Court of the United States and the highest courts of Kansas, Massachusetts, and the District of Columbia.

He served in the United States Navy during World War II (1944-1946) and the Korean conflict (1950-1953) with the rank of Lieutenant Commander.

Mr. Ellsworth is former United States Ambassador to NATO (1969-1971); Assistant to the President, The White House (1969); and Member of Congress from Kansas (1961-1967).

He is presently a member of the International Institute for Strategic Studies London; and the Council on Foreign Relations, New York.

Mr. Ellsworth is married to the former Vivian Sies. They have one son, Robert William, and one daughter, Ann Elizabeth.

SECURITY ASSISTANCE PROGRAM

As President Ford has observed, we live in an interdependent world, one in which past distinctions between domestic and international policies, development and security objectives, and social and political problems are no longer valid. We also live in a world where the United States continues to play an important role in shaping forces and influencing events. This role, in the wake of our painful recent experience in Indochina, can be passive or it can be positive; it can be uncertain or it can be guided by resiliency of spirit and firmness of purpose. The decision is ours to make; it is a choice that will have far-reaching consequences precisely because we do live in an interdependent world, and because its problems and realities cannot be ignored.

Nothing so clearly and concretely demonstrates our capacity to find alternatives to war than the recent agreement on the Sinai. This agreement marks the continuation of a process of compromise in the Middle East, based not on the exhaustions of conflict but on shared interest in finding the pathway to lasting peace. For our part, through the security assistance program presented for fiscal year 1976, we are demonstrating our commitment to Israel's survival and security, while establishing the foundations for stability and a durable peace in the region. At the same time, with our proposed programs of supporting assistance to Egypt, Jordan and Syria, the United States is making clear its support for the economic well-being of these countries, and our desire to assist in their growth and development.

Security assistance remains an important instrument of our foreign policy for several reasons. While we are no longer directly engaged in war, we know that peace cannot be taken for granted. We know also that restraint and moderation in international affairs can only be assured if nations have the means and the will to defend themselves. Finally, many nations continue to look to us for the resources, goods, services, and know-how they deem essential for the protection of both their sovereign rights and their territorial integrity. They expect from this country steadfastness of policy and constancy of purpose in terms of their ongoing ties with the United States. The security assistance program is a symbol of this relationship.

The President has recommended a revision of Section 514 of the Foreign Assistance Act in order to provide more flexibility and more efficiency in planning to provide war reserve materiel for friendly and allied nations. The full support of the Congress on this revision is sought.

The Congress may also wish to consider at this time a basic change that has been proposed by the President with respect to military education and training. He has recommended the establishment of a separate Foreign Military Training Program for FY 1976 and subsequent fiscal years. This change has been made in recognition of the unique and lasting benefits which accrue to the United States from the training of foreign military personnel, and the need to ensure their continuing accrual as an independent and highly productive form of security assistance. The establishment of a separate program will also more clearly identify its cost, objectives, and impact as an instrument of national security and foreign policy. Funds required to support the program will no longer be included in the Military Assistance Program (MAP) budget estimate but are requested separately under the authority of the proposed new Chapter 7 of the Foreign Assistance Act. Accordingly, the proposed change is reflected throughout this document; and each individual country presentation includes a separate table setting forth Foreign Military Training Program data. In compliance with an expressed Committee wish, all proposed training is tentatively allocated on an individual country basis.

Another change has been made in compliance with the expressed desire of the cognizant Committees of the Congress that MAP supply operations be broken out on a country-by-country basis. Whereas in last year's Congressional Presentation Document (CPD), supply operations for fiscal years 1974 and 1975 were shown as part of General Costs rather than individual country programs, in this year's CPD, most of these costs have been incorporated in the country programs. However, logistics management expenses which were formerly included with packing, crating, handling and transportation (PCH&T) in the supply operations category are now shown as a separate item under General Costs. When supply operations were previously allocated to individual country programs, the allocation was made on a pro rata basis. In the interest of greater accuracy, it is planned to begin in FY 1976 recording PCH&T costs as they occur so that individual country programs will include actual amounts expended for deliveries made to each country during each fiscal year. Logistics management expenses, like other administrative costs, do not lend themselves to similar recording and cannot be allocated to individual country programs on an actual basis. Therefore, as stated above, these expenses are no longer handled as part of country supply operations, but are set forth as a separate item under General Costs.

SECURITY ASSISTANCE FUNDING

FOREIGN MILITARY SALES CREDIT PROGRAM

(DOLLARS IN MILLIONS)

	FY 1974* as of 6/30/75	FY 1975 as Requested of Congress	FY 1975 as of 6/30/75	Proposed FY 1976	Proposed FY 197T
FMS Credit Program	~~1,395.9~~ 2,895.9	872.5	750.3	2,374.7	55.5
Non-Reimbursable Financing	(1,500.0)	-	(100.0)	(750.0)	-
U.S. Share of UN Emergency Force - Middle East	17.3	-	-	-	-
Privately Financed Credits	-517.7	-352.8	-616.2	-1,455.2	-28.3
DOD Financed Credits	878.2	519.7	134.1	169.5	27.2
Guaranty of Private Financing	129.5	35.3	61.6	145.5	2.8
Unobligated	-	-	4.3	-	-
Appropriation (NOA)	2,525.0	555.0	300.0	1,065.0	30.0

*Includes Emergency Security Assistance for Israel.

MILITARY ASSISTANCE PROGRAM

(DOLLARS IN MILLIONS)

	FY 1974 as of 6/30/75	FY 1975 as Requested of Congress	FY 1975 as of 6/30/75	Proposed FY 1976	Proposed FY 197T
Military Assistance Program	784.9	1,024.0	584.1	422.8	32.2
Reappropriations	-8.7	-5.0	-4.6	-2.3	-
Recoupments	-12.8	-29.0	-26.7	-19.0	-4.0
Reimbursements	-4.1	-5.0	-6.9	-7.0	-1.0
Transfers from DOD	-69.3	-	-	-	-
Section 506 Contract Authority	-249.6	-	-74.3	-	-
Liquidation of Section 506 Contract Authority	-	-	-	323.9	-
Unobligated	4.6	-	3.4	-	-
Appropriation (NOA)	445.0*	985.0	475.0	718.4	27.2

*Represents adjusted appropriation after transfer of $5.0 million to AID.

FOREIGN MILITARY TRAINING PROGRAM

(DOLLARS IN MILLIONS)

	FY 1974* as of 6/30/75	FY 1975* as Requested of Congress	FY 1975* as of 6/30/75	Proposed FY 1976	Proposed FY 197T
Foreign Military Training Program	-	-	-	30.0	7.0
Appropriation (NOA)	-	-	-	30.0	7.0

*Included in Military Assistance Program in FY 1974 and FY 1975.

FOREIGN MILITARY SALES CREDIT PROGRAM

(DOLLARS IN THOUSANDS)

Country	Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T
EAST ASIA AND PACIFIC:				
China (Taiwan)	60,000	80,000	80,000	8,000
Indonesia	3,500	5,000	23,100	-
Korea	56,683	59,000	126,000	1,500
Malaysia	18,750	4,700	15,000	-
Philippines	8,600	14,000	17,400	-
Thailand	-	8,000	36,700	-
Regional Total	147,533	170,700	298,200	9,500
NEAR EAST AND SOUTH ASIA:				
Israel	2,482,664a/	300,000b/	1,500,000c/	-
Jordan	-	30,000	75,000	-
Lebanon	-	-	5,000	-
Morocco	3,000	14,000	30,000	-
Tunisia	2,500	5,000	15,000	-
Regional Total	2,488,164	349,000	1,625,000	-
EUROPE:				
Greece	52,500	86,000	110,000	46,000
Turkey	75,000	75,000	130,000	-
Regional Total	127,500	161,000	240,000	46,000
AFRICA:				
Ethiopia	11,000	25,000	10,000	-

Country	Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T
AFRICA (Contd):				
Kenya	-	5,000	2,000	-
Liberia	-	1,800	500	-
Zaire	3,500	3,500	19,000	-
Regional Total	14,500	35,300	31,500	-
LATIN AMERICA:				
Argentina	22,500	30,000	34,000	-
Bolivia	4,000	4,000	6,000	-
Brazil	51,743	60,000	60,000	-
Chile	15,000	-	-	-
Colombia	-	-	16,000	-
Dominican Republic	-	500	1,000	-
Ecuador	-	-	10,000	-
El Salvador	500	3,000	2,500	-
Guatemala	-	2,300	1,500	-
Honduras	-	3,000	2,500	-
Mexico	-	-	5,000	-
Nicaragua	-	3,000	2,500	-
Paraguay	-	500	500	-
Peru	15,000	20,500	20,000	-
Uruguay	2,000	7,500	2,500	-
Venezuela	7,500	-	16,000	-
Regional Total	118,243	134,300	180,000	-
WORLDWIDE TOTAL (TOA)	2,895,940	850,300	2,374,700	55,500

a/ Includes $1.5 billion of non-reimbursable financing pursuant to the Emergency Security Assistance Act of 1973 (P.L. 93-199).
b/ Includes $100 million of non-reimbursable financing pursuant to Section 31(b) of the Foreign Military Sales Act, as amended by the Foreign Assistance Act of 1974 (P.L. 93-559, dated December 30, 1974).
c/ $750 million to be non-reimbursable financing.

MILITARY ASSISTANCE PROGRAM

(DOLLARS IN THOUSANDS)

Country	Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T
EAST ASIA AND PACIFIC:				
China (Taiwan)	32,753	2,712	900	100
Indonesia	14,010	15,850	19,400	400
Khmer Republic	414,315	254,525	-	-
Korea	94,017	82,600	74,000	1,400
Laos	-	20,704	-	-
Malaysia	180	283	-	-
Philippines	15,710	21,010	19,600	600
Thailand	32,498	30,126	28,300	1,000
Regional Costs	219	364	-	-
Regional Total	603,702	428,174	142,200	3,500
NEAR EAST AND SOUTH ASIA:				
Afghanistan	150	212	-	-
India	215	54	-	-
Iran	2	-	-	-
Jordan	40,704	69,852	100,000	-
Lebanon	171	131	-	-
Morocco	627	852	-	-
Nepal	25	32	-	-
Pakistan	230	277	-	-
Saudi Arabia	173	38	-	-
Sri Lanka	12	-	-	-
Tunisia	1,831	2,200	200	15
Yemen	-	-	1,500	-
Regional Costs	53	52	-	-
Regional Total	44,193	73,700	101,700	15
EUROPE:				
Austria	25	9	-	-
Finland	15	15	-	-
Greece	-	-	50,000	2,500
Portugal	778	447	300	15
Spain	2,859	2,609	200a/	35a/
Turkey	78,093	16,253	75,000	2,200
Regional Costs	14	23	-	-
Regional Total	81,784	19,356	125,500	4,750

Country	Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T
AFRICA:				
Ethiopia	12,401	12,514	11,700	335
Ghana	45	70	-	-
Kenya	-	32	-	-
Liberia	112	89	-	-
Senegal	7	35	-	-
Zaire	378	299	-	-
Regional Costs	45	43	-	-
Regional Total	12,988	13,082	11,700	335
LATIN AMERICA:				
Argentina	499	100	-	-
Bolivia	3,136	3,137	2,200	80
Brazil	936	901	-	-
Chile	1,030	656	-	-
Colombia	556	737	-	-
Dominican Republic	818	1,067	200	15
Ecuador	1	400	-	-
El Salvador	564	1,161	300	13
Guatemala	887	645	200	9
Haiti	-	28	-	-
Honduras	667	1,210	300	10
Mexico	30	109	-	-
Nicaragua	945	1,081	200	15
Panama	436	571	200	8
Paraguay	1,090	1,026	400	20
Peru	967	852	-	-
Uruguay	1,018	1,486	600	30
Venezuela	900	731	-	-
Regional Costs	344	350	-	-
Regional Total	14,824	16,248	4,600	200
General Costs and MAPSAD	27,411	33,558	37,100	23,400
WORLDWIDE TOTAL	784,902	584,118	422,800	32,200

a/ The amounts for Spain reflect requirements for continuation of prior years' programs. Separate request to be submitted subsequently to reflect results of negotiations.

FOREIGN MILITARY TRAINING PROGRAM

(DOLLARS IN THOUSANDS)

Country	Actual FY 1974 1/	Actual FY 1975 1/	Proposed FY 1976	Proposed FY 197T
EAST ASIA AND PACIFIC:				
China (Taiwan)	392	412	500	100
Indonesia	1,663	2,784	2,000	700
Khmer Republic	5,318	3,220	-	-
Korea	1,521	1,407	2,700	500
Laos	-	1,321	-	-
Malaysia	180	283	300	100
Philippines	558	471	750	200
Thailand	1,502	1,801	1,750	500
Regional Costs	219	364	-	-
Regional Total	11,353	12,063	8,000	2,100
NEAR EAST AND SOUTH ASIA:				
Afghanistan	150	212	200	50
India	187	54	200	30
Jordan	628	1,011	800	-
Lebanon	139	131	200	-
Morocco	627	852	800	200
Nepal	25	32	35	10
Pakistan	230	277	350	80
Saudi Arabia	173	38	-	-
Sri Lanka	-	-	15	5
Tunisia	331	391	400	125
Yemen	-	-	500	-
Regional Costs	53	52	-	-
Regional Total	2,543	3,050	3,500	500
EUROPE:				
Austria	25	9	25	10
Finland	15	15	25	10
Greece	-	-	800	-
Portugal	272	337	1,025	180
Spain	335	1,599	725	-
Turkey	3,086	541	1,800	500
Regional Costs	14	23	-	-
Regional Total	3,747	2,524	4,400	700

Country	Actual FY 1974 1/	Actual FY 1975 1/	Proposed FY 1976	Proposed FY 197T
AFRICA:				
Ethiopia	832	776	900	300
Ghana	45	70	100	20
Kenya	-	32	965	135
Liberia	99	89	100	45
Senegal	7	35	35	10
Zaire	378	299	400	190
Regional Costs	45	43	-	-
Regional Total	1,406	1,344	2,500	700
LATIN AMERICA:				
Argentina	496	100	920	170
Bolivia	463	667	720	130
Brazil	693	901	1,120	240
Chile	1,030	656	-	-
Colombia	547	737	750	200
Dominican Republic	491	516	670	130
Ecuador	-	400	970	100
El Salvador	446	505	840	150
Guatemala	504	414	430	100
Haiti	-	28	200	25
Honduras	515	849	840	150
Mexico	30	109	100	30
Nicaragua	435	661	840	170
Panama	261	330	380	190
Paraguay	191	313	410	190
Peru	958	852	940	375
Uruguay	306	401	520	160
Venezuela	900	731	750	390
Regional Costs	344	350	-	-
Regional Total	8,610	9,520	11,400	2,900
General Costs	871	204	200	100
WORLDWIDE TOTAL	28,530	28,705	30,000	7,000

1/ Training included in MAP total. Shown here for purposes of comparability.

EXCESS DEFENSE ARTICLES AT ACQUISITION VALUE - FY 1976

(DOLLARS IN THOUSANDS)

Country	Total	United States	Overseas
EAST ASIA AND PACIFIC:			
Indonesia	13,000	1,000	12,000
Korea	27,000	2,000	25,000
Philippines	19,500	1,500	18,000
Thailand	65,000	-	65,000
Regional Total	124,500	4,500	120,000
NEAR EAST AND SOUTH ASIA:			
Jordan	12,000	2,000	10,000
Regional Total	12,000	2,000	10,000
EUROPE:			
Greece	44,000	4,000	40,000
Portugal	1,500	-	1,500
Turkey	45,000	4,000	41,000
Regional Total	90,500	8,000	82,500

Country	Total	United States	Overseas
AFRICA:			
Ethiopia	15,500	500	15,000
Regional Total	15,500	500	15,000
LATIN AMERICA:			
Bolivia	3,500	500	3,000
Dominican Republic	1,500	-	1,500
El Salvador	3,200	200	3,000
Guatemala	1,500	-	1,500
Honduras	3,200	200	3,000
Nicaragua	3,100	100	3,000
Panama	1,500	-	1,500
Paraguay	7,500	-	7,500
Uruguay	13,700	200	13,500
Regional Total	38,700	1,200	37,500
WORLDWIDE TOTAL	281,200	16,200	265,000

EXCESS DEFENSE ARTICLES AT ACQUISITION VALUE - FY 1975

(DOLLARS IN THOUSANDS)

Country	Total	United States	Overseas
EAST ASIA AND PACIFIC:			
Indonesia	128	-	128
Khmer Republic	1,479	160	1,319
Korea	3,120	-	3,120
Laos	208	120	88
Philippines	1,332	30	1,302
Thailand	4,400	333	4,067
Vietnam	4,067	4,067	-
Regional Total	14,734	4,710	10,024
NEAR EAST AND SOUTH ASIA:			
Jordan	4,706	-	4,706
Regional Total	4,706	-	4,706
EUROPE:			
Turkey	7,706	-	7,706
Regional Total	7,706	-	7,706
AFRICA:			
Ethiopia	130	35	95
Regional Total	130	35	95
LATIN AMERICA:			
Bolivia	254	66	188
El Salvador	1,266	8	1,258
Nicaragua	157	157	-
Paraguay	91	-	91
Uruguay	180	16	164
Regional Total	1,948	247	1,701
WORLDWIDE TOTAL	29,225	4,993	24,232

NOTE: Totals may not add due to rounding.

EXCESS DEFENSE ARTICLES AT ACQUISITION VALUE - FY 1974

(DOLLARS IN THOUSANDS)

Country	Total	United States	Overseas
EAST ASIA AND PACIFIC:			
Indonesia	2,159	967	1,192
Khmer Republic	7,405	1,056	6,349
Korea	17,694	1,083	16,611
Laos	71	71	-
Philippines	2,371	1,252	1,119
Thailand	4,741	2,492	2,249
Vietnam	4,382	4,382	-
Regional Total	38,823	11,303	27,520
NEAR EAST AND SOUTH ASIA:			
Jordan	5,157	2,114	3,043
Tunisia	13	13	-
Regional Total	5,170	2,127	3,043
EUROPE:			
Portugal	7	7	-
Spain	32	32	-
Turkey	38,366	21,511	16,855
Regional Total	38,405	21,550	16,855

Country	Total	United States	Overseas
AFRICA:			
Ethiopia	801	266	535
Regional Total	801	266	535
LATIN AMERICA:			
Bolivia	837	382	455
El Salvador	203	154	49
Guatemala	1,489	699	790
Honduras	9	9	-
Nicaragua	1,137	356	781
Panama	468	1	467
Paraguay	1,331	704	627
Uruguay	2,361	1,084	1,277
Regional Total	7,835	3,389	4,446
WORLDWIDE TOTAL	91,032	38,633	52,399

NOTE: Totals may not add due to rounding.

68-317 O - 76 - 7

MILITARY ASSISTANCE PROGRAM
GENERAL COSTS
(DOLLARS IN THOUSANDS)

	Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T
Administrative Expenses	25,943	28,543	25,038	20,740
Inspector General, Foreign Assistance	175	175	668	160
Supply Operations	422	2,686	11,394	2,500
Storage & Maintenance of MAP Materiel	422	2,686	1,200	200
Logistics Management Expenses	(10,845)a/	(11,579)a/	10,194	2,300
Other Training Costs	871	204	- b/	- b/
Total	27,411	31,608	37,100	23,400

a/ Non-additive. Logistics Management Expenses for FY 1974 and FY 1975 which were originally programmed in General Costs were subsequently prorated into individual country programs.
b/ Comparable costs are now included in the Foreign Military Training Program.

Administrative Expenses - Funds cover the cost of administration of the Military Assistance Program, including program planning and development and management at the seat of government, at major field command headquarters and at the MAAG level. (This item includes reimbursement to the State Department for administrative support of MAAG personnel, including local hire, maintenance of vehicles, transportation and rents.)

Inspector General, Foreign Assistance - These funds reimburse the State Department for the Department of Defense share of this office.

Storage and Maintenance of MAP Materiel - Due to unforeseen circumstances such as a decision to halt deliveries to a particular country, MAP-owned materiel must occasionally be held for brief periods of time pending final disposition. The cost of storing and maintaining such materiel in a ready-to-issue condition cannot, under these circumstances, properly be charged to an individual country program.

Logistics Management Expenses - These funds cover costs associated with actual implementation of the Military Assistance Program such as inspection, supervision, records control, editing, requisition control, ADP and related services.

Other Training Costs - These funds provide for training costs of a broad nature which cannot be determined on a country or regional basis. They include publication of training material and limited official representation expenses. Effective as of the beginning of FY 1976, such costs are included in the Foreign Military Training Program.

MAAG ADMINISTRATION

Military Assistance Advisory Groups, Military Missions and Military Groups in foreign countries, commonly referred to as MAAG's, are key elements in the system through which military assistance and Foreign Military Sales requirements are identified and the resulting grant aid programs and sales arrangements are developed and implemented in a manner ensuring their maximum contribution to U.S. security objectives. These organizations are not only responsible for efficient planning, administration and management of Military Assistance Program (MAP) and Foreign Military Sales (FMS) programs, but also perform other functions of equal importance to U.S. interests by:

- Providing knowledgeable Department of Defense representation in country to advise and assist the host country prior to and during major sales and delivery transactions involving a wide variety of complex military equipment produced by U.S. manufacturers.

- Advising and assisting the host country in the development of military self-reliance and a realistic force level which meets the country's security needs, is within its capability to maintain, and is also consistent with U.S. collective security interests.

- Establishing and maintaining rapport with the military of the host country to provide channels of communication, dialogue and influence which are valuable to the U.S. Government for diplomatic and commercial, as well as military, reasons.

- Monitoring the movement and delivery of MAP end items and continuous observation and review of their use by recipient countries to ensure proper utilization and disposal--a residual function which continues after termination of grant aid programs.

The Department of Defense is dedicated to the principle that the basic purposes and missions of the MAAG's are consistent with the national interest in maintaining a minimum military presence in selected foreign countries. Thus, the need for MAAG's, their size and the skills of personnel assigned are kept under constant review within the Department of Defense. As the situation in a particular foreign country changes, all of these elements of the MAAG's structure are adjusted so that the objectives of minimum presence and maximum efficiency are kept in balance.

During the period from 1961 to 1971, the total strength of MAAG's worldwide was reduced over 75%. An additional 15% reduction from the 1971 base was made in 1972, and further reductions have occured during 1974 and 1975. In countries where circumstances permitted, MAAG functions were consolidated with other U.S. agencies in country to achieve additional savings in personnel and costs. This process of constant surveillance and new initiatives to achieve greater efficiency at the lowest possible personnel level will continue.

Funds for administering the Military Assistance Program are derived primarily from two sources. They are:

- Military Assistance Appropriation - The Military Assistance Appropriation pays (1) pay and allowance of U.S. civilian and local indigenous personnel; (2) change of station travel for U.S. civilian personnel and dependents; (3) temporary duty travel for both civilian and military personnel; (4) rents, communications, and utilities at the MAAG level; (5) printing and reproduction; (6) supplies and materials; (7) vehicles and other equipment required in performance of duties; (8) other contractual services; (9) 50% of MAAG aircraft support costs; and (10) reimbursement to State Department for those materials and services provided by the U.S. Embassies on a common service basis.

- Military Department Appropriations - Military Department Appropriations pay those costs for military personnel which would be incurred under any circumstances and are not peculiar to military assistance activities. These costs include (1) pay and allowances; (2) travel expenses incident to change of station; (3) operation of welfare and recreational facilities; and (4) medical care. In addition, these appropriations pay 50% of MAAG aircraft support costs and the cost of dependent schooling for both civilian and military personnel. The administrative expenses associated with the Military Groups in Latin America are also provided from Military Department Appropriations.

It should be noted that, beginning 1 July 1976 (FY 7T), the Military Assistance Appropriation will assume funding responsibility for MAAG administartion costs previously financed from Military Department Appropriations (Authority: Foreign Assistance Act of 1974).

Authorized Personnel Strengths in MAAG , Mission and Equivalent Organizations

MAAG, Missions and Equivalent Organizations	Actual FY 1974			Actual FY 1975			Proposed FY 1976			Proposed FY 197T		
	Mil	Civ	Local	Mil	Civ	Local	Mil	Civ	Local	Mil	Civ	Local
EAST ASIA AND PACIFIC:												
Australia 1/	3	-	-	3	-	-	3	-	-	3	-	-
China (Taiwan)	166	27	25	46	4	11	43	5	12	43	5	12
Indonesia	45	4	20	55	6	22	55	6	22	55	6	22
Japan	7	5	5	7	5	5	7	5	5	7	5	5
Khmer Republic	77	-	-	82	-	5	-	-	-	-	-	-
Korea	397	61	128	159	41	53	155	44	50	155	44	50
Laos 1/	15	7	-	15	7	-	-	-	-	-	-	-
Malaysia 1/	-	-	-	1	-	-	1	-	-	1	-	-
Philippines	50	9	6	45	9	6	39	9	6	39	9	6
Singapore 1/	1	-	-	1	-	-	1	-	-	1	-	-
Thailand	258	3	4	169	5	8	166	7	8	166	7	8
Regional Total	1,019	116	188	583	77	110	470	76	103	470	76	103
NEAR EAST AND SOUTH ASIA:												
India	4	1	5	4	1	5	4	1	5	4	1	5
Iran	192	16	39	191	18	39	191	18	39	191	18	39
Jordan 1/	8	-	4	9	1	5	10	1	5	10	1	5
Kuwait	-	-	-	9	-	-	9	-	-	9	-	-
Morocco	18	3	6	18	3	6	19	2	6	19	2	6
Pakistan	5	5	10	8	-	6	9	-	7	9	-	7
Saudi Arabia	133	2	6	140	2	9	148	2	10	148	2	10
Tunisia	8	1	3	9	1	3	9	1	3	9	1	3
Regional Total	368	28	73	388	26	73	399	25	75	399	25	75
EUROPE:												
Austria 1/	2	-	-	2	-	-	2	-	-	2	-	-
Bellux	7	1	6	7	1	5	7	1	5	7	1	5
Denmark	7	1	6	7	1	6	7	1	6	7	1	6
France	7	2	7	6	1	6	6	1	6	6	1	6
Germany	26	7	9	22	5	9	22	5	9	22	5	9
Greece	46	9	27	46	9	27	29	7	16	29	7	16
Italy	11	2	3	11	2	6	11	2	6	11	2	6
Netherlands	8	-	6	8	-	6	8	1	5	8	1	5
Norway	6	1	5	6	1	5	6	1	5	6	1	5
Portugal	11	3	7	11	3	7	11	3	7	11	3	7
Spain	38	15	19	31	11	19	29	8	19	29	8	19

Authorized Personnel Strengths in MAAG , Mission and Equivalent Organizations (Continued)

MAAG, Missions and Equivalent Organizations	Actual FY 1974			Actual FY 1975			Proposed FY 1976			Proposed FY 197T		
	Mil	Civ	Local	Mil	Civ	Local	Mil	Civ	Local	Mil	Civ	Local
EUROPE (Contd):												
Turkey	146	28	86	146	28	86	113	22	58	113	22	58
United Kingdom 1/	-	-	-	-	-	-	2	1	-	2	1	-
Regional Total	315	69	181	303	62	182	253	53	142	253	53	142
AFRICA:												
Ethiopia	80	5	33	79	4	33	46	4	28	46	4	28
Liberia	16	-	5	12	-	3	9	-	3	9	-	3
Nigeria 1/	1	1	1	1	1	1	1	1	1	1	1	1
Zaire	20	-	6	10	-	3	10	-	3	10	-	3
Regional Total	117	6	45	102	5	40	66	5	35	66	5	35
LATIN AMERICA:												
Argentina 2/	29	1	7	27	1	9	27	1	9	27	1	9
Bolivia 2/	29	2	8	29	2	8	29	2	8	29	2	8
Brazil 2/	40	6	26	40	6	26	31	2	14	31	2	14
Chile 2/ 3/	15	-	6	15	-	6	15	-	6	15	-	6
Colombia 2/	24	1	6	24	1	6	22	1	6	22	1	6
Costa Rica 2/	4	-	1	2	-	1	2	-	1	2	-	1
Dominican Republic	11	-	3	8	-	3	8	-	2	8	-	2
Ecuador	-	-	-	6	1	3	8	1	3	8	1	3
El Salvador 2/	10	-	3	10	-	3	10	-	3	10	-	3
Guatemala 2/	19	-	4	19	-	4	15	-	4	15	-	4
Honduras 2/	11	-	3	11	-	3	11	-	3	11	-	3
Mexico 1/	1	-	-	1	-	-	1	-	-	1	-	-
Nicaragua 2/	17	-	3	17	-	3	15	-	3	15	-	3
Panama 2/	9	1	1	9	1	1	9	1	1	9	1	1
Paraguay 2/	15	-	3	14	-	3	14	-	3	14	-	3
Peru	7	-	3	7	-	3	7	-	4	7	-	4
Uruguay 2/	13	-	5	13	-	5	13	-	5	13	-	5
Venezuela 2/	36	1	4	31	-	4	30	-	4	30	-	4
Regional Total	290	12	86	283	12	91	267	8	79	267	8	79
WORLDWIDE TOTAL	2,109	231	573	1,659	182	496	1,455	167	434	1,455	167	434

1/ Defense Attache Office augmentation for Security Assistance.
2/ Funds for Administrative Expenses are provided from Military Department Appropriations.
3/ The strengths of these MAAG's are under review with the objective of further reducing their personnel authorizations during FY 1976.

Contributed Currencies Purchased With U.S. Dollars

(DOLLARS IN THOUSANDS)

Country	Actual FY 1974	Estimated FY 1975	Estimated FY 1976	Estimated FY 197T
EAST ASIA AND PACIFIC:				
Japan	213	210	242	61
Thailand	410	410	410	102
Regional Total	623	620	652	163
NEAR EAST & SOUTH ASIA:				
Saudi Arabia	-	1,661	2,908	727
Regional Total	-	1,661	2,908	727
EUROPE:				
Belgium	259	299	393	98
Denmark	238	296	298	74
France	303	326	369	92
Germany	911	882	938	235
Italy	401	407	539	135
Netherlands	242	229	290	73
Norway	209	235	262	66
Portugal	225	-	-	-
United Kingdom	-	-	22	6
Regional Total	2,788	2,674	3,111	779
AFRICA:				
Ethiopia	750	750	750	188
Regional Total	750	750	750	188
WORLDWIDE TOTAL	4,161	5,705	7,421	1,857

In accordance with bilateral agreements, certain countries furnish local currency specifically in support of Military Assistance program administration. The local currency is put on deposit by the contributing country in a U.S. Treasury account and is subsequently purchased from the U.S. Treasury with U.S. appropriated dollars in accordance with Section 1415 of the Supplemental Appropriation Act of 1953.

Contributed currencies are requested to offset obligations established for costs of administrative expenses, shared state support and military department support when the expenses are directly related to the execution of the Military Assistance Program for the countries benefited.

These local currencies are used to pay in country costs for U.S. military and civilians for PCS, TDY, rents and communications, salaries of local employees, supplies, materials and equipment, plus medical care and dependent education for U.S. military personnel only.

Host Government Assistance-In-Kind

(DOLLARS IN THOUSANDS)

Country	FY 1974	Estimated FY 1975	Estimated FY 1976	Estimated FY 197T
EAST ASIA & PACIFIC:				
China (Taiwan)	907	831	831	208
Indonesia	348	453	478	120
Japan	177	192	196	49
Khmer Republic	110	115	-	-
Korea	91	55	54	14
Philippines	275	304	377	94
Thailand	1,430	1,413	1,430	358
Regional Total	3,338	3,363	3,366	843
NEAR EAST & SOUTH ASIA:				
Iran	5,537	6,838	3,390	848
Saudi Arabia	3,122	-	-	-
Regional Total	8,659	6,838	3,390	848
EUROPE:				
Denmark	41	47	51	13
Germany	17	33	33	81
Greece	150	169	173	69
Netherlands	63	64	73	18
Spain	-	125	150	38
Turkey	849	893	733	183
Regional Total	1,120	1,331	1,213	402

Country	FY 1974	Estimated FY 1975	Estimated FY 1976	Estimated FY 197T
AFRICA:				
Ethiopia	134	134	141	35
Liberia	105	109	92	23
Zaire	34	31	29	7
Regional Total	273	274	262	65
LATIN AMERICA:				
Argentina	117	129	129	32
Bolivia	10	10	10	2
Brazil	191	200	200	50
Chile	78	91	91	23
Colombia	40	42	42	11
Costa Rica	18	18	18	4
Dominican Republic	98	98	98	25
El Salvador	17	18	18	5
Guatemala	22	24	24	6
Honduras	24	24	24	6
Nicaragua	48	48	48	12
Panama	7	7	7	2
Paraguay	12	12	12	3
Peru	12	12	12	3
Uruguay	18	22	22	6
Venezuela	223	229	229	57
Regional Total	935	984	984	247
WORLDWIDE TOTAL	14,325	12,790	9,215	2,405

Host Government Assistance-in-Kind (AIK) represents the value of services and equipment provided free to the United States by the host government such as office space, MAAG housing, communication, utilities for MAAG housing and offices, printing and reproduction, supplies and material, and personnel compensation, travel and transportation of indigenous persons (such as housekeepers, drivers and maintenance personnel).

The amounts shown for AIK represent the estimated value of the real purchasing power of the U.S. dollar for such services on the local economy if the United States was being charged. The exact content of AIK varies for each country.

EAST ASIA & PACIFIC

(DOLLARS IN THOUSANDS)

Foreign Military Sales Credit					Military Assistance Program			
Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T	Country	Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T
60,000	80,000	80,000	8,000	China (Taiwan)	32,753	2,712	900	100
3,500	5,000	23,100	-	Indonesia	14,010	15,850	19,400	400
-	-	-	-	Khmer Republic	414,315	254,525	-	-
56,683	59,000	126,000	1,500	Korea	94,017	82,600	74,000	1,400
-	-	-	-	Laos	-	20,704	-	-
18,750	4,700	15,000	-	Malaysia	180	283	-	-
8,600	14,000	17,400	-	Philippines	15,710	21,010	19,600	600
-	8,000	36,700	-	Thailand	32,498	30,126	28,300	1,000
-	-	-	-	Regional Costs	219	364	-	-
147,533	170,700	298,200	9,500	Regional Total	603,702	428,174	142,200	3,500

EAST ASIA & PACIFIC
FOREIGN MILITARY TRAINING PROGRAM

TOTAL TRAINING PROGRAM ($ Thousands)					FOREIGN MILITARY TRAINEES											
					UNITED STATES				OVERSEAS				TOTAL			
Actual FY 74a/	Actual FY 75a/	Proposed FY 76	Proposed FY 7T	Country	Actual FY 74	Actual FY 75	Proposed FY 76	Proposed FY 7T	Actual FY 74	Actual FY 75	Proposed FY 76	Proposed FY 7T	Actual FY 74	Actual FY 75	Proposed FY 76	Proposed FY 7T
392	412	500	100	China (Taiwan)	92	105	113	27	-	-	-	-	92	105	113	27
1,663	2,784	2,000	700	Indonesia	225	275	231	55	9	5	7	-	234	280	238	55
5,318	3,220	-	-	Khmer Republic	416	273	-	-	2,209	1,189	-	-	2,625	1,462	-	-
1,521	1,407	2,700	500	Korea	308	213	269	27	885	277	34	-	1,193	490	303	27
-	1,321	-	-	Laos	-	162	-	-	-	341	-	-	-	503	-	-
180	283	300	100	Malaysia	42	66	66	19	-	-	-	-	42	66	66	19
558	471	750	200	Philippines	112	108	179	28	77	219	72	-	189	327	251	28
1,502	1,801	1,750	500	Thailand	412	323	261	60	308	179	14	-	720	502	275	60
219	364	-	-	Regional Costs	-	-	-	-	-	-	-	-	-	-	-	-
11,353	12,063	8,000	2,100	Regional Total	1,607	1,525	1,119	216	3,488	2,210	127	-	5,095	3,735	1,246	216

a/ Training is included in MAP total. Shown here for purposes of comparability.

NEAR EAST & SOUTH ASIA

(DOLLARS IN THOUSANDS)

Foreign Military Sales Credit					Military Assistance Program			
Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T	Country	Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T
-	-	-	-	Afghanistan	150	212	-	-
-	-	-	-	India	215	54	-	-
-	-	-	-	Iran	2	-	-	-
2,482,664 a/	300,000 b/	1,500,000 c/	-	Israel	-	-	-	-
-	30,000	75,000	-	Jordan	40,704	69,852	100,000	-
-	-	5,000	-	Lebanon	171	131	-	-
3,000	14,000	30,000	-	Morocco	627	852	-	-
-	-	-	-	Nepal	25	32	-	-
-	-	-	-	Pakistan	230	277	-	-
-	-	-	-	Saudi Arabia	173	38	-	-
-	-	-	-	Sri Lanka	12	-	-	-
2,500	5,000	15,000	-	Tunisia	1,831	2,200	200	15
-	-	-	-	Yemen	-	-	1,500	-
-	-	-	-	Regional Costs	53	52	-	-
2,488,164	349,000	1,625,000	-	Regional Total	44,193	73,700	101,700	15

a/ Includes $1.5 billion of non-reimbursable financing pursuant to the Emergency Security Assistance Act of 1973 (P.L. 93-199).
b/ Includes $100 million of non-reimbursable financing pursuant to Section 31(b) of the Foreign Military Sales Act, as amended by the Foreign Assistance Act of 1974 (P.L. 93-559, dated December 30, 1974).
c/ $750 million to be non-reimbursable financing.

NEAR EAST & SOUTH ASIA
FOREIGN MILITARY TRAINING PROGRAM

TOTAL TRAINING PROGRAM ($ Thousands)					FOREIGN MILITARY TRAINEES											
					UNITED STATES				OVERSEAS				TOTAL			
		Proposed					Proposed				Proposed				Proposed	
Actual FY 74a/	Actual FY 75a/	FY 76	FY 7T	Country	Actual FY 74a/	Actual FY 75a/	FY 76	FY 7T	Actual FY 74a/	Actual FY 75a/	FY 76	FY 7T	Actual FY 74a/	Actual FY 75a/	FY 76	FY 7T
150	212	200	50	Afghanistan	12	15	18	5	-	-	-	-	12	15	18	5
187	54	200	30	India	25	6	16	6	-	-	-	-	25	6	16	6
628	1,011	800	-	Jordan	116	147	160	-	-	10	5	-	116	157	165	-
139	131	200	-	Lebanon	27	17	40	-	-	-	-	-	27	17	40	-
627	852	800	200	Morocco	71	116	97	38	-	-	-	-	71	116	97	38
25	32	35	10	Nepal	6	5	5	2	-	-	-	-	6	5	5	2
230	277	350	80	Pakistan	39	48	73	13	-	-	-	-	39	48	73	13
173	38	-	-	Saudi Arabia	41	10	-	-	-	2	-	-	41	12	-	-
-	-	15	5	Sri Lanka	-	-	-	-	-	-	-	-	-	-	-	-
331	391	400	125	Tunisia	43	55	58	4	11	10	-	-	54	65	58	4
-	-	500	-	Yemen	-	-	4	-	-	-	-	-	-	-	4	-
53	52	-	-	Regional Costs	-	-	-	-	-	-	-	-	-	-	-	-
2,543	3,050	3,500	500	Regional Total	380	419	471	68	11	22	5	-	391	441	476	68

a/ Training is included in MAP total. Shown here for purposes of comparability.

EUROPE

(DOLLARS IN THOUSANDS)

Foreign Military Sales Credit				Country	Military Assistance Program			
Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T		Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T
-	-	-	-	Austria	25	9	-	-
-	-	-	-	Finland	15	15	-	-
52,500	86,000	110,000	46,000	Greece	-	-	50,000	2,500
-	-	-	-	Portugal	778	447	300	15
-	-	-	-	Spain	2,859	2,609	200 a/	35 a/
75,000	75,000	130,000	-	Turkey	78,093	16,253	75,000	2,200
-	-	-	-	Regional Costs	14	23	-	-
127,500	161,000	240,000	46,000	Regional Total	81,784	19,356	125,500	4,750

a/ The amounts for Spain reflect requirements for continuation of prior years' programs. Separate request to be submitted subsequently to reflect results of negotiations.

EUROPE
FOREIGN MILITARY TRAINING PROGRAM

TOTAL TRAINING PROGRAM ($ Thousands)				Country	FOREIGN MILITARY TRAINEES											
					UNITED STATES				OVERSEAS				TOTAL			
Actual FY 74a/	Actual FY 75a/	Proposed FY 76	Proposed FY 7T		Actual FY 74	Actual FY 75	Proposed FY 76	Proposed FY 7T	Actual FY 74	Actual FY 75	Proposed FY 76	Proposed FY 7T	Actual FY 74	Actual FY 75	Proposed FY 76	Proposed FY 7T
25	9	25	10	Austria	9	1	4	1	-	-	-	-	9	1	4	1
15	15	25	10	Finland	3	3	6	-	-	-	-	-	3	3	6	-
-	-	800	-	Greece	-	-	250	-	-	-	18	-	-	-	268	-
272	337	1,025	180	Portugal	19	15	32	1	39	39	40	-	58	54	72	1
335	1,599	725	-	Spain	321	315	126	-	18	28	87	-	339	343	213	-
3,086	541	1,800	500	Turkey	261	75	207	-	7	44	34	-	268	119	241	-
14	23	-	-	Regional Costs	-	-	-	-	-	-	-	-	-	-	-	-
3,747	2,524	4,400	700	Regional Total	613	409	625	2	64	111	179	-	677	520	804	2

a/ Training is included in MAP total. Shown here for purposes of comparability.

AFRICA

(DOLLARS IN THOUSANDS)

Foreign Military Sales Credit					Military Assistance Program			
Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T	Country	Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T
11,000	25,000	10,000	-	Ethiopia	12,401	12,514	11,700	335
-	-	-	-	Ghana	45	70	-	-
-	5,000	2,000	-	Kenya	-	32	-	-
-	1,800	500	-	Liberia	112	89	-	-
-	-	-	-	Senegal	7	35	-	-
3,500	3,500	19,000	-	Zaire	378	299	-	-
-	-	-	-	Regional Costs	45	43	-	-
14,500	35,300	31,500	-	Regional Total	12,988	13,082	11,700	335

AFRICA
FOREIGN MILITARY TRAINING PROGRAM

TOTAL TRAINING PROGRAM ($ Thousands)					FOREIGN MILITARY TRAINEES											
					UNITED STATES				OVERSEAS				TOTAL			
Actual FY 74a/	Actual FY 75a/	Proposed FY 76	Proposed FY 7T	Country	Actual FY 74	Actual FY 75	Proposed FY 76	Proposed FY 7T	Actual FY 74	Actual FY 75	Proposed FY 76	Proposed FY 7T	Actual FY 74	Actual FY 75	Proposed FY 76	Proposed FY 7T
832	776	900	300	Ethiopia	139	130	138	42	9	-	-	-	148	130	138	42
45	70	100	20	Ghana	8	45	41	6	-	-	-	-	8	45	41	6
-	32	965	135	Kenya	-	8	2	-	-	-	-	-	-	8	2	-
99	89	100	45	Liberia	34	20	22	3	2	-	-	-	36	20	22	3
7	35	35	10	Senegal	-	-	-	-	-	-	-	-	-	-	-	-
378	299	400	190	Zaire	57	37	39	11	-	-	-	-	57	37	39	11
45	43	-	-	Regional Costs	-	-	-	-	-	-	-	-	-	-	-	-
1,406	1,344	2,500	700	Regional Total	238	240	242	62	11	-	-	-	249	240	242	62

a/ Training is included in MAP total. Shown here for purposes of comparability.

LATIN AMERICA

(DOLLARS IN THOUSANDS)

Foreign Military Sales Credit				Country	Military Assistance Program			
Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T		Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T
22,500	30,000	34,000	-	Argentina	499	100	-	-
4,000	4,000	6,000	-	Bolivia	3,136	3,137	2,200	80
51,743	60,000	60,000	-	Brazil	936	901	-	-
15,000	-	-	-	Chile	1,030	656	-	-
-	-	16,000	-	Colombia	556	737	-	-
-	500	1,000	-	Dominican Republic	818	1,067	200	15
-	-	10,000	-	Ecuador	1	400	-	-
500	3,000	2,500	-	El Salvador	564	1,161	300	13
-	2,300	1,500	-	Guatemala	887	645	200	9
-	-	-	-	Haiti	-	28	-	-
-	3,000	2,500	-	Honduras	667	1,210	300	10
-	-	5,000	-	Mexico	30	109	-	-
-	3,000	2,500	-	Nicaragua	945	1,081	200	15
-	-	-	-	Panama	436	571	200	8
-	500	500	-	Paraguay	1,090	1,026	400	20
15,000	20,500	20,000	-	Peru	967	852	-	-
2,000	7,500	2,500	-	Uruguay	1,018	1,486	600	30
7,500	-	16,000	-	Venezuela	900	731	-	-
-	-	-	-	Regional Costs	344	350	-	-
118,243	134,300	180,000	-	Regional Total	14,824	16,248	4,600	200

LATIN AMERICA
FOREIGN MILITARY TRAINING PROGRAM

TOTAL TRAINING PROGRAM ($ Thousands)					FOREIGN MILITARY TRAINEES											
					UNITED STATES				OVERSEAS				TOTAL			
Actual FY 74a/	Actual FY 75a/	Proposed FY 76	Proposed FY 7T	Country	Actual FY 74	Actual FY 75	Proposed FY 76	Proposed FY 7T	Actual FY 74	Actual FY 75	Proposed FY 76	Proposed FY 7T	Actual FY 74	Actual FY 75	Proposed FY 76	Proposed FY 7T
496	100	920	170	Argentina	103	8	129	14	34	11	63	53	137	19	192	67
463	667	720	130	Bolivia	53	8	67	5	99	326	116	30	152	334	183	35
693	901	1,120	240	Brazil	255	282	422	55	3	19	18	14	258	301	440	69
1,030	656	-	-	Chile	100	32	-	-	359	536	-	-	459	568	-	-
547	737	750	200	Colombia	73	46	47	5	281	277	302	71	354	323	349	76
491	516	670	130	Dominican Republic	40	43	50	31	189	162	145	47	229	205	195	78
-	400	970	100	Ecuador	-	40	128	28	-	116	118	-	-	156	246	28
446	505	840	150	El Salvador	10	17	39	4	129	141	148	52	139	158	187	56
504	414	430	100	Guatemala	32	21	40	15	132	118	101	30	164	139	141	45
-	28	200	25	Haiti	-	6	29	5	-	-	-	-	-	6	29	5
515	849	840	150	Honduras	58	60	47	14	136	196	176	9	194	256	223	23
30	109	100	30	Mexico	4	31	18	10	11	28	14	-	15	59	32	10
435	661	840	170	Nicaragua	44	46	58	38	110	207	153	83	154	253	211	121
261	330	380	190	Panama	3	4	5	-	187	352	195	50	190	356	200	50
191	313	410	190	Paraguay	3	50	51	3	60	52	61	29	63	102	112	32
958	852	940	375	Peru	128	123	99	33	250	121	202	40	378	244	301	73
306	401	520	160	Uruguay	20	25	31	2	130	112	144	14	150	137	175	16
900	731	750	390	Venezuela	63	57	92	38	217	87	48	66	280	144	140	104
344	350	-	-	Regional Costs	-	-	-	-	-	-	-	-	-	-	-	-
8,610	9,520	11,400	2,900	Regional Total	989	899	1,352	300	2,327	2,861	2,004	588	3,316	3,760	3,356	888

a/ Training is included in MAP total. Shown here for purposes of comparability.

Gross National Product and Defense Expenditures 1973 and 1974 (In 1973 Dollars)

(DOLLARS IN MILLIONS)

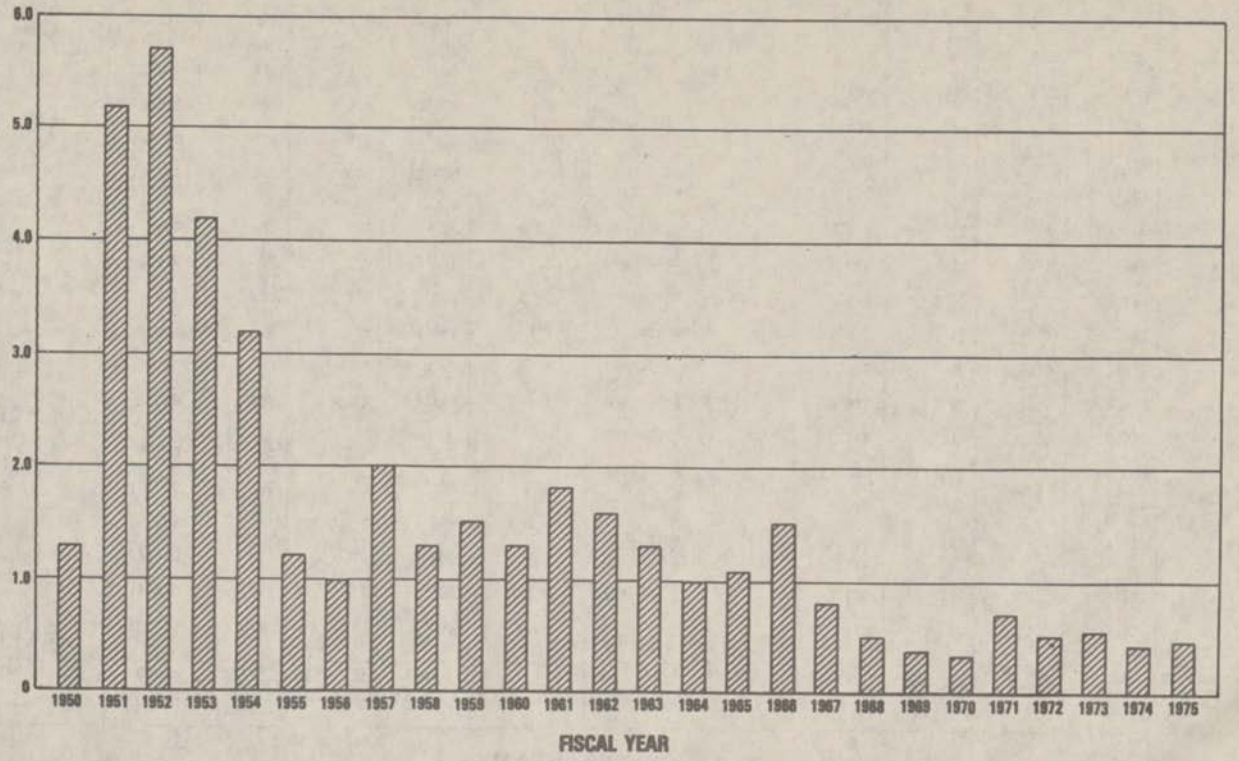
Country	1973 GNP	1973 Defense Value	1973 Defense % of GNP	1974 GNP	1974 Defense % of GNP 1/
EAST ASIA & PACIFIC:					
China (Taiwan)	10,226	N.A.	N.A.	10,291	N.A.
Indonesia	15,370	452	2.9	16,350	3.0
Korea	12,380	461	3.7	13,400	4.2
Malaysia	6,565	291	4.4	7,853	3.8
Philippines	10,330	165	1.6	10,935	1.8
Thailand	9,180	269	2.9	9,530	2.9
NEAR EAST & S. ASIA:					
Israel	8,950	4,193	46.8	9,540	33.5
Jordan	N.A.	138	N.A.	N.A.	N.A.
Lebanon	2,841	68	2.4	3,454	3.2
Morocco	5,012	194	3.9	5,460	N.A.
Tunisia	2,515	36	1.4	2,781	1.7
Yemen	500	22	4.4	N.A.	N.A.
EUROPE:					
Greece	16,290	662	4.0	15,620	4.0
Portugal	11,200	678	6.1	11,430	6.0
Spain	60,230	1,867	3.1	63,500	3.2
Turkey	22,036	871	4.0	23,700	3.7
AFRICA:					
Ethiopia	2,240	56	2.5	2,273	2.4
Kenya	2,249	32	1.4	2,360	1.5
Liberia	417	4	1.1	517	.7
Zaire	3,129	130	4.2	3,282	3.8
LATIN AMERICA:					
Argentina	31,385	442	1.4	33,270	1.6
Bolivia	1,014	21	2.0	1,064	2.4
Brazil	77,220	1,550	2.0	85,000	1.8
Colombia	9,968	118	1.2	10,590	1.0
Dominican Republic	2,378	35	1.5	2,544	1.4
Ecuador	2,496	50	2.0	2,825	1.9
El Salvador	1,335	16	1.2	1,411	1.1
Guatemala	2,545	22	.8	2,700	.8
Honduras	869	13	1.5	851	1.4
Mexico	48,650	344	.7	62,400	.7
Nicaragua	1,065	16	1.5	1,187	2.0
Panama	1,418	2	.2	1,468	.2
Paraguay	979	14	1.4	1,057	1.1
Peru	9,080	337	3.7	9,640	3.0
Uruguay	2,585	65	2.5	2,620	2.7
Venezuela	16,120	310	1.9	14,870	N.A.

N.A. - Not available.
1/ Computed from local currency data in current prices.

66-317 O - 76 - 8

MILITARY ASSISTANCE APPROPRIATIONS FY 1950-1975

(Dollars in Billions)



LEGISLATIVE HISTORY OF AUTHORIZATIONS AND APPROPRIATIONS

(DOLLARS IN MILLIONS)

FOREIGN MILITARY SALES					
Fiscal Year	Executive Request		Authorized		Appropriated
	NOA	Ceiling	NOA	Ceiling	
	FOREIGN MILITARY SALES LEGISLATION INCLUDED WITH MILITARY ASSISTANCE PROGRAM PRIOR TO 1968				
1969	120.0	296.0	296.0	296.0	296.0
1970	275.0	350.0	250.0	340.0	70.0
1971	772.5	885.0	250.0	840.0	700.0
1972	510.0	582.0	400.0	550.0	400.0
1973	527.0	629.0	400.0c/	550.0	400.0c/
1974e/	2,725.0	2,960.0	2,525.0	2,930.0	2,525.0
1975	555.0	872.5	405.0	872.5	300.0

MILITARY ASSISTANCE PROGRAM			
Fiscal Year	Executive Branch Request	Authorized	Appropriated
1950	1,400.0	1,314.0	1,314.0
1951	5,222.5	5,222.5	5,222.5
1952	6,303.0	5,997.6	5,744.0
1953	5,425.0	4,598.4	4,219.8
1954	4,274.5	3,681.5	3,230.0
1955	1,778.3	1,591.0	1,192.7
1956	1,595.2	1,450.2	1,022.2
1957	2,925.0	2,225.0	2,017.5
1958	1,900.0	1,600.0	1,340.0
1959	1,800.0	1,605.0	1,515.0
1960	1,600.0	1,400.0	1,300.0
1961	2,000.0	a/	1,800.0
1962	1,885.0	1,700.0	1,600.0
1963	b/	1,700.0	1,325.0
1964	1,405.0	1,000.0	1,000.0
1965	1,055.0	1,055.0	1,130.0
1966	1,170.0	1,170.0	1,470.0
1967	917.0	875.0	792.0
1968	620.1	510.0	500.0
1969	420.0	375.0	375.0
1970	425.0	350.0	350.0
1971	690.0	690.0	690.0
1972	705.0	500.0	500.0
1973	780.0	553.1c/	553.1c/
1974d/	685.0	512.5	450.0f/
1975g/	985.0	600.0	475.0

a/ The Mutual Security Act of 1959, P.L. 86-108, approved July 24, 1959, states "There is hereby authorized to be appropriated to the President for the fiscal years 1961 and 1962 such sums as may be necessary from time to time to carry out the purpose of this chapter, which sums shall remain available until expended."

b/ Foreign Assistance Act of 1961 authorized $1,700.0 million; no executive branch request for authorization was required.

c/ CRA limitation.

d/ Includes funds requested separately for proposed International Military Education and Training Program finally authorized and appropriated as part of the Military Assistance Program.

e/ Includes $2.2 billion for Emergency Security Assistance requested, authorized and appropriated for Israel.

f/ Includes $5.0 million transferred to AID.

g/ Does not include $75.0 for Section 506 contract authority.

FY 1975 Military Assistance Program Analysis

(DOLLARS IN THOUSANDS)

Country Program	FY 75 Program as Presented to Congress 12 April 1974	FY 75 Program as of 30 June 1975 (Preliminary)	Net Change	FY 1975 Program Changes and Presidential Determinations
EAST ASIA & PACIFIC				
China (Taiwan)	400	2,712	+ 2,312	See Note
Indonesia	22,700	15,850	- 6,850	Decrease is due primarily to reduced fund availability for FY 1975.
Khmer Republic	362,500	254,525	-107,975	Decrease is due to legislative limitations and termination of military assistance to the Khmer Republic. The Foreign Assistance Act of 1961, as amended, authorized the use of no more than $200 million for military assistance and provided that an additional $75 million could be authorized under Section 506(a) of the Act for use of defense articles from the stocks of the Department of Defense and defense services to provide military assistance to the Khmer Republic. Presidential Determination 75-9, dated 10 January 1975, pertains.
Korea	161,500	82,600	- 78,900	Decrease is due to legislative limitations imposed by Section 26 of the Foreign Assistance Act of 1974. Presidential Determination 75-26, dated 30 June 1975, pursuant to Section 504(a), Foreign Assistance Act of 1961, as amended, authorized the furnishing of sophisticated weapons systems to the Republic of Korea in FY 1975.
Laos	85,200	20,704	- 64,496	Decrease is due to legislative limitations imposed by Section 40 of the Foreign Assistance Act of 1974.
Malaysia	285	283	- 2	Decreased training.
Philippines	17,900	21,010	+ 3,110	See Note
Thailand	56,000	30,126	- 25,874	Decrease is due primarily to reduced fund availability for FY 1975.
Regional Costs	365	364	- 1	Decreased training.
Regional Total	706,850	428,174	-278,676	
NEAR EAST & SOUTH ASIA				
Afghanistan	200	212	+ 12	Increased training.

FY 1975 Military Assistance Program Analysis (Continued)

(DOLLARS IN THOUSANDS)

Country Program	FY 75 Program as Presented to Congress 12 April 1974	FY 75 Program as of 30 June 1975 (Preliminary)	Net Change	FY 1975 Program Changes and Presidential Determinations
India	100	54	- 46	Decreased training.
Jordan	94,243	69,852	- 24,391	Decrease is due primarily to reduced fund availability for FY 1975. Presidential Determination 75-26, dated 30 June 1975, pursuant to Section 504(a), Foreign Assistance Act of 1961, as amended, authorized the furnishing of sophisticated weapons systems to Jordan in FY 1975. Secretary of State Determination, dated 19 June 1975, pursuant to Section 653(b) of the Foreign Assistance Act of 1961, as amended, authorized an additional $10 million for military assistance.
Lebanon	150	131	- 19	Decreased training.
Morocco	860	852	- 8	Decreased training.
Nepal	35	32	- 3	Decreased training.
Pakistan	280	277	- 3	Decreased training.
Saudi Arabia	220	38	- 182	Decreased training.
Sri Lanka	15	-	- 15	Program deleted.
Tunisia	2,000	2,200	+ 200	See Note
Regional Costs	52	52	-	
Regional Total	98,155	73,700	- 24,455	
EUROPE				
Austria	24	9	- 15	Decreased training.
Finland	24	15	- 9	Decreased training.

FY 1975 Military Assistance Program Analysis (Continued)

(DOLLARS IN THOUSANDS)

Country Program	FY 75 Program as Presented to Congress 12 April 1974	FY 75 Program as of 30 June 1975 (Preliminary)	Net Change	FY 1975 Program Changes and Presidential Determinations
Portugal	860	447	- 413	All defense articles were deleted because Portugal did not comply with new eligibility requirement of Section 505(f) of the Foreign Assistance Act of 1961, as amended, prior to 30 June 1975.
Spain	1,600	2,609	+ 1,009	See Note. Presidential Determination 75-18, dated 9 May 1975, pursuant to Section 614(a) of the Foreign Assistance Act of 1961, as amended, authorized the use of not to exceed $1.6 million in FY 1975 for the grant of defense serivces (training) to Spain without regard to Section 620(m) of the Act.
Turkey	80,000	16,253	- 63,747	Decrease is due to the suspension of all military assistance to the Government of Turkey pursuant to Section 620(x) of the Foreign Assistance Act of 1961, as amended. Presidential Determination 75-3, dated 29 October 1974, pursuant to Section 6, PL 93-448, dated 17 October 1974, suspended the provisions of Section 505(d) of the Foreign Assistance Act of 1961, as amended, and Sections 3(c) and 3(d) of the Foreign Military Sales Act, as amended, in order to further negotiations for a peaceful solution to the Cyprus conflict. Presidential Determination 75-8, dated 31 December 1974, pursuant to Section 5 of the Joint Resolution of 31 December 1974 (H. J. Res. 1178) and Section 620(x) of the Foreign Assistance Act of 1961, as amended, suspended the provisions of Section 505(d) of the Foreign Assistance Act of 1961, as amended, and Sections 3(c) and 3(d) of the Foreign Military Sales Act, as amended, in order to further negotiations for a peaceful solution to the Cyprus conflict.
Regional Costs	23	23	-	
Regional Total	82,531	19,356	- 63,175	
AFRICA				
Ethiopia	11,300	12,514	+ 1,214	See Note
Ghana	70	70	-	
Kenya	-	32	+ 32	New program providing training in the United States only. Presidential Determination 75-21, dated 20 May 1975, pursuant to Section 503(a), Foreign Assistance Act of 1961, as amended, authorized the furnishing of training for Kenya.

FY 1975 Military Assistance Program Analysis (Continued)

(DOLLARS IN THOUSANDS)

Country Program	FY 75 Program as Presented to Congress 12 April 1974	FY 75 Program as of 30 June 1975 (Preliminary)	Net Change	FY 1975 Program Changes and Presidential Determinations
Liberia	100	89	- 11	Decreased training.
Mali	50	-	- 50	Program deleted.
Senegal	25	35	+ 10	Increased training.
Sudan	50	-	- 50	Program deleted.
Zaire	300	299	- 1	Decreased training.
Regional Costs	30	43	+ 13	Increased training.
Regional Total	11,925	13,082	+ 1,157	
LATIN AMERICA				
Argentina	700	100	- 600	Decrease is due primarily to reduced fund availability for FY 1975.
Bolivia	3,300	3,137	- 163	Decrease is due primarily to reduced fund availability for FY 1975.
Brazil	800	901	+ 101	Increased training.
Chile	800	656	- 144	Program curtailed pursuant to Section 25 of the Foreign Assistance Act of 1974.
Colombia	700	737	+ 37	Increased training.
Dominican Republic	1,300	1,067	- 233	Decrease is due primarily to reduced fund availability for FY 1975.
Ecuador	400	400	-	
El Salvador	1,100	1,161	+ 61	See Note
Guatemala	1,300	645	- 655	Decrease is due primarily to reduced fund availability for FY 1975.
Haiti	200	28	- 172	Decreased training.

FY 1975 Military Assistance Program Analysis (Continued)

(DOLLARS IN THOUSANDS)

Country Program	FY 75 Program as Presented to Congress 12 April 1974	FY 75 Program as of 30 June 1975 (Preliminary)	Net Change	FY 1975 Program Changes and Presidential Determinations
Honduras	1,100	1,210	+ 110	See Note
Mexico	100	109	+ 9	Increased training.
Nicaragua	1,100	1,081	- 19	Decrease is due primarily to reduced fund availability for FY 1975.
Panama	500	571	+ 71	See Note
Paraguay	1,400	1,026	- 374	Decrease is due primarily to reduced fund availability for FY 1975.
Peru	800	852	+ 52	Increased training.
Uruguay	1,600	1,486	- 114	Decrease is due primarily to reduced fund availability for FY 1975.
Venezuela	700	731	+ 31	Increased training.
Regional Costs	350	350	-	
Regional Total	18,250	16,248	- 2,002	
Administrative Expenses	25,300	28,543	+ 3,243	MAP administrative costs have increased due to U.S. and foreign national pay raises and the return to MAP funding for MAAG operations in Laos (previously Military Assistance Service Funded).
MAP Property Sales and Disposal (MAP SAD)	-	1,950	+ 1,950	Non-reimbursable disposal to NASA of F-104G aircraft acquired under 1963 barter agreement.
Other General Costs	80,989	3,065	- 77,924	See Note
WORLDWIDE TOTAL	1,024,000	584,118	-439,882	

NOTE: Whereas in last year's Congressional Presentation Document (CPD), supply operations were shown as part of General Costs rather than individual country programs, in this year's CPD, most of these costs have been incorporated in the country programs on a pro rata basis.

FY 1976 MAP BY COST CATEGORIES

(DOLLARS IN THOUSANDS)

	TOTAL PROGRAM		OPERATING a/		INVESTMENT b/		SUPPLY OPERATIONS	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
EAST ASIA AND PACIFIC:								
China (Taiwan)	900	100.0	-	-	-	-	900	100.0
Indonesia	19,400	100.0	6,108	31.5	10,892	56.1	2,400	12.4
Korea	74,000	100.0	300	.4	54,800	74.1	18,900	25.5
Philippines	19,600	100.0	1,770	9.0	15,130	77.2	2,700	13.8
Thailand	28,300	100.0	10,575	37.4	14,125	49.9	3,600	12.7
Regional Total	142,200	100.0	18,753	13.2	94,947	66.8	28,500	20.0
NEAR EAST AND SOUTH ASIA:								
Jordan	100,000	100.0	5,053	5.1	83,347	83.3	11,600	11.6
Tunisia	200	100.0	-	-	-	-	200	100.0
Yemen	1,500	100.0	-	-	-	-	1,500	100.0
Regional Total	101,700	100.0	5,053	5.0	83,347	82.0	13,300	13.0
EUROPE:								
Greece	50,000	100.0	25,823	51.6	19,977	40.0	4,200	8.4
Portugal	300	100.0	72	24.0	178	59.3	50	16.7
Spain	200	100.0	-	-	-	-	200	100.0
Turkey	75,000	100.0	10,628	14.2	54,072	72.1	10,300	13.7
Regional Total	125,500	100.0	36,523	29.1	74,227	59.1	14,750	11.8
AFRICA:								
Ethiopia	11,700	100.0	2,560	21.9	7,240	61.9	1,900	16.2
Regional Total	11,700	100.0	2,560	21.9	7,240	61.9	1,900	16.2
LATIN AMERICA:								
Bolivia	2,200	100.0	877	39.9	1,023	46.5	300	13.6
Dominican Republic	200	100.0	-	-	160	80.0	40	20.0
El Salvador	300	100.0	-	-	255	85.0	45	15.0
Guatemala	200	100.0	-	-	160	80.0	40	20.0
Honduras	300	100.0	-	-	260	86.7	40	13.3
Nicaragua	200	100.0	26	13.0	134	67.0	40	20.0
Panama	200	100.0	95	47.5	65	32.5	40	20.0
Paraguay	400	100.0	139	34.7	191	47.8	70	17.5
Uruguay	600	100.0	315	52.5	195	32.5	90	15.0
Regional Total	4,600	100.0	1,452	31.6	2,443	53.1	705	15.3
General Costs	37,100	100.0	25,706	69.3	-	-	11,394	30.7
WORLDWIDE TOTAL	422,800	100.0	90,047	21.3	262,204	62.0	70,549	16.7

a/ Operating costs include: equipment, supplies and services required to operate and maintain forces in a recipient country; follow-on spare parts; low unit value secondary items; and all expendables except war reserve ammunition.

b/ Investment costs include: equipment, supplies and services which increase recipient country force capability such as initial unit equipment, war reserves of equipment and ammunition, replacement of obsolescent equipment, and concurrent and the initial stockage level of spare parts.

Summary of Students Trained Under MAP - FY 1950 - 1975

Country	Total	United States	Overseas
EAST ASIA AND PACIFIC:			
Burma	794	775	19
China (Taiwan)	24,507	20,286	4,221
Indochina	434	408	26
Indonesia	4,757	4,160	597
Japan	15,279	9,642	5,637
Khmer Republic	67,485	1,128	66,357
Korea	32,479	22,668	9,811
Laos	37,771	2,119	35,652
Malaysia	476	449	27
Philippines	15,245	9,420	5,825
Thailand	14,775	10,276	4,499
Vietnam	35,788	25,768	10,020
Regional Total	249,790	107,099	142,691
NEAR EAST AND SOUTH ASIA:			
Afghanistan	359	359	-
India	572	539	33
Iran	10,807	9,018	1,789
Iraq	404	372	32
Jordan	1,098	1,054	44
Lebanon	1,500	312	1,188
Morocco	2,209	1,105	1,104
Nepal	45	45	-
Pakistan	4,449	3,919	530
Saudi Arabia	1,380	1,174	206
Sri Lanka	39	39	-
Syria	23	23	-
Tunisia	636	446	190
Yemen	5	5	-
Regional Total	23,526	18,410	5,116
EUROPE:			
Austria	426	415	11
Belgium	5,198	3,768	1,430
Denmark	4,647	3,836	811
Finland	37	37	-
France	14,342	12,600	1,742
Germany	1,624	1,190	434

Country	Total	United States	Overseas
EUROPE (Contd):			
Greece	14,144	11,980	2,164
Italy	9,363	8,144	1,219
Luxembourg	176	63	113
Netherlands	6,297	4,744	1,553
Norway	5,428	4,042	1,386
Portugal	2,997	2,246	751
Spain	9,872	8,536	1,336
Turkey	18,900	16,274	2,626
United Kingdom	3,867	3,719	148
Yugoslavia	844	625	219
NATO Agencies	465	465	-
Regional Total	98,627	82,684	15,943
AFRICA:			
Dahomey	2	2	-
Ethiopia	3,552	3,413	139
Ghana	205	205	-
Guinea	4	4	-
Ivory Coast	2	2	-
Kenya	8	8	-
Liberia	575	571	4
Libya	470	429	41
Mali	74	69	5
Nigeria	462	462	-
Senegal	18	18	-
Sudan	132	124	8
Upper Volta	28	28	-
Zaire	670	404	266
Regional Total	6,202	5,739	463
LATIN AMERICA: a/			
Argentina	3,676	2,766	910
Bolivia	3,956	502	3,454
Brazil	8,448	7,544	904
Chile	6,328	2,811	3,517
Colombia	6,200	2,527	3,673
Costa Rica	529	33	496
Cuba	521	307	214

Summary of Students Trained Under MAP - FY 1950 - 1975 (Continued)

Country	Total	United States	Overseas
LATIN AMERICA (Contd):			
Dominican Republic	3,705	782	2,923
Ecuador	4,556	1,601	2,955
El Salvador	1,682	239	1,443
Guatemala	3,030	729	2,301
Haiti	567	475	92
Honduras	2,641	388	2,253
Mexico	738	467	271
Nicaragua	4,897	808	4,089
Panama	4,130	60	4,070
Paraguay	1,435	402	1,033
Peru	6,734	3,385	3,349
Uruguay	2,537	1,120	1,417
Venezuela	5,341	1,675	3,666
Regional Total	71,651	28,621	43,030
WORLDWIDE TOTAL	449,796	242,553	207,243

a/ Training in Canal Zone not considered "Overseas."

U.S. Security Assistance Planned for FY 1976/7T (FAA Section 634(d))

(DOLLARS IN THOUSANDS)

	FY 1976						FY 197T					
	Total	MAP Grant 1/	Training Grant 2/	FMS Credit 3/	Overseas EDA 4/*	Support. Assist.	Total	MAP Grant 1/	Training Grant 2/	FMS Credit 3/	Overseas EDA 4/*	Support. Assist.
EAST ASIA AND PACIFIC:												
China (Taiwan)	81,400	900	500	80,000	-	-	8,200	100	100	8,000	-	-
#Indonesia	56,500	19,400	2,000	23,100	12,000	-	1,100	400	700	-	-	-
#Korea	227,700	74,000	2,700	126,000	25,000	-	3,400	1,400	500	1,500	-	-
Malaysia	15,300	-	300	15,000	-	-	100	-	100	-	-	-
#Philippines	55,750	19,600	750	17,400	18,000	-	800	600	200	-	-	-
#Thailand	131,750	28,300	1,750	36,700	65,000	-	1,500	1,000	500	-	-	-
Regional Total	568,400	142,200	8,000	298,200	120,000	-	15,100	3,500	2,100	9,500	-	-
NEAR EAST AND SOUTH ASIA:												
Afghanistan	200	-	200	-	-	-	50	-	50	-	-	-
Bahrain	600	-	-	-	-	600	100	-	-	-	-	100
Egypt	750,000	-	-	-	-	750,000	-	-	-	-	-	-
India	200	-	200	-	-	-	30	-	30	-	-	-
Israel	2,240,000	-	-	1,500,000a/	-	740,000	-	-	-	-	-	-
#Jordan	263,300	100,000	800	75,000	10,000	77,500	-	-	-	-	-	-
Lebanon	5,200	-	200	5,000	-	-	-	-	-	-	-	-
#Morocco	30,800	-	800	30,000	-	-	200	-	200	-	-	-
Nepal	35	-	35	-	-	-	10	-	10	-	-	-
Pakistan	350	-	350	-	-	-	80	-	80	-	-	-
Sri Lanka	15	-	15	-	-	-	5	-	5	-	-	-
Syria	90,000	-	-	-	-	90,000	-	-	-	-	-	-
#Tunisia	15,600	200	400	15,000	-	-	140	15	125	-	-	-
#Yemen	2,000	1,500	500	-	-	-	-	-	-	-	-	-
Regional Total	3,398,300	101,700	3,500	1,625,000	10,000	1,658,100	615	15	500	-	-	100
EUROPE:												
Austria	25	-	25	-	-	-	10	-	10	-	-	-
Cyprus	25,000	-	-	-	-	25,000	5,000	-	-	-	-	5,000
Finland	25	-	25	-	-	-	10	-	10	-	-	-
#Greece	265,800	50,000	800	110,000	40,000	65,000	48,500	2,500	-	46,000	-	-
Malta	9,500	-	-	-	-	9,500	4,800	-	-	-	-	4,800
#Portugal	57,825	300	1,025	-	1,500	55,000	10,195	15	180	-	-	10,000
#Spain	925	200b/	725	-	-	-	35	35b/	-	-	-	-
#Turkey	247,800	75,000	1,800	130,000	41,000	-	2,700	2,200	500	-	-	-
Regional Total	606,900	125,500	4,400	240,000	82,500	154,500	71,250	4,750	700	46,000	-	19,800

U.S. Security Assistance Planned for FY 1976/7T (FAA Section 634(d)) (Continued)

(DOLLARS IN THOUSANDS)

	FY 1976						FY 197T					
	Total	MAP Grant 1/	Training Grant 2/	FMS Credit 3/	Overseas EDA 4/*	Support. Assist.	Total	MAP Grant 1/	Training Grant 2/	FMS Credit 3/	Overseas EDA 4/*	Support. Assist.
AFRICA:												
#Ethiopia	37,600	11,700	900	10,000	15,000	-	635	335	300	-	-	-
Ghana	100	-	100	-	-	-	20	-	20	-	-	-
Kenya	2,965	-	965	2,000	-	-	135	-	135	-	-	-
#Liberia	600	-	100	500	-	-	45	-	45	-	-	-
#Senegal	35	-	35	-	-	-	10	-	10	-	-	-
#Zaire	42,150	-	400	19,000	-	22,750	190	-	190	-	-	-
Regional Total	83,450	11,700	2,500	31,500	15,000	22,750	1,035	335	700	-	-	-
LATIN AMERICA:												
#Argentina	34,920	-	920	34,000	-	-	170	-	170	-	-	-
#Bolivia	11,920	2,200	720	6,000	3,000	-	210	80	130	-	-	-
#Brazil	61,120	-	1,120	60,000	-	-	240	-	240	-	-	-
#Colombia	16,750	-	750	16,000	-	-	200	-	200	-	-	-
#Dominican Republic	3,370	200	670	1,000	1,500	-	145	15	130	-	-	-
Ecuador	10,970	-	970	10,000	-	-	100	-	100	-	-	-
#El Salvador	6,640	300	840	2,500	3,000	-	163	13	150	-	-	-
#Guatemala	3,630	200	430	1,500	1,500	-	109	9	100	-	-	-
Haiti	200	-	200	-	-	-	25	-	25	-	-	-
#Honduras	6,640	300	840	2,500	3,000	-	160	10	150	-	-	-
Mexico	5,100	-	100	5,000	-	-	30	-	30	-	-	-
#Nicaragua	6,540	200	840	2,500	3,000	-	185	15	170	-	-	-
#Panama	2,080	200	380	-	1,500	-	198	8	190	-	-	-
#Paraguay	8,810	400	410	500	7,500	-	210	20	190	-	-	-
#Peru	20,940	-	940	20,000	-	-	375	-	375	-	-	-
#Uruguay	17,120	600	520	2,500	13,500	-	190	30	160	-	-	-
#Venezuela	16,750	-	750	16,000	-	-	390	-	390	-	-	-
Regional Total	233,500	4,600	11,400	180,000	37,500	-	3,100	200	2,900	-	-	-
General Costs	69,500	37,100	200	-	-	32,200	33,800	23,400	100	-	-	10,300
WORLDWIDE TOTAL	4,960,050	422,800	30,000	2,374,700	265,000	1,867,550	124,900	32,200	7,000	55,500	-	30,200

* Acquisition Value
\# Subject to FAA Section 504(a) (31-country limitation).
a/ $750 million to be non-reimbursable financing.
b/ The amounts for Spain reflect requirements for continuation of prior years' programs. Separate request to be submitted subsequently to reflect results of negotiations.

1/ MAP Grant = Military Assistance Program
2/ Training Grant = Foreign Military Training Program
3/ FMS Credit = Foreign Military Sales Credit
4/ Overseas EDA = Overseas Excess Defense Articles at Acquisition Value

FOREIGN MILITARY SALES AND COMMERCIAL SALES

(DOLLARS IN THOUSANDS)

FOREIGN MILITARY SALES ORDERS (Cash and Credit)					COMMERCIAL SALES (Deliveries)			
Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T	Country	Actual FY 1974	~~Estimate~~ FY 1975	Proposed FY 1976	Proposed FY 197T
				EAST ASIA AND PACIFIC:				
33,419	158,564	50,000	12,000	Australia	5,641	5,500	5,500	1,000
119	30	700	200	Burma	29	30	30	-
95,573	123,145	100,000	25,000	China (Taiwan) a/	8,086	10,000	12,000	3,000
148	48,514	40,000	10,000	Indonesia a/	859	1,500	3,000	1,000
57,931	29,647	50,000	12,500	Japan	58,644	60,000	80,000	20,000
113,121	218,806	80,000	20,000	Korea a/	1,090	500	2,000	600
1,428	4,218	25,000	6,300	Malaysia a/	10,583	5,000	8,000	2,000
5,049	4,156	2,600	500	New Zealand	571	250	250	50
5,593	31,356	25,000	11,700	Philippines a/	1,966	500	2,000	500
12,658	1,480	11,200	2,675	Singapore	723	6,000	6,000	1,500
20,513	11,422	25,000	3,750	Thailand a/	4,315	3,000	4,000	1,000
4	-	-	-	Vietnam	-	-	-	-
345,556	631,338	409,500	104,625	Regional Total	92,507	92,280	122,780	30,650
				NEAR EAST AND SOUTH ASIA:				
-	18	-	-	Bahrain	58	-	-	-
2,623	7,939	2,000	500	India	659	250	200 250	50
3,917,121	2,567,903	2,500,000	625,000	Iran	35,322	100,000	~~1,000~~,000	50,000
2,437,310	868,650	1,000,000	300,000	Israel a/	50,118	150,000	150,000	50,000
61,550	29,583	389,300	96,700	Jordan a/	92	600	800	100
30,400	370,496	150,000	31,000	Kuwait	106	1,000	3,500	800
9,777	295	10,000	2,500	Lebanon a/	575	4,400	6,000	1,500
12	-	-	-	Libya	1,048	4,200	4,500	1,100
8,584	294,876	40,000	-	Morocco a/	38	1,000	1,000	250
2	-	-	-	Nepal	-	-	-	-
-	1,613	-	-	Oman	40	25	40,000 -	-
12,674	37,408	20,000	5,000	Pakistan	1,622	700	750	200
2,539,408	1,373,862	4,000,000	237,500	Saudi Arabia	18,031	10,000	~~5,000~~	-
737	450	15,000	1,200	Tunisia a/	-	500	1,000	250
2,634	372	25,000	1,500	Yemen	-	*	-	-
9,022,832	5,553,465	8,151,300	1,300,900	Regional Total	107,709	272,675	1,708,200	104,250
				EUROPE:				
4,040	6,967	6,000	2,000	Austria	428	400	500	100
10,712	737,937	14,000	4,500	Belgium	12,150	6,000	7,000	200
22,196	367,742	10,000	2,500	Denmark	4,462	3,000	3,500	900

FOREIGN MILITARY SALES AND COMMERCIAL SALES (Continued)

(DOLLARS IN THOUSANDS)

FOREIGN MILITARY SALES ORDERS (Cash and Credit)					Estimated COMMERCIAL SALES (Deliveries)			
Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T	Country	Actual FY 1974	~~Actual~~ FY 1975	Proposed FY 1976	Proposed FY 197T
				EUROPE (Contd):				
12	1	100	-	Finland	471	400	500	100
22,601	4,565	5,300	1,400	France	19,351	10,000	12,000	4,000
225,151	291,698	250,000	62,500	Germany	61,327	35,000	36,000	9,000
449,995	198,575	100,000	25,000	Greece a/	1,686	2,000	3,000	700
-	-	300	-	Iceland	17	-	-	-
16	21	100	-	Ireland	222	-	-	-
48,643	46,219	15,600	1,400	Italy	26,701	25,000	24,000	6,000
21	25	600	-	Luxembourg	1,081	-	-	-
18,207	686,387	45,000	10,000	Netherlands	4,117	5,000	6,000	1,500
51,451	458,931	14,000	4,500	Norway	3,065	3,000	4,000	1,000
2,183	2,456	500	-	Portugal	2,079	800	900	2,400
150,265	52,581	125,000	25,000	Spain a/	24,454	6,000	8,000	2,000
6,974	691	1,000	-	Sweden	9,489	9,000	10,000	2,500
9,366	49,212	40,000	10,000	Switzerland	5,134	5,000	6,000	1,500
17,788	68,964	100,000	25,000	Turkey a/	3,302	2,000	2,000	500
48,867	30,497	75,000	25,000	United Kingdom	17,719	15,000	15,000	4,000
6	257	5,000	1,300	Yugoslavia	324	1,000	4,000	1,000
1,088,494	3,003,726	807,500	200,100	Regional Total	197,579	128,600	142,400	37,400
				AFRICA:				
7,447	28,018	50,000	5,000	Ethiopia a/	46	500	500	150
-	218	-	-	Gabon	2	-	-	-
187	16	200	50	Ghana	1	-	-	-
-	-	8,000	2,000	Kenya a/	1,986	1,700	2,000	500
397	449	900	250	Liberia a/	1	400	400	100
-	148	-	-	Mali	1	-	-	-
8	-	5	-	Niger	-	-	-	-
4,350	4,470	10,000	3,000	Nigeria	2,155	1,000	5-~~8~~,000	1,200
-	-	-	-	Uganda	275	1,200	1,200	300
1,510	1,337	12,000	3,000	Zaire a/	205	1,500	2,000	500
13,899	34,656	81,105	13,300	Regional Total	4,672	6,300	56,100	2,750
				LATIN AMERICA:				
8,618	14,100	40,000	10,000	Argentina a/	1,251	12,000	12,000	3,000
137	920	3,000	1,000	Bolivia a/	158	100	100	-
69,059	27,025	45,000	11,000	Brazil a/	4,002	1,000	1,000	-

FOREIGN MILITARY SALES AND COMMERCIAL SALES (Continued)

(DOLLARS IN THOUSANDS)

FOREIGN MILITARY SALES ORDERS (Cash and Credit)					COMMERCIAL SALES (Deliveries)			
Actual FY 1974	Actual FY 1975	Proposed FY 1976	Proposed FY 197T	Country	Actual FY 1974	~~Actual~~ Estimated FY 1975	Proposed FY 1976	Proposed FY 197T
				LATIN AMERICA (Contd):				
75,104	29,038	30,000	7,500	Chile a/	1,819	1,000	1,000	-
1,090	965	10,000	2,500	Colombia a/	764	500	500	-
-	259	300	100	Costa Rica	46	-	-	-
31	3	1,000	250	Dominican Republic a/	88	-	-	-
-	14,822	15,000	4,000	Ecuador a/	48	1,000	1,000	-
407	319	2,500	700	El Salvador a/	170	200	200	-
1,115	468	1,500	500	Guatemala a/	209	100	100	-
291	84	300	50	Haiti	217	100	100	-
708	282	3,000	1,000	Honduras a/	281	-	-	-
42	71	100	30	Jamaica	32	30	30	30
411	153	2,000	500	Mexico a/	1,167	200	200	-
385	571	2,500	500	Nicaragua a/	187	200	200	-
1,878	258	600	150	Panama	1,773	2,000	2,000	500
12	37	500	100	Paraguay a/	193	100	100	-
46,989	23,599	27,500	7,000	Peru a/	357	500	500	-
1,206	8,208	3,000	1,000	Uruguay a/	210	-	-	-
4,884	33,540	35,000	8,000	Venezuela a/	4,492	3,000	3,000	800
212,367	154,722	222,800	55,880	Regional Total	17,464	22,030	22,030	4,330
107,621	102,126	100,000	25,000	Canada	78,738	80,000	75,000	20,000
18,159	30,695	-	-	International Organizations	1,210	-	-	-
10,808,926	9,510,727	9,772,205	1,699,805	WORLDWIDE TOTAL	499,879	601,885	~~2,126,510~~ 781,110	199,380

* Less than $500.

a/ Credit available for FMS and/or Commercial Sales in FY 1974 and FY 1975 and proposed for FY 1976 and FY 197T.

STRENGTHENING OF KOREAN SUPPORT

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

I hope before we have concluded these hearings, we will have established the need for us to strengthen our position in support of the Korean Government rather than diminish it.

As we read the history of Vietnam, had we insisted that this country maintain better discipline, the Communists probably would not have infiltrated into important positions in the Government.

I think the record is abundantly clear, we were a little lax in Vietnam; the Communists infiltrated and got into important positions.

If we allow that to happen in South Korea, we could be in trouble in that country. I wouldn't like to use names at this time, but we have a very important Ambassador who, over the weekend in New York, indicated that he would endorse withdrawing all troops from Korea. A man advocating that certainly shouldn't be in that high position.

Mr. CLEMENTS. Mr. Chairman, I think we need to respond that we agree with your sentiments with respect to the assistance to Korea and how we should help these people. All three of us have been in Korea during our tenure here in Washington, and we endorse the relationship that we have with Korea. This, of course, parallels and is in support of the administration's position in Korea.

Mr. PASSMAN. I hope before we conclude these hearings that we will give good and sufficient reasons why we should have a strong position in favor of Korea.

In fact, we have two friends left in that part of the world after spending about $250 billion.

These friends would be Taiwan and Korea. Korea means no more to me than any other country, but those people do support us when we need them. That was clearly demonstrated during the conflict in Vietnam.

I shall, at the proper time, have a lot to say about Korea and what it means to the United States in that part of the world.

MILITARY ASSISTANCE REQUEST

I think we should make a complete record of your request. As we read it in the newspapers—and I am not criticizing the press now—it would indicate that your request is far in excess of the fiscal year 1975 level.

The military assistance program portion of your request is $718,400,000, of which $323,900,000 represents reimbursements to the Defense Department for expenditures we made in Cambodia. Is that the fact?

General FISH. Yes, sir, that was called down under authority of section 506.

Mr. PASSMAN. Let us be factual in the record so people will not gain the idea that you are asking for $718,400,000 for fiscal year 1976. Of this amount, $323,900,000 is to reimburse DOD for equipment that has already been utilized.

General FISH. Yes, sir, Mr. Chairman. It is for past assistance rather than future assistance.

Mr. PASSMAN. So your request for new budget authority for MAP in this bill is only $394,500,000?

General FISH. That is correct.

Mr. PASSMAN. In addition, of course, is the military training program which is $30 million.

General FISH. Yes, sir, a different title. That is right.

Mr. PASSMAN. Even so, if we put the training back in the military assistance program your fiscal year 1976 request is still $50 million below your fiscal year 1975 approved Military Assistance Program.

General FISH. It is a statement of fact.

Mr. PASSMAN. Also include the $27.2 million for the transition period for MAP and $7 million for the transition period for the training program.

General FISH. That is for fiscal year 197T, as we call it.

Mr. PASSMAN. Under the rules of this committee, each member first has 5 minutes. A good witness can take the entire 5 minutes to answer one question. Keep in mind that the other members have questions and please be brief.

Later each member may take all the time he needs.

COUNTRIES RECEIVING AID

How many nations will get some type of foreign military assistance in fiscal 1976, either credit sales, military training, or grant aid?

General FISH. It is 22 countries for military assistance program materiel or, in the case of four countries—China (Taiwan), Spain, Tunisia, and Yemen—supply operations only. We have an additional number for training only.

Mr. PASSMAN. Give the grand total.

General FISH. I believe the correct number is 45, receiving some form of grant aid.

Mr. PASSMAN. Put it all together.

General FISH. I haven't the details broken out that way, sir.

Mr. PASSMAN. It is in the forties if you pick up military credit sales, grant aid, and the military training program? Is it not about 44?

General FISH. The total number of countries for which FMS credit, MAP grant aid, or training on a grant basis proposed for fiscal year 1976 is 46.

Mr. PASSMAN. How many suicides would there be in the Department if we cut it down to about 15 for you and wrote it into the legislation?

When you train these people, the next thing they want is guns. Mr. McNamara used to say, "Oh, no, if you train them, that is that." But you don't train these people to use firecrackers; you train them to use these weapons. When you train them, the next thing they want is weapons. Is that not true?

General FISH. In the past it has gone the other way. We have had grant aid programs which involve training only and after a period they transition to credit sales, to cash, but the training goes on.

Mr. PASSMAN. Also, of course, grant aid too, is that not true?

General FISH. But the progression is grant aid, credit sales to cash, with training continuing, and the reason it continues is that that is the expertise we have and even if we are selling equipment for cash, we still have to provide the expertise on how to operate the equipment.

Mr. PASSMAN. I am advocating you get away from training people. Let them get their minds on something other than fighting wars,

whether external or internal. We are not foolish people, General Fish.

You know very well that we go ahead and permit these people to utilize their own resources and buy military equipment, then we give them grant economic assistance to fill the vacuum caused by the military expenditures. What difference does it make whether you give them grant aid in military or whether it is credit sales? They take the money they earn from their resources to buy this equipment and then we turn around and reimburse them in the form of economic aid.

LATIN AMERICA

In Latin America, look at the number of nations buying military equipment. They are buying this equipment from the United Kingdom, West Germany, Italy, the Netherlands. I prefer if they are going to spend their money, they spend it in the United States. We have a fantastic aid program, bilateral or multilateral, for these Latin American countries.

We say they are spending their money for military equipment. That's fine, but we turn around and reimburse them in the form of economic assistance. That is a record and you can't change it, whether you agree with me or not. We have a fantastically high AID program going on in many of these Latin American countries.

General FISH. I would question that. It is true that there is security supporting assistance in some countries that would make your case in an individual country, but not generally. The vast majority of cash sales have to do with countries where the largest dollar volume are ones where we have no assistance program whatever.

Mr. PASSMAN. You have a grant aid program in every Latin American country. These people do take their resources and pay cash, do they not, for military equipment they buy from the Netherlands, West Germany, France, the United Kingdom and other countries?

General FISH. Some of them, yes, sir.

Mr. PASSMAN. A lot of them. We have a very high aid program going in these countries.

Do you realize the Inter-American Development Bank alone this year is requesting $275 million? The International Development Association has requested $375 million for fiscal year 1976. So, if you will check, you will find there are 27 different spigots to this foreign aid program. If you put all the pieces together, we have before this committee for consideration. if we include Public Law 480 and student loans, approximately $15 billion in requests for fiscal year 1976.

General FISH. Yes, sir, I agree with everything the chairman says, but I would point up, the large part of the cash sales go to Western Europe and countries in the Middle East like Saudi Arabia, Kuwait, and Iran, where we don't have such programs. In the case of South America, you are correct.

Mr. PASSMAN. We will get into this in great detail. I think the time has come for us to be forthright and recognize this for what it is.

If we are going to have large grant aid programs for some of our friends in Latin America, if we are going to have these large bilateral and multilateral programs, and if we are going to permit them to take their resources and buy from other countries, we might as well let them buy from us. We ought to stop kidding ourselves.

I think you know very well there is a business approach to it. I hope we can establish at the conclusion of the hearings that we had better have a close look at this situation or completely write these countries out of any type of grant aid as long as they are going to spend their resources and pay cash for military supplies and equipment that they buy from our competitors. Mr. Shriver?

REDUCING MILITARY ASSISTANCE

Mr. SHRIVER. Last Friday, when the Secretary of State appeared before this committee, he strongly insisted that if cuts are made by Congress in the security supporting assistance request, such cuts should affect programs other than the Middle East.

Would you suggest the same priorities in regard to military assistance and credit sales programs?

Mr. CLEMENTS. Yes, sir, I certainly would.

Mr. SHRIVER. If so, where would you cut? Thailand, Taiwan, Greece, Turkey, Korea?

Mr. CLEMENTS. I would, of course, prefer not to cut it at all.

Mr. SHRIVER. But we have always done some reducing on this committee and, even before it gets to this committee, by the authorizing committee. I know of no time in the 10 years I have been sitting here that we haven't cut these back.

Mr. CLEMENTS. Mr. Congressman, I would like to take it on a case-by-case basis and review it with that in mind, which I certainly have not done at this point.

I want to emphasize the importance that we all put on the general region of the Middle East. We should not cut there. We have certain grant programs; we have certain credit programs, particularly with respect to Israel, that should be continued, and we certainly have outstanding and long-term programs with other countries that General Fish has mentioned in the middle eastern area which are for cash. In order to achieve the kind of stability that we all want in that general region, we should not disturb these programs.

If we have to reduce some of the other programs, I would want to consider that on a case-by-case basis.

Mr. SHRIVER. I think it might be appropriate. For this fiscal year alone, we are facing a deficit of over $70 billion.

Mr. CLEMENTS. At the same time, I think that I am hearing you correctly. We need to assign priorities in certain programs. The chairman has already mentioned as an example Korea, and certainly Korea would have a very high priority with the Department of Defense.

Mr. SHRIVER. I would think so, especially when you consider Korea's location.

GREECE AND TURKEY

This request includes large sums for military aid to both Greece and Turkey. What is the present relationship between the two?

Mr. CLEMENTS. Mr. Congressman, in short, our relationships are improving in both instances. We are trying to make headway in both Greece and Turkey. We are having some problems in Turkey that perhaps are being overemphasized from a problem standpoint. I like

to think, and am somewhat optimistic, we are making progress and it will take us a while to get there.

I don't think we are going to reestablish the relationship that we had previously in a short time. It is going to take us a while to recover from the shock that went into that relationship due to the embargo.

Mr. SHRIVER. Perhaps you could tell us about the progress made in negotiating the dispute relative to Cyprus.

Mr. ELLSWORTH. I cannot report any progress. I think we all still believe and certainly hope that the two sides will be able to make progress in resolving those issues in Cyprus but I can report nothing today.

ARMS SALES TO ISRAEL

Mr. SHRIVER. Are there any other countries furnishing arms sales to Israel?

Mr. CLEMENTS. On a current basis, I can recall none but in the past they have bought some arms from European suppliers, particularly the French.

Mr. SHRIVER. Why not? Instead of relying entirely upon us.

Mr. CLEMENTS. There are several good reasons why not. In the first instance, you have one of commonality and standardization and certainly it is in the interests of Israel, as long as they can obtain what they need from us within a reasonable time frame, they are much better off to have a standard set of tanks, a standard set of planes, a standard set of inventory in their warehouses from a support standpoint than it would be to have a great proliferation of different kinds of equipment coming from different countries which would certainly complicate their support facilities. There is a very good reason why they would want to concentrate.

Mr. SHRIVER. That is true with regard to arms sales anyplace.

Mr. CLEMENTS. You asked about Israel and this is certainly true in the Israeli situation.

In the past probably their situation might be considered a little more critical than some of the other regions or areas around the world.

Mr. SHRIVER. I don't believe I ever saw the final breakdown on how the $2.2 billion in emergency aid to Israel after the last war was divided between grants and loans. Do you have that?

General FISH. $1.5 billion was forgiven; the payments were forgiven. It breaks down, $1.5 billion as not requiring repayment, and $700 million as requiring repayment.

Mr. SHRIVER. Would you break down for us what is entailed in the $50 million request for the Middle East special requirement fund?

General FISH. That is not in the funds we are prepared to justify. That is supporting assistance which AID administers. We do not administer those funds so I don't think we are qualified though there has been testimony provided on it to another committee.

MILITARY AID AS DETERRENT

Mr. SHRIVER. Mr. Clements, you say that this military aid program serves to reduce the likelihood of U.S. military involvement in crisis

situations. That is a hard relationship for many Americans to understand. Would you expand on that rationale?

Mr. CLEMENTS. Congressman Shriver, as you are aware, the purpose of U.S. military security assistance is the strengthening of the armed forces of our friends and allies by providing that equipment, service support, and training they need in order to establish and safeguard their internal stability and for their legitimate self-defense to withstand the threats to their national and regional security. As we are successful in accomplishing this, that is to say, as individual countries, through their own budgetary efforts and through U.S. grant aid or foreign military sales, attain the necessary force structure to defend themselves and to participate in regional mutual defense arrangements, the likelihood of U.S. forces being involved in crisis situations in these countries or regions is reduced.

PERCENT OF U.S. ARMS AS WEAPONS

Mr. SHRIVER. Would you provide for the record some facts and figures to back up your observation that less than half of the total arms sales by the United States on a worldwide basis actually represent weapons placed in the hands of troops? We need to know how much of the remainder is for training, and so forth.

Mr. CLEMENTS. Yes, sir.

[The information follows:]

	Cumulative fiscal year 1950–75 (thousands)	Percentage
Total worldwide	$44,027,961	100.0
Total weapons and ammunition	18,875,867	42.9
Combat aircraft	9,246,462	
Combat ships	2,274,934	
Combat vehicles	2,502,626	
Weapons	350,683	
Ammunition	2,445,490	
Missiles	2,055,672	
Total spare parts	8,924,307	20.3
Aircraft modifications and spares	5,428,189	
Ship spares (including ship cost sharing)	391,250	
Weapons spares	411,420	
Automotive supplies and equipment spares	59,245	
Missile modifications and spares	2,373,815	
Communications equipment spares	260,388	
Supporting equipment	5,695,943	12.9
Other aircraft	2,133,138	
Other ships	37,191	
Support vehicles	497,639	
Communications equipment	1,065,426	
Other equipment and supplies	1,962,549	
Supporting services	10,123,041	23.0
Construction	4,638,290	
Repair and rehabilitation	619,777	
Supply operations	1,429,974	
Training	1,143,332	
Other services	2,291,668	
Undefinitized	408,803	.9

U.S. FIRMS TO EGYPT

Mr. SHRIVER. When Mr. Sadat concluded his visit to this country recently, it was strongly indicated that future desires by his country for purchases of military equipment from the United States would be considered by the administration. The comments I read by administration spokesmen were quite positive in this regard, and the only holdup seemed to be that it was not the right time to ask Congress. First, when might you expect Egypt to request such sales? Second, what is the expected nature of that request? Third, what arrangements has Sadat made with our European allies to purchase arms?

Mr. CLEMENTS. President Sadat has, on a number of occasions, indicated a desire to purchase military equipment from the West and to decrease his dependence upon the Soviet Union for such equipment. He did not, however, present a "shopping list" of military equipment during his recent visit to the United States. You should be aware that a number of U.S. firms have applied for export licenses to sell their products in Egypt. These products range from such things as trucks and construction equipment to aerial reconnaissance cameras and are all commercial initiatives. Egypt has not, at this time, been made eligible for the U.S. foreign military sales program. Mr. Sisco, in his November 5 news briefing, noted that this issue would ultimately have to be addressed, although no timing has been established. For example, I would expect that Egypt might seek to purchase training quotas at various service schools.

I could not comment upon any arrangements that President Sadat made with our European allies although we are aware that the Egyptians have purchased Mirage aircraft from France.

Mr. SHRIVER. To follow up on that, it would seem, at least on the Egyptian front, that we are entering a period in which we and/or our allies will be arming both sides of the conflict in the Middle East. We also provide arms to Jordan under this request, and Jordan has recently improved its relations with Syria. Do you see our increasing role as a plus, or are we just getting ourselves more involved in obligations over which we do not have control over how these arms are used?

Mr. CLEMENTS. On balance we believe our increasing role serves both our own national interests and the interests of peace in that area. A real and perceived balance of military forces on both sides is an essential prerequisite to a negotiated settlement of the issues between the parties and our involvement with those parties is continuously reviewed in light of its impact on that balance. We believe that this U.S. involvement provides us a greater capability to play a useful role in the resolution of the issues.

EXTERNAL THREAT TO ZAIRE

Mr. SHRIVER. Is there any external threat to Zaire which led you to request this $19 million in credit sales?

Mr. CLEMENTS. The most immediate external threat to Zaire is the current instability in the area, primarily in neighboring Angola with which Zaire shares a 1,600-mile long border and close to which lie the major elements of Zaire's economic infrastructure—its ports, hydro-

electric facilities, and principal mines. Prospects for a protracted period of fighting in Angola, regardless of the power base of the eventual government, are strong. Moreover, strong tribal ties that cross country borders and refugee groups provide additional sources for potential unrest. The Marxist MPLA nationalist group in Angola, which is hostile to Zaire, has received large quantities of relatively sophisticated arms from the Soviet Union and Cubans to service them.

Additionally, several of Zaire's neighbors provide safe havens for dissident groups who seek to overthrow President Mobutu's government.

POLITICAL SITUATION IN ETHIOPIA

Mr. SHRIVER. What is the political situation now in Ethiopia? The unclassified version of the justifications state that the "residual" U.S. communication functions being performed at Kagnew are of continued importance. Didn't the new Government of Ethiopia ask us to remove that facility? What are its residual functions?

Mr. CLEMENTS. Ethiopia is still being ruled by a provisional military Government. The Government is beset by problems including internal harassment from several insurgent groups. There are indications that changes may be taking place in the Government but the exact situation is unclear.

NATO AID TO TURKEY

Mr. SHRIVER. To what extent have our NATO allies picked up the slack in arms provided to Turkey caused by the recent embargo of U.S. shipments?

Mr. CLEMENTS. Allied contribution has been necessarily limited. A significant proportion, on the order of 90 percent, of Turkish defense items are of U.S. origin. Sale of these items to Turkey by a NATO country which has produced the items under license requires U.S. approval, which was prohibited under the embargo.

U.S. ROLE IN PACIFIC

Mr. SHRIVER. The President's message to Congress regarding this request states that our friends in east Asia "are anxiously awaiting evidence that the United States intends to maintain its stabilizing role in Pacific affairs." What does that mean? What are we stabilizing?

Mr. CLEMENTS. I would like to answer your second question first. One overall purpose of our national defense strategy and posture is to create an environment of international equilibrium or stability in order to minimize the likelihood of conflict. The policies we adopt and the actions we take in east Asia must be viewed as a part of this overall effort. In this regard, the fall of Indochina after many years of American involvement inevitably has caused our friends and allies in Asia to reconsider the extent to which they could depend on the United States for support in the future. At this point, it is important, both to these allies and to the United States, that we demonstrate our continuing resolve to play a major role in helping to maintain Asian security and stability. If we fail to do so, our potential adversaries may attempt to exploit the situation to our detriment—politically, economically, and even militarily—and create a dangerous disequilibrium which could have worldwide consequences.

MAP RECOUPMENTS

Mr. SHRIVER. Where do you get this $28.3 million in recoupment funds which is available for use in addition to the appropriated funds for the military assistance program?

Would you also explain to us this $323.9 million you will have available for MAP from paybacks under section 506 contract authority?

Mr. CLEMENTS. The $28.3 million does not represent only recoupments. Included in that figure in addition to recoupments are reimbursements and reappropriations. Recoupments result from adjustments made to prior year programs as they are closed out. It is in effect the net difference between all the cost increases and cost decreases that occurred for any reasons as the program was being implemented. This net difference over the years has normally been a minus figure or a recovery of funds obligated in prior years. Reimbursements represent the proceeds generated through the disposal of excess and obsolete MAP-owned equipment. Reappropriations are essentially unobligated balances from 1 fiscal year that become available for obligation in the succeeding year.

A breakout of the $28.3 million follows: Recoupments, 19.0; Reimbursements, 7.0; Reappropriations, 2.3.

The $323.9 million that will be available will be used to reimburse the military departments for service-owned stocks that were delivered to the MAP program during fiscal year 1974 and fiscal year 1975 and for which the military departments have undertaken replacement procurement in anticipation of reimbursement under section 506. Failure to make these funds available in fiscal year 1976 will have a serious impact on the readiness posture of the U.S. Army and/or result in one or more violations of the Anti-Deficiency Act, section 3679.

PERSIAN GULF STABILITY

Mr. SHRIVER. You mentioned in your statement some regional and extraregional threats to the stability of two critical Persian Gulf countries as the justification for U.S. arms sales. What are those two countries, and what is the nature of the regional and extraregional threats they face?

Mr. CLEMENTS. The two countries are Saudi Arabia and Iran. The primary threats to Saudi Arabia originate from the People's Democratic Republic of Yemen (PDRY) in the form of border incidents and from Iraq in the form of subversive activities. The PDRY is a Marxist state supported by the U.S.S.R. It has a history of subversion and support for insurgencies against its neighboring states like North Yemen and Oman, and has backed a subversive organization with goals to overthrow the governments of the Arab States of the Gulf. Iran also is concerned by these PDRY efforts, which could threaten loss of control over the vital straits into the Gulf. Iran, of course, has ample reason to distrust the Soviet Union, based on Soviet occupation of portions of Iran after World War II and Soviet support of the radical Tudeh party's efforts to take control of the country in the early 1950's. Both Saudi Arabia and Iran, despite the recent Iranian-Iraqi border settlement, distrust the Communist-backed regime in Iraq; Iraq has sponsored various dissident anti-Saudi and

anti-Iranian groups as well as supported subversion in the Gulf states. Both Iran and Saudi Arabia are also concerned over long-held Soviet ambitions to attain access to the Indian Ocean, over Soviet activities in the Horn of Africa, and over instability in Ethiopia. There is a growing awareness in Saudi Arabia of not only the enormous value of their oil reserves, but the vulnerability of this resource and the facilities associated with its processing to sabotage, terrorism, and military attack. Finally, in the broader strategic context, Saudi Arabia's strong anticommunist stance, coupled with an improved security posture, strengthens resistance to the expansion of Soviet influence in the northwestern Indian Ocean area. Although Saudi Arabia is at this time not concerned about a direct Soviet military threat, its vast economic resources make Saudi Arabia a tempting target for hostile powers, and the Saudi leaders clearly take this into account in their defense planning.

FMS AS A SOURCE OF RECOUPMENT

Mr. SHRIVER. Mr. Clements, give us some examples of how this program has helped to provide lower unit costs for the items provided to our own Armed Forces.

Mr. CLEMENTS. Yes, Congressman Shriver. Production for the foreign military sales program, including both cash and credit sales, helps us to maintain a mobilization base by helping to avoid idle or underutilized capacity, and to maintain total production above domestic requirements. Without these export sales, for example, the guided missile division of General Dynamics would have had to interrupt production lines for the Redeye launcher and standard missile. The cost of a break in production of the missile of 3 months has been estimated at $2.5 million; a break of 6 months would cost $8.9 million. Thus, without export sales, U.S. defense procurement would eventually have to bear the burden of the added costs as well as suffer the time lost in restarting production. Likewise, in recovery of research, development, testing and engineering of new aircraft systems involved in foreign purchase agreements, the U.S. charges $207,000 per unit for F–5F aircraft, $1.6 million per unit for F–15 aircraft, and $2.2 million per unit for the F–14 aircraft. If foreign sales recovery was not involved, the entire R. & D. cost would be borne by the U.S. taxpayer. Currently, we expect that the total sales of F–16 aircraft, to include USAF, four country European consortium and third country sales, will reach and possibly exceed the 2,000 aircraft figure at which point the F–16 aircraft and engine nonrecurring R. & D. investment will have been recovered. We can expect then to have recouped nearly $700 million.

STOCKPILE OF WAR RESERVES—NATO

Mr. SHRIVER. You mention your problems with section 514 of the authorizing legislation, and that is something you are taking up with the authorizing committees. Would you comment further on the possibility of agreements with NATO allies wherein we would offer to stockpile war reserves of "certain items" for them in return for their

assuming "certain other parts of the total NATO defense and support burden"?

Mr. CLEMENTS. We do not have agreements with the NATO allies under which we stockpile war reserves for them in exchange for their assuming other functions. However, we have undertaken discussions with the allies aimed at identifying various actions which could be taken on a quid pro quo basis as part of our overall effort to encourage rationalization of common defense efforts throughout the alliance. We believe it would be useful, under some circumstances, to have the flexibility to propose U.S. stockpiling of certain items in return for some reciprocal action to improve overall defense effectiveness within existing resources.

U.S. MILITARY EXPORTS AND BALANCE OF PAYMENTS

Mr. SHRIVER. Would you provide for the record the balance-of-payments effect in the last several years of U.S. military exports, regardless of how they were financed?

Mr. CLEMENTS. Only those parts of total military transfers that are not grant aid—that is, MAP and MASF plus FMS for which payment has been forgiven—have a positive effect on the overall U.S. balance of payments and help to offset the foreign exchange cost of U.S. defense expenditures abroad entering the international balance of payments, as summarized in the following table.

	Fiscal year—				
	1971	1972	1973	1974	1975
	Billions of U.S. dollars				
U.S. total exports of goods and services	64.0	67.0	85.0	125.0	148.0
U.S. defense expenditures entering the international BOP	4.8	4.8	4.6	4.7	5.1
	Millions of U.S. dollars				
Total FMS deliveries	1,327	1,187	1,393	[1] 2,132	[2] 2,979
Commercial arms exports [3]	397	423	381	542	[4] 650
Total nongrant deliveries	1,756	1,643	1,774	[1] 2,674	[2] 3,629
Total nongrant deliveries as a:					
Percent of total economic exports	2.7	2.5	2.1	2.1	2.5
Percent of defense expenditures entering IBOP	36.4	34.5	38.4	56.9	71.2

[1] Excludes about 80 percent ($787,000,000) of FMS exports to Israel in fiscal year 1974 ($984,000,000) for which payment has been waived in legislation. The balance of the $1,500,000,000 in FMS deliveries to Israel for which payment is forgiven will appear in data for deliveries after fiscal year 1974.

[2] Excludes about $460,000,000 in FMS deliveries to Israel in fiscal year 1975 for which payment has been waived by legislation.

[3] Includes an additional 8 percent of recorded commercial exports to cover packing, crating, handling, and transport (P.C.H. & T.).

[4] Preliminary estimate of commercial arms exports during fiscal year 1975.

Mr. PASSMAN. Mr. Roush?

Mr. ROUSH. Thank you, Mr. Chairman.

Mr. Secretary, I guess that which bothers me the most in this request is the fact that we are giving military assistance of one sort or another to countries which seem to be continually at odds with each other. There is military assistance to Turkey and military assistance to Greece of one sort or another. It might fall either in credit sales, military assistance, or training.

MILITARY ASSISTANCE TO COUNTRIES IN CONFLICT

I am not sure but what there is something here for India and Pakistan. El Salvador and Honduras. Israel and certain of the Arab countries. I wonder how you justify giving military assistance of one form or another to countries which seem to be habitual enemies to one another and how that promotes the cause of peace.

Mr. CLEMENTS. Mr. Congressman, I would first have to preface what I am going to say in a philosophical sense. Certainly if we can in some instances, as we have recently done in the Middle East, act as an intermediary, or a mediator, and bring about a sense of stability and accommodation between these historic rivals and enemies, I think we fulfill a good mission; and certainly in the instance of Turkey and Greece or some of the others you have mentioned that have historic conflicts, these have gone on for literally hundreds of years.

I don't think, and I don't think that you think, we are suddenly going to get into a quick fix, where this year we cure a problem that has existed for 400 or 500 years, but if we can put ourselves in the position of a common friend or ally between these two disputing parties, I think that we can play a good role, and it is in our interests to do so.

Mr. ROUSH. At that point I wanted to interrupt and say it seems to me to arrive at this accommodation, that every time the Secretary of State goes abroad or every time the President goes abroad, in order to arrive at this accommodation, they take the American taxpayers' pocketbook with them, and that is what we rely upon to achieve that accommodation.

I find it difficult to understand this. Pardon me for interrupting. Go ahead.

ROLE OF WORLD LEADERSHIP

Mr. CLEMENTS. As a fellow taxpayer, I have some of the same pains that you do. At the same time I say that, I think in the role of world leadership, which has been thrust upon us, particularly since World War II, we do have a role to play in this regard, and I don't think we can just walk away from our responsibilities in this regard. I think this has been ably demonstrated by this country, as represented by Secretary Kissinger in his recent role in the Middle East where he has negotiated at least a beginning of stability between Israel and Egypt, and I am optimistic enough to think that in due course, there will be further accommodations between Israel and Syria, or Israel and Jordan, on the other outstanding issues in that area.

So we have a role to play and if, at this point in history, we have to encourage these people to walk down the path with us by some assistance, or some sales, or some credit, I am not sure that this is wrong. It is a reasonable program, and in various other parts of the world I think that we have accomplished our purpose. I would hope that we can do it there.

Mr. ROUSH. As I said the other day, I try to be reasonable on these things. Some of them I wish I could support, but when people bring forth a foreign aid bill which is approximately $5 billion, and as the chairman says, the total amount would be much, much higher than

that and at the same time the President is asking us to tighten our belts here, I don't understand how you or the Secretary or the President of the United States would expect the people of the United States to understand and to accede to what I think are extravagant demands. When people ask you and others how you would want to proportionally distribute that which we do give you, I think you should think very seriously about it.

Mr. Chairman, I have to go and vote.

Mr. PASSMAN. Gentlemen, it has been my privilege to chair this committee for 21 years. I recall very well back in 1948 when we started this foreign aid program. Those who testified for it were the older members well fortified with seniority. They walked into the well of the House and addressed the Chair and said, "Mr. Speaker, we are now embarking upon a program that could conceivably take us into 17 foreign countries of the world; the cost may reach $15 billion, and it may require 5 years to complete the program."

This program, as you well know, was concerned only with the area of Europe. Foreign aid for other parts of the world began later.

COST OF FOREIGN AID PROGRAM

Let's review this program. Not $15 billion. The actual cost of foreign aid, not including expenditures carried in the Defense Department budget, has been over $280 billion. If you add to that the military expenditures—I am not criticizing, I am making a statement of fact—and put it all together, almost half a trillion dollars has been spent on foreign aid, now, not 17 nations. We have moved this foreign aid program into 128 nations of the world, and 8 territories on top of that.

Now, not 5 years. We are now in the 27th year and going strong. Your true request for foreign aid and assistance, all spigots for fiscal 1976, is in the neighborhood of $15 billion.

Let's stop kidding ourselves. Your first obligation, Mr. Secretary, is to your own country, isn't that correct?

Mr. CLEMENTS. Yes, sir.

Mr. PASSMAN. I think we all agree we are going to have to borrow this money, are we not?

Mr. CLEMENTS. Yes, sir.

Mr. PASSMAN. And we are going to have to pay about 6.5- to 7-percent interest, in all probability, to borrow this money. We are contributing to many international organizations where there is no system for any of it ever to be paid back to the U.S. Treasury.

Take, for instance, the IDA. They want $375 million this year. We turn it over to an international organization. We know not when, where, how much, or to what country the money goes.

Even though we pay 6- or 7-percent interest to borrow the money to give to them, they have terms of 50 years with no interest during the entire 50 years. Then they have a 10-year grace period, and in the second 10 years they only pay 1 percent on principal, and three-quarters of 1-percent service charge is the maximum we charge those people. Do you have a military assistance program for Indonesia and Thailand for fiscal year 1976?

Mr. CLEMENTS. Yes, sir.

RECORD IN CALENDAR 1974

Mr. PASSMAN. All right. Now, let me look at the record in calendar 1974. We had a balance-of-payments deficit of $18.1 billion, running it up to $110 billion since 1950.

Indonesia is waxing fat in wealth. A very poor country as we all agree. Do you realize on December 31, 1974, Indonesia had a $1,492 million surplus in their foreign exchange account because of the tremendous amount of revenue pouring in from copper and petroleum exports?

In Thailand, those people are waxing fat in wealth by their standards. We are supposed to have our aid program off 16 years ago, but we got back into Thailand with another aid program.

They had $1,855 million surplus in their foreign exchange account last year. A few years ago, President Johnson, in an attempt to make our balance-of-payments situation look better, sent a representative to Thailand to borrow $250 million. They initially refused to make us a loan. We finally compromised, and we borrowed $100 million cash from Thailand. Terms? They were 4.5 years; rate of interest, 6 percent. This is the record.

I can go along with you and will go along with you on countries like Korea, which would absolutely collapse if we didn't furnish them military assistance. They are our friends. But you cannot justify, gentlemen, borrowing money, when we are not sure how we are going to pay it back, and give it to these countries with large surpluses in their foreign exchange account. I don't know. We have lost control of this thing. I don't know whether I have the capacity, patience, and time to ever get the entire story over.

I will now yield to Mr. Long.

Mr. LONG. For fiscal year 1975, the Defense Department estimated that foreign military sales would be $3.3 billion. They turned out to be $9.3 billion. I wonder whether your current estimate is going to be more accurate than that?

General FISH. Sir, the question was—where was the first figure from?

FOREIGN MILITARY SALES

Mr. LONG. In fiscal 1975, you estimated foreign military sales would be $3.3 billion. According to my records, they turned out to be $9.5 billion. In other words, they turned out to be three times what you estimated they would be.

Mr. CLEMENTS. Mr. Congressman, I believe you are talking about what deliveries actually were, billed deliveries, versus what we actually sold for future deliveries.

Mr. LONG. Your documents say "Estimated fiscal 1975, $3.3 billion."

Mr. CLEMENTS. When was that made?

Mr. LONG. This was given in your fiscal year 1975 justification.

General FISH. Sir, the hearings will show that the estimates were on the order of $7 to $8 billion. You are painting a moving train. Those documents are prepared well in advance. We did update that for the hearings themselves, and there is an anomaly here. There has been for

a number of years an arrangement, a separate arrangement with Saudi Arabia——

Mr. LONG. Over what period was that updating? How many months elapsed from the time this estimate was made and printed and your update?

General FISH. I will have to reconcile it for you and I will be happy to, Mr. Long, but it is explainable. We are going from lower estimates to higher estimates because there has been a large increase.

There is one other factor that enters into it and that is that previously the construction, both civil and military construction for Saudi Arabia, was handled in a separate agreement and those statistics did not enter into what is before you.

Mr. LONG. You can put more of that in the record.

[The classified information was provided for the committee.]

Mr. LONG. I hope your estimates for this year won't turn out to be as different from the actuality. Of course, there is always an explanation.

General FISH. We have high confidence in those figures this year.

CONSTRUCTION, COMMUNICATIONS SYSTEM, TRAINING

Mr. CLEMENTS. Mr. Long, I think the record should indicate that over the period of the next 5 years we would anticipate an average foreign military sales of approximately $10 billion.

Mr. LONG. That bothers me very much. I think we are selling too much to the world.

General FISH. Sir, at that point I think it is important to point out—you say it bothers you——

Mr. LONG. We are selling more arms than all the rest of the world put together.

General FISH. That is the important thing. Forty percent is arms. Sixty percent is construction, communications systems, training. They are not all arms.

Mr. LONG. What does that have to do with it?

General FISH. It is not $10 billion of arms, sir.

Mr. LONG. You can't fight without training. I think the chairman is absolutely right on that. They are both part of the whole picture. We are selling to the world a greater capacity to wage war—if you want to use that term—than all the rest of the world put together. I am sure that what the rest of the world is selling includes training too.

General FISH. It goes beyond training and military capabilities. In the foreign military sales is also included development. Airfields are also used for civilian purposes. Ports are also used for civil purposes.

Mr. LONG. You don't deny that the overwhelming mass of this is for military purposes?

General FISH. Yes, I do.

Mr. LONG. You do?

General FISH. Yes, sir.

Mr. LONG. Put an explanation of that in the record. Make it a good one, please, General. I find your point a little hard to accept.

[The information follows:]

The total foreign military sales for fiscal year 1974 of $10.8 billion is not $10 billion of arms. The detailed distribution by category is as follows:

	Amount (thousands)	Percentage
Total worldwide	$10, 808, 926	100.0
Total weapons (all items marked 1)	4, 851, 214	44.9
Total spares (all items marked 2)	1, 681, 414	15.6
Other defense articles (all items marked 3)	1, 063, 315	9.8
Defense services (everything else)	3, 020, 577	27.9
Undefinitized	192, 406	1.8
Combat aircraft—1	2, 347, 846	
Other aircraft—3	281, 816	
Aircraft modifications and spares—2	1, 116, 410	
Combat ships—1	850, 159	
Other ships—3	8, 356	
Ship spares (including ship cost sharing and spares)	87, 448	
Combat vehicles—1	811, 745	
Support vehicles—3	256, 994	
Weapons—1	36, 728	
Weapons spares—2	51, 889	
Automotive supplies and equipment spares—2	30, 337	
Ammunition—1	522, 060	
Missiles—1	282, 676	
Missile modifications and spares—2	355, 497	
Communications equipment—3	172, 813	
Communications equipment spares—2	39, 833	
Other equipment and supplies—3	343, 336	
Construction	1, 857, 598	
Repair and rehabilitation	70, 075	
Supply operations	355, 133	
Training	149, 212	
Other services	588, 559	
Undefinitized	192, 406	

RESPONSE TO U.N. VOTE ON ZIONISM

Mr. LONG. You are proposing $622 million in military aid—including grant aid and training, foreign military credit sales, and gifts of excess defense articles—to those countries that voted against the United States in the recent United Nations vote equating Zionism with racism. These countries are increasingly hostile to us and hostile to our allies. I am asking why we shouldn't cut our proposed military aid to those countries in view of this type of behavior in the United Nations?

I might tell you I have a very large number of constituents who are thinking that we ought to be getting out of the U.N. altogether in view of this type of demagoguery. It hasn't become the kind of an organization that we feel comfortable with any more.

Mr. ELLSWORTH. That resolution in the U.N. and the votes that carried the resolution are indefensible in our view.

Mr. LONG. And you don't think we ought to respond in any way?

Mr. ELLSWORTH. I think we ought to respond, but I am not prepared today to spell out precisely what our response ought to be. I think it ought to be a strong response——

Mr. LONG. Could you develop such a response and put it in the record? I think it would be very useful.

Mr. ELLSWORTH. Mr. Long, we don't have the responsibility for deciding that, but the administration, I am sure——

Mr. LONG. We would like to have your advice and feelings on the matter.

[The information follows:]

Bearing in mind that the responsibility for an administration response to the U.N. vote equating Zionism to racism does not lie with the Department of Defense, I think our decision not to participate in the debate against racism is an appropriate move. The U.S. Government has and should continue to deplore and oppose this resolution in no uncertain terms in all forums in which we have a voice and an opportunity to speak. We should continue to review the implica-

tions of the vote, but we must always remember that our bilateral assistance programs are geared to overall U.S. national interests and our actions with respect to these programs must be made solely on the basis of these overall interests.

ZIONISM

Mr. LONG. Secretary Clements, you are proposing $622 million in grant military aid—including training—foreign military credit sales, and gifts of excess defense articles to those countries that voted against the United States in the recent United Nations vote equating Zionism with racism. Should we not cut our proposed military aid to these countries in view of their vote in the U.N.?

Mr. CLEMENTS. My Department and the entire executive branch abhor this ill-considered action within the United Nations. However, it is our considered view that retaliation in the area of our bilateral defense relationships would be even more ill-considered. Security assistance in many instances consists of cooperation, not direct financial aid; the United States receives a positive return on such cooperation in terms of its overall defense posture. An emotional response based on a single United Nations vote would not remedy an injustice but could have an adverse effect on such overriding policy objectives as the attainment of a lasting peace settlement in the Middle East.

MAJOR ARMS SUPPLIERS

Mr. LONG. Secretary Clements, you are proposing a military aid and arms sales program including cash arms sales over $14 billion. How does this gigantic figure compare with arms sales and aid by other major arms suppliers for fiscal year 1976—or for fiscal year 1975? Can you provide some figures for the record?

Mr. CLEMENTS. No Sir. The proposed fiscal year 1976 Defense program is only $10.5 billion of which $718 million is for necessary funds for the military assistance program and the overseas excess defense articles program, and $9.8 billion is for foreign military sales (FMS) orders. The FMS Orders include estimated cash and credit sales as well as that portion of the FMS credit program for Israel which is nonreimbursable. This compares to a fiscal year 1975 Defense program of $10.1 billion, of which $608 million was for the military assistance and training program, and the overseas excess defense articles program, and $9.5 billion was for foreign military sales orders. Arms sales and aid by the five other major arms suppliers—France, U.S.S.R., U.K., F.R.G., and Italy) totaled an estimated ——— billion during calendar year 1974 and almost ——— billion during the first half of calendar year 1975. The assistance and sales provided by each of the suppliers is as follows:

[The classified information was provided to the committee.]

Mr. LONG. What current efforts is the United States taking to get other arms exporters to agree to limit arms exports to the rest of the world?

Mr. CLEMENTS. During the past three decades, the United States has been involved in extensive unilateral and multilateral efforts to obtain improved international restraints over arms transfers. These past efforts are described in considerable detail in the Arms Control and Disarmament Agency report entitled "The International Transfer of Conventional Arms," which was published on April 12, 1974. Underscoring continuing U.S. Government interest in achieving tangible progress on this front, Ambassador Martin proposed to the Conference of the Committee on Disarmament (CCD) in Geneva on April 10 this year that the CCD identify and discuss principles of conduct that could be applicable on a worldwide basis to the acquisition or transfer of conventional arms. In a followup address on June 24, he again stressed the importance which the United States attaches to achieving such international restraints. While there has not been an immediate positive response, it is hoped that these consistent efforts eventually will result in the imposition of improved controls.

AID TO ISRAEL

Mr. LONG. Does the Department of Defense support unequivocally the $2.24 billion aid request for Israel—of which $1.5 billion is military aid?

Mr. CLEMENTS. Absolutely. You must remember that the $1.5 billion in security assistance does not only represent items that Israel is receiving this year or next. It will be used for equipment being provided over several years from production, including some very expensive items such as F–15's, that relate to modernization of their force structure?

FRENCH AID TO KUWAIT

Mr. LONG. What fighters, ground-to-air missiles, electronic equipment will France provide to Kuwait, and what military equipment will other arms sellers provide to that country?

Mr. CLEMENTS. France will provide Kuwait ——— Mirage F–1 fighter aircraft. France is not known to have provided or agreed to provide any ground-to-air missiles or electronic equipment. The Federal Republic of Germany provided military vehicles and the United Kingdom will provide ——— to Kuwait.

COMPARISON OF MAJOR ARMS SUPPLIERS

Mr. LONG. What were French, British, and other arms suppliers arms sales compared to U.S. arms sales for fiscal year 1975?

Mr. CLEMENTS. The fiscal year 1975 value of FMS agreements with all countries from the United States was $9,510,700,000. This includes about 46.7 percent arms. Comparisons with other countries are tenuous because we have perfect knowledge of our agreements but only imperfect knowledge of other country efforts on a delivery basis. U.S. FMS deliveries for fiscal year 1974 were $2,919 million of which approximately 51.6 percent was arms.

With regard to foreign suppliers, DOD estimates of sales are compiled on a calendar year basis rather than by fiscal year. Therefore

the following is necessarily the summary value of military sales extended by the supplier country to all other countries for all of calendar year 1974 (column A) and for the first half of calendar year 1975 (column B).

It is not practical to break down column A to indicate the months representing the first half of fiscal year 1975 separated from the last half of fiscal year 1974.

Mr. LONG. Why is the United States able to sell more arms than these other arms suppliers?

Mr. CLEMENTS. I am not sure the United States sells more arms than the Soviet Union. For example, the Stockholm International Peace Research Institute indicates that as far as weapons suppliers are concerned, the Soviet Union was the largest supplier of major weapons to the Third World during 1974, outstripping the United States by some 50 percent. However, it should be noted that historically, only 43 percent of the total U.S. foreign military sales has been for actual arms and ammunition, while the remainder is for spares, supporting equipment, training, and other services.

The reason many countries desire to deal with the United States is because of the other relationships that are implied; for example, mutual interest and because of the high quality of U.S. equipment and support.

SOVIET SALES TO LIBYA

Mr. LONG. What is the value of Soviet arms deals with Libya, and how will this affect Libya's military effectiveness?

Mr. CLEMENTS. ——— Arms and equipment already available, and the large deliveries now expected will result in the stockpiling of a quantity of materiel far in excess of Libyan needs or absorptive capacity.

A program to modernize the Libyan Armed Forces began in September 1969 and was completed in 1972. Since then, Libya has continued to procure equipment well in excess of domestic requirements. ———. In any case, Libya's possession of large quantities of sophisticated equipment will almost certainly necessitate the presence of Soviet advisers in the country.

U.S. SALES TO PAKISTAN

Mr. LONG. Which U.S. firms have approached the Defense Department about sales to Pakistan in the past year, and what do they wish to sell?

Mr. CLEMENTS. The role of the Department of Defense is limited with regard to direct commercial sale of arms, ammunition, and implements of war. The Executive order implementing the Mutual Security Act of 1954, as amended, provides such central authority to the Secretary of State. As a result, DOD records are only partial. Complete data can be obtained more accurately from the Department of State.

Mr. LONG. What is the Pakistani "shopping list"?

[The classified information was provided to the committee.]

MILITARY AGREEMENT BETWEEN ARGENTINA AND LIBYA

Mr. LONG. What are the military arrangements, including supply of light arms, between Argentina and Libya?

Mr. CLEMENTS. Argentina and Libya have no known military arrangements for the supply of any kind of arms, support equipment, or training.

KOREA AND TAIWAN

Mr. COUGHLIN. With regard to Korea and Taiwan, I am pleased to see that the amount of military assistance going to them is going down as these countries continue to become more able to pay their own way. Would you anticipate that trend would continue and they would continue to be able to pay for a more substantial portion?

Mr. CLEMENTS. Yes, sir. I think the record in the past certainly bears out that trend. I would hope that it would accelerate. We have made that very plain to both Korea and Taiwan.

Mr. COUGHLIN. I recognize their defense needs are indeed great.

Mr. CLEMENTS. That is correct, but in both instances, as the chairman mentioned awhile ago, in both instances their economy is expanding; they are becoming more prosperous, and they recognize their responsibilities in this regard, particularly in Korea. I have discussed this at some considerable length with the various heads of the Government in Korea, and they would like nothing better than to move into either a totally cash or credit posture.

MOROCCO AND TUNISIA

Mr. COUGHLIN. Let me address two other countries in another part of the world: Morocco and Tunisia. I note an increasing foreign military sales program, as well as an increasing foreign military training program, for these two countries. Are they regarded as part of the Middle East package?

Mr. CLEMENTS. Only in part. There is a relationship here. Both countries are considered, if you will, semi-Arab. They have a strong Berber tradition; they also have a strong Mediterranean culture tradition, but they are Muslim; they do have strong historical ties back into the Arab world.

Mr. COUGHLIN. Why are we having a substantial increase?

Mr. CLEMENTS. Because there is indeed a threat in both instances. In the case of Tunisia, they feel threatened by the Libyan Government as it exists today, and that is perfectly understandable. There is a certain amount of infiltration that has taken place into Tunisia from Libya, and they also are uncomfortable with the great increase in Soviet arms that have gone into Algeria; they are a tiny country, caught in between these other two countries on both sides who have been heavily supplied with Russian military equipment.

Mr. COUGHLIN. Do you think there is a great deal of Russian military equipment going into both Libya and Algeria?

Mr. CLEMENTS. That is true.

Mr. COUGHLIN. In amounts corresponding to those amounts mentioned here?

Mr. CLEMENTS. Far, far, far in excess of anything we contemplate doing in either Tunisia, Morocco, or both put together. The program by the Soviets in Libya is on a multibillion-dollar basis. This is a number that has not been completely substantiated, but will, I believe, run into the range of $8 or $10 billion for military equipment in Libya alone, and there have been recent increased shipments into Algeria from Russia. So those programs are far in excess of anything that you are thinking about with either Tunisia or Morocco.

GRANT AID FOR GREECE

Mr. COUGHLIN. When Admiral Peet testified before the subcommittee, the subject of grant aid to Greece came up. In answer to a question, he said the grant had been terminated in 1973 by request of the Greek Government and that he anticipated no further grant aid. Now I see we have $50 million in grant aid for Greece in this package.

General FISH. A change of governments occurred and the new government, different from the military junta that was there before, has requested our assistance. We believe it is required, particularly to strengthen the forces which are still a part of NATO.

COST OF THE MAAG'S

Mr. COUGHLIN. Finally with regard to your military assistance advisory groups, the MAAG's, could you provide, either now or for the record, what is the cost of these MAAG's?

You provided that last year, but it is not broken out this year.

General FISH. I will be happy to provide it for the record and give you the exact amount. Of course, starting in 1977, we will have—there will be appropriated to this appropriation a MAP appropriation—the total cost I show here for 1975 was about $71.9 million and for 1976 it would be $65 million.

Every year in the last 15 years the MAAG strengths have come down. There were 7,600 people involved in MAAG work in 1960 and it is about 1,620 now. Every year, including this last year, it came down, as we have continued to try to reduce the programs consistent with the national interest.

Mr. CLEMENTS. Not only are we reducing those programs as has been suggested to us by the Congress, but we also are being reimbursed more all the time for these MAAG groups. The host country is paying more and more of the bill in regard to those programs.

[The information follows:]

TOTAL MAAG COSTS

[In thousands]

Fiscal year 1975:	MAP	Military department	Total
Austria	$39.5	$39.1	$76.6
Belgium	232.8	224.8	457.6
Denmark	159.4	305.6	465.0
Ethiopia	1,230.7	2,789.9	4,020.6
France	287.4	206.6	494.0
Germany	848.6	818.8	1,667.4
Greece	686.0	964.8	1,650.8
Iran	1,059.9	9,691.3	10,751.2
Italy	340.7	411.7	752.4
Jordan	196.6	159.5	356.1
Kuwait	249.3	148.0	397.3
Liberia	522.5	373.5	896.0
Morocco	197.1	433.6	630.7
Netherlands	120.6	270.4	391.0
Nigeria	46.9	27.6	74.5
Norway	165.8	207.3	373.1
Portugal	199.6	337.7	537.3
Saudi Arabia	561.8	3,155.4	3,717.2
Spain	315.4	777.2	1,092.6
Tunisia	225.9	236.9	462.8
Turkey	1,227.0	4,290.1	5,517.1
Zaire	440.0	254.6	694.6
Australia	1.8	70.2	72.0
China (Taiwan)	617.2	2,062.5	2,679.7
India	149.7	117.4	267.1
Indonesia	1,200.7	1,308.3	2,509.0
Japan	316.0	285.0	601.0
Korea	2,668.0	4,709.1	7,377.1
Laos	902.9	1,477.5	2,380.4
Malaysia		16.3	16.3
Pakistan	197.0	179.9	376.9
Philippines	535.2	1,323.1	1,858.3
Singapore	.8	21.9	22.7
Thailand	671.2	4,179.2	4,850.4
Cambodia	1,406.6	11.4	1,418.0
Argentina		1,306.7	1,306.7
Bolivia		979.2	979.2
Brazil		2,150.6	2,150.6
Chile		633.2	633.2
Colombia		776.2	776.2
Costa Rica		72.8	72.8
Dominican Republic	198.6	240.0	438.6
Ecuador		311.4	311.4
El Salvador		350.3	350.3
Guatemala		577.3	577.3
Honduras		341.0	341.0
Mexico		14.0	14.0
Nicafagua		523.9	523.9
Panama		299.5	299.5
Paraguay		469.7	469.7
Peru	138.8	151.3	290.1
Uruguay		552.1	552.1
Venezuela		1,045.6	1,045.6
Worldwide and regional SAS	854.1		854.1
Rep. funds	69.7		69.7
Grand total	19,281.8	52,679.0	71,960.8
Fiscal year 1976:			
Austria [1]		81.5	81.5
Belgium [1]		552.7	552.7
Denmark [1]		476.6	476.6
Ethiopia	1,361.7	2,018.2	3,379.9
France [1]		516.3	516.3
Germany [1]		1,630.6	1,630.6
Greece	893.6	964.4	1,858.0
Iran	549.3	2,727.9	3,277.2
Italy [1]		839.5	839.5
Jordan	279.8	217.2	497.0
Kuwait	258.4	232.3	490.7
Liberia	535.2	342.9	878.1
Morocco	344.7	480.0	824.7
Netherlands [1]		456.9	456.9
Nigeria	86.0	35.9	121.9
Norway [1]		402.0	402.0
Portugal	230.2	259.7	489.9
Saudi Arabia	995.2	3,421.8	4,417.0
Spain	341.6	818.6	1,160.2
Tunisia	258.9	271.3	530.2

TOTAL MAAG COSTS—Continued
[In thousands]

	MAP	Military department	Total
Fiscal year 1975:			
Turkey	1,490.9	3,344.1	4,835.0
Zaire	502.0	244.5	746.5
United Kingdom		95.2	95.2
Australia	15.4	69.7	84.1
China (Taiwan)	393.4	1,304.4	1,697.8
India	214.8	122.4	337.2
Indonesia	1,131.7	1,309.0	2,440.7
Japan [1]		578.2	578.2
Korea	2,209.4	4,333.0	6,542.4
Laos	101.1	236.0	337.1
Malaysia	8.6	16.6	25.2
Pakistan	245.8	165.0	410.8
Philippines	594.4	1,317.2	1,911.6
Singapore	5.8	18.9	24.7
Thailand	975.0	4,363.6	5,158.6
Argentina		1,633.8	1,633.8
Bolivia		1,548.5	1,548.5
Brazil		2,945.8	2,945.8
Chile		867.8	867.8
Columbia		1,006.7	1,006.7
Costa Rica		119.0	119.0
Dominican Republic	186.5	234.0	420.5
Ecuador		313.3	313.3
El Salvador		492.6	492.6
Guatemala		764.8	764.8
Honduras		507.0	507.0
Mexico		24.1	24.1
Nicaragua		580.2	580.2
Panama		422.8	422.8
Paraguay		693.5	693.5
Peru	141.8	163.0	304.8
Uruguay		761.2	761.2
Venezuela		1,327.1	1,327.1
Worldwide and regional SAS	975.1		975.1
Rep. funds	60.0		60.0
Pay raise	85.0	1,100.0	1,185.0
Grand total	15,290.3	49,769.3	65,059.6
Fiscal year 1977:			
Austria	59.7		59.7
Belgium	435.1		435.1
Denmark	375.1		375.1
Ethiopia	2,726.8		2,726.8
France	302.6		302.6
Germany	984.6		984.6
Greece	1,389.0		1,389.0
Iran	3,416.4		3,616.4
Italy	513.2		513.2
Jordan	400.6		400.6
Kuwait	436.2		436.2
Liberia	484.8		484.8
Morocco	681.8		681.8
Netherlands	373.6		373.6
Nigeria	216.3		216.3
Norway	376.1		376.1
Portugal	463.5		463.5
Saudi Arabia	4,161.0		4,161.0
Spain	1,085.8		1,085.8
Tunisia	335.6		335.6
Turkey	4,753.0		4,753.0
Zaire	536.6		536.6
United Kingdom	116.0		116.0
Australia	66.8		66.8
China (Taiwan)	1,303.3		1,303.3
India	220.7		220.7
Indonesia	1,859.2		1,859.2
Japan	458.1		458.1
Korea	6,611.4		6,611.4
Laos			
Malaysia	20.7		20.7
Pakistan	294.1		294.1
Philippines	1,754.0		1,754.0
Singapore	16.5		16.5
Thailand	8,067.8		8,067.8
Argentina	1,066.8		1,066.8
Bolivia	862.1		862.1
Brazil	1,687.0		1,687.0

TOTAL MAAG COSTS—Continued

[In thousands]

	MAP	Military department	Total
Chile	541.2		541.2
Colombia	740.5		740.5
Costa Rica	70.3		70.3
Cominican Republic	268.9		268.9
Ecuador	234.0		234.0
El Salvador	400.4		400.4
Guatemala	503.8		503.8
Honduras	312.4		312.4
Mexico	15.5		15.5
Nicaragua	385.7		385.7
Panama	286.7		286.7
Paraguay	435.9		435.9
Peru	256.9		256.9
Uruguay	481.9		481.9
Venezuela	892.7		892.7
SAS worldwide [2]	3,700.0		3,700.0
Rep. funds	120.0		120.0
Pay raise	105.3		105.3
Dep. education—USCINCSO [2]	684.0		684.0
Grand total	59,308.0		59,308.0

[1] Military department funded in fiscal year 1976 only.
[2] Country distribution not available due to change in SAS system.
Distribution by country not available at this time.

COST OF FMS PROGRAM TO IRAN

Mr. COUGHLIN. It refers to Iran where we have 191 military personnel despite the fact that we have no military program with them, as such.

Mr. CLEMENTS. We have a major foreign military sales program with Iran and these people are a part of the groups that are required in there to service those programs.

Mr. COUGHLIN. Are we fully reimbursed for those?

Mr. CLEMENTS. Not fully. We lack a small percentage of the program for which we are not reimbursed because it is generally agreed by everybody concerned both on the Iranian side as well as our DOD side, that there is a small allocation of their time and their effort that is peculiarly directed to the interests of the United States and therefore we should stand that small amount of expense. It is very small out of the total.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Bevill?

INCREASE IN SALES CREDIT REQUEST

Mr. BEVILL. Mr. Secretary, I notice now that the military sales credit request has increased a good bit over last year and that the military assistance programs are actually dropping some. I am wondering whether this reflects a shift in the policy for awarding these grants and credits, or a shift in the ability of these countries to pay for the military hardware, or perhaps a combination of the two?

Mr. CLEMENTS. It is a combination. Certainly the historic trends would indicate that there will be less grant aid and more sales programs on either a cash or a credit basis. There is a definite trend in that direction.

Mr. BEVILL. I am very much in favor of that trend.

Mr. CLEMENTS. So am I.

TAIWAN

Mr. BEVILL. My next question concerns Taiwan. In your request every country in East Asia and the Pacific region is to receive increased total military aid except Taiwan.

Does the fact that our military aid to Taiwan is not increasing, while such aid to the rest of Asia is, mean we are trying to appease the People's Republic of China? Just what is the explanation for not increasing aid to Taiwan?

Mr. CLEMENTS. Our relationships with Taiwan have changed. We have drawn down some of our forces out of Taiwan, as you well know. Considering their prosperity and our changed presence in Taiwan, we just don't have the need there that we used to have.

Mr. ELLSWORTH. It does not reflect any policy of attempting to appease or please the People's Republic of China.

ZAIRE

Mr. BEVILL. At a time when Zaire is in deep financial trouble we are cutting back our military assistance aid to that country while increasing the amount of military sales credits extended to it. Now, does this indicate a faith on our part in the ability of that government to recover?

Mr. CLEMENTS. In part I think it does. I think it also indicates a revival in the relationships and a growth in these relationships that are in our interest; it reflects all of these things.

LEBANON

Mr. BEVILL. In 1974 and 1975 we gave very little military aid to Lebanon. However, this year I notice there is a total of over $5 million in military aid proposed for this country.

Do the current domestic difficulties in that country account for this?

Mr. CLEMENTS. In part. It is credit sales I think you are referring to.

Mr. BEVILL. Yes.

Mr. CLEMENTS. Yes; it does. I think we are trying to be responsive to their needs. They have not asked us for any great assistance in this regard. It has been on specific items and primarily has to do with their internal security, small arms and this type of thing that would be used for internal defense measures.

MILITARY AID TO GREECE

Mr. BEVILL. I notice that military aid to Greece is up drastically. Is this due to a desire on the part of the Greeks to achieve military equality with the Turks or is there a change in Greece involved?

Mr. CLEMENTS. I think both. Certainly the Greeks have an awareness of the force levels of the Turks and they would like to bring their forces up to a higher level if that is possible. It also reflects what General Fish has been saying, that there has been a change in the Greek Government and, third, I think it also reflects the fact that the Greek-Turkish relationships have left a lot to be desired. We continue to have problems in that respect as well as in the Cyprus issue and this will help us in our relationships with them and to bring about some kind of stability in the area.

Mr. BEVILL. Is this going to cause any further trouble?

Mr. CLEMENTS. On the contrary, I would hope, and I think one of the purposes to be served here is to bring about a compromise, an accommodation. Now, whether or not this can be done, comes under the State Department. We are trying to assist as we can.

Mr. BEVILL. Do you think that this move will affect our necessary bases in Turkey?

Mr. CLEMENTS. I think, Mr. Congressman, that certainly this has to be a part of the continuing relationship that we are trying to enjoy with the Turks and to get back into the position that we were before.

I like to think that you make friends and you cement your relationships under circumstances of stress, in solving problems more so than even under very favorable circumstances.

I have discussed this at some length with some high Turkish military leaders. They generally agree, and I think optimistically perhaps in due course we will solve our problems with the Turks; But we need to keep working at it. We have to recognize that we do have problems with them and it is not going to be easy.

SOVIET ARMS TO THE KURDS

Mr. KOCH. There were reports in the press not long ago about substantial amounts of arms having been delivered to the Kurds. Soviet arms. Did that come through your department, or was that money authorized by us under some other designation?

Mr. CLEMENTS. Mr. Congressman, I don't have any knowledge of this issue you have raised with respect Soviet arms going to the Kurds and it certainly did not come through the Department of Defense.

Mr. KOCH. Are you aware of the incident?

Mr. CLEMENTS. I heard about it probably in the same spirit that you heard about it or read about it. I learned a long time ago not to believe everything I read in the newspapers.

Mr. KOCH. I suspect that is probably wise, as there are some reports that aren't true. I suspect that this particular one is true.

Mr. CLEMENTS. It may be that the Department of Defense didn't have anything to do with it.

Mr. KOCH. Would it be possible for you to find out what involvement, if any, Department of Defense had with respect to this arms delivery, and to advise us, whether there was any involvement, or whether, through examining what records are available to you, you still are of the opinion that the Department of Defense had absolutely no knowledge of this matter and you stay with your statement made today.

Mr. CLEMENTS. Mr. Congressman, the three people having responsibility in this regard are sitting before you and it is our judgment the Department of Defense had nothing to do with that. We will check that out and make doubly sure and if there is a difference in that, we will insert it in the records, but we do not feel the Department of Defense had anything to do with it.

Mr. KOCH. I want to make something very clear. I believe it perfectly proper to provide the Kurds with arms to defend themselves, if the reports are correct, as I think they are, that they are an oppressed people in Iran. My raising the question is simply whether it was done without Congress knowing it was done, perhaps by having it placed under an item we thought was innocuous at the time. That is why I raised the question.

AMERICAN PLANES IN SYRIA

The second area I would like to ask you about is this: There was another report—here we go with the newspapers again—that Saudi Arabia is using planes we furnished to them—they bought them, but under restrictions—in conjunction with Syria. That the planes are located in Syra.

I asked Secretary of State Kissinger about that report. He said he was checking into it. He had heard the report and was checking into it. Can you give us information on that? Are they in fact using American planes in Syria which were purchased by the Saudi Arabians under contract which makes certain prohibitions with respect to their use?

Mr. CLEMENTS. Mr. Congressman, I too have heard of this report and I think that you understand that I have more than just a passing knowledge of Saudi Arabia and our presence there. Certainly the Saudi Arabians have the F–5 airplanes that you refer to. They also have had in the past, and during the 1973 conflagration, some forces of different kinds, both in Jordan and maybe temporarily in Syria.

Now, I would suspect that these F–5's are in fact piloted by Saudi Arabians and they may very well have been on practice missions through that area, either in joint exercises or just exercises on their own.

We will investigate that and we will see if we can find out and develop any detail. I certainly have no knowledge whatsoever, which I think is your question, of Syrian pilots in Saudi Arabian airplanes. Is that your question?

Mr. KOCH. That is only part of the question.

My question is: Would you provide us with all of the information that you can glean, and put it in the record so that we know at the end of reading that statement all that you know concerning that particular incident? It is not simply a question of whether those planes were flown by Saudi Arabian pilots. Would Saudi Arabia not be prohibited, under our agreement to ship those planes, from using them in conjunction with the Syrian Air Force, vis-a-vis Israel?

Mr. CLEMENTS. There is no prohibition whatsoever to my knowledge that would prohibit the Saudi Arabians, if they so desired, to have joint exercises with the Syrians, the Jordanians, or the Iraqis. That is their prerogative.

Mr. KOCH. Aren't we avoiding the issue if there are no restrictions placed on the use of Saudi Arabian planes furnished by the United States so as to preclude them from being used against Israel? Because if we do not do that, are we not in the position of furnishing both Israel and the Syrians the planes and having Israeli pilots fighting against planes furnished by the United States?

Mr. CLEMENTS. When you refer to hostile conditions, you have changed the question.

Mr. KOCH. Would you answer it under those conditions?

Mr. CLEMENTS. There certainly are prohibitions in this regard.

Mr. KOCH. Do you find that you are going to be able to distinguish between the two situations? Are you monitoring that?

Mr. CLEMENTS. I think they can do that on a 100 percent basis.

Mr. KOCH. What are you going to do if you find that what you formerly thought were innocuous nonhostile conditions, developing into hostile conditions? What are you going to do about the restrictions placed on Saudi Arabia?

Mr. CLEMENTS. I want you to know there is no question whatsoever in our minds that we will know when those conditions change from a peaceful exercise type of activity versus a hostile activity. We will know it and we will know it immediately.

Now, under those circumstances, I would take appropriate action and I can only say we would look with great disfavor upon that.

Mr. KOCH. I look forward to the detailed report you will provide covering the whole situation. I am going to go to vote.

Mr. CLEMENTS. I want to make it clear, I am not going to provide you with information on what action we will take.

I will give you what you requested, but not surmise what our action would be.

[The information follows:]

SAUDI F–5's IN SYRIA

The Saudi Arabian Brigade stationed in Syria held a short training exercise in early November. Some Saudi F–5's, temporarily flying from a base in Jordan, participated in the exercise. All the Saudi F–5 aircraft remained under Saudi control throughout the exercise, and returned to their home bases in Saudi Arabia immediately after the exercise. To the best of our knowledge, the exercise was entirely a Saudi one. The United States was informed in advance by the Saudi Government of its proposed exercise.

Our understanding with the Saudis is that arms which the U.S. Government provides are for defensive purposes and not for use in acts of aggression. Saudi Arabia, just as other nations receiving arms from the U.S. Government has an obligation not to transfer those arms to third-party nations without the prior consent of the U.S. Government. We have no reason to believe that the Saudis would not live up to this obligation.

CYPRUS

Mr. EARLY. Then how do you explain the Cyprus situation? The United States furnished weapons used for aggressive purposes.

Mr. CLEMENTS. Some of the equipment was U.S. furnished equipment at first.

Mr. EARLY. Do you mean you are saying to my colleague that we have a request in for $117 million in military aid to Turkey?

Mr. CLEMENTS. I think we looked at it, and the embargo was the result, and the embargo in turn brought a retaliatory position by the Turks, and we reached an impasse. I am hopeful we are back on the track now and that we can bring about some reasonable settlement. What we had was a confrontation. I don't think it did either us or the Turks any good.

TURKEY

Mr. EARLY. In your earlier remarks, you indicate that if someone violated our contract, we would follow up and not continue to equip them with military aid. Now, we acknowledge Turkey did this, and they then closed our bases; now we are going to resume that aid.

Mr. CLEMENTS. There is another factor here. We are their NATO ally; they are the strong anchor on that flank. We also have the question of Cyprus itself. There is also the question of the Greek-Turkish issue, and we feel in our judgment—and I am talking about the administration's agreement now, in which the Department of Defense is only a part—we feel this is the appropriate action to take, and I would strongly defend it.

Mr. EARLY. How many bases are open?

Mr. CLEMENTS. None to my knowledge. We are trying to get them opened again. I want the record to show that the Department of Defense feels strongly that those bases are extremely important to us both from an operational standpoint and from an intelligence standpoint, and what we did in bringing this about hurt our national security, and there is no question whatsoever about it.

Mr. EARLY. Would you suggest our national security would be better serviced by not using Turkey?

Mr. CLEMENTS. I would not say that.

Mr. EARLY. You would not say it is a matter of cost? You say an outright savings of $5 million is not a matter of cost?

Mr. CLEMENTS. I am not sure how they would relate that cost to the take, and the results obtained. Certainly there are cheaper ways of doing certain things, but I am not sure that you would obtain the satisfactory results we were previously attaining. In fact, I question that very much.

MILITARY ASSISTANCE ADVISORY GROUP

Mr. EARLY. How do you insure that military assistance advisory group remain advisers and avoid becoming salesmen?

Mr. CLEMENTS. All MAAG's and similar organizations have received specific guidance on DOD foreign military sales policy. Personnel assigned to these units have been advised that sales offers will be made only in response to a valid request at a foreign country's initiative and only if it serves our national interest and it meets a valid military requirement. To insure compliance with this policy, State, through the Ambasador and country team, and Defense, through the unified commands and Defense Security Assistance Agency, closely monitor the operation of he MAAG's. Additional audits and inspections are conducted by the State Inspector General for Assistance and Defense Comptroller and audit elements.

The sequence for processing sales cases restricts the MAAG's ability to promote sales even if clear policy did not exist. MAAG personnel are not provided price and availability data on the sale of articles and resources until the purchase request has been reviewed and approved by appropriate State and Defense Agencies. In the case of agreements of $25 million or more congressional review is required. Further, the MAAG's are not permitted to prepare sales agreements. This is done by the military departments under express guidance from DSAA, and after the Department of State agrees to make the sale.

CYPRUS INVASION

Mr. EARLY. My question is, were any of these—U.S. origin defense—articles used in the invasion of Cyprus and if so why?

Mr. CLEMENTS. Equipment of U.S. origin was used by both sides during the 1974 Cyprus conflict. U.S. origin equipment comprises a large percentage of the defense inventories of Turkey, Greece and the Greek supplied Cypriot National Guard. The items were used without U.S. Government consent, because parties to the conflict decided to use military means to resolve their differences. Below are listed the U.S.-origin items utilized by the combatants on Cyprus in 1974.

TURKEY

APC, M113
Gun, ADA, 40–mm
How, 105–mm, M101A1
How, 155–mm, M114
Lchr, 3.5–in.
MG, cal .30
MG, Cal .50
Mort, 81–mm
Mort, 107–mm
MG, ped mt, cal .30 veh
MG, ADA, cal .50 M63
MG, ADA cal .50 M55
MG, Tripod, cal .30
MG, Tripod, cal .50
Pistol, cal .45
Rifle, M1
BAR
RR, 57–mm
SMG, M3
Tank, M48A1
Tank, M47
RR, 75–mm
RR, 106–mm
ARV, M578
ARV, M74
M79 LAW
Radio, AN/ARC–44
Radio, AN/GRC–3
Radio, AN/GRC–4
Radio, AN/GRC–5
Radio, AN/GRC–7
Radio, AN/GRC–8
Radio, AN/GRC–19
Radio, AN/GRC–26
Radio, AN/GRC–39
Radio, AN/GRC–106
Radio, AN/GRC–160
Radio, AN/PRC–6
Radio, AN/PRC–9
Radio, AN/PRC–10
Radio, AN/PRC–74
Radio, AN/VRC–9
Radio, AN/VRC–10
Radio, AN/VRC–13
Radio, AN/VRC–15
Radio, AN/VRC–17
Radio, AN/VRC–18
Radio, AN/VRC–30
Radio, AN/VRC–46
Radio, AN/VRC–47
Radio, AN/VRC–49
Radio, AN/VRC–8
Radio, AN/VRC–64
Radio, AN/VRQ–2
Radio, AN/VRQ–3
Radio, AN/GRR–5
Radio, AN/TRC–42
Radio, AN/GRA–6
Radio, AN/GRA–8
Radio, AN/GRA–39
Radio, TT–4TG
Crane Shovel, 20T
Generator, 15KW, 60 Hz dsl
Generator, gas, 1.5 KW, 60 Hz
Generator, gas, 1.5 KW, DC
Generator, gas, 2KW, DC
Generator, gas, 3KW, 60 Hz
Generator, gas, 3 KW, 40 Hz
Generator, gas, 5 KW, 60 Hz
Generator, gas, 30 KW, 60 Hz
Grader
Pile Driver, 300 lb
Plot set, arty FC
Pneumatic tool set
Pump, 125 GPM
Pump, 210 GPM
Tool kit, pioneer, cbt pltn
Tool kit, pioneer, pltn
Tool kit, pioneer, sqd
Tractor, FT w/blade
Scraper
Roller, 5–8 Ton
Water purifier, 15 CFM, 175
Compressor, 15 CFM, 175 PSI
Helmets & liners
S/Trlr, Van, 6–T M119
Trlr, ammo, 1½–T
Trlr, cargo, ¼–T, M100
Trlr, cargo, ¾–T, M101A1
Trlr, cargo, 1½–T, M105A2
Trlr, water, 400 gal
Trk, amb, ¼–T, M718
Trk, amb, ¾–T, M43
Trk, Cargo, ¾–T, M37
Trk, cargo, 2½–T, M35
Trk, cargo, 5–T, M813
Trk, dump, 2½–T, M342A2
Trk, fuel, 2½–T, M49A2C
Trk, trctr, 2½–T, M48
Trk, trctr, 5–T, M52
Trk, utility, ¼–T, M38
Trk, wrkr, 2½–T, M60
Trk, wrkr, 5–T, M816
Trtr, trkd, trld arty, 13–T
Trk, cargo, 1–T
Trk, dump, 5–T, M817
Trk, water, 1000 gal, M50A2
Trk, shop van, M109A1
S/trlr, 25T, M172A1

CYPRIOT NATIONAL GUARD

Rifle, Browning Automatic
Machinegun, cal .30
Machinegun, cal .50
Machinegun, ADA, quad cal .50 M55
Mortar, 60mm
Mortar, 4.2 in
Launcher, Rocket, 2.36 in
Launcher, Rocket, 3.5 in
Launcher, 66mm, M72 (LAW)
Rifle, Recoilless, 57mm
Rifle, Recoilless, 75mm
Rifle, Recoilless, 90mm
Rifle, Recoilless, 106mm
Howitzer, Pack, 75mm
Mortar, 81mm

UNEXPENDED FMCS/MAP FUNDS

Mr. EARLY. Also I noticed the following countries have large amounts of money in unexpended FMS credit and undelivered MAP grant AID.

[Millions]

Turkey:	
Unexpended FMS credit	$8.0
Undelivered MAP grant aid	82.1
Korea:	
Unexpended FMS credit	72.7
Undelivered MAP grant aid	220.1
Jordan:	
Unexpended FMS credit	36.7
Undelivered MAP grant aid	105.7

My question is, why if these countries are not able to use the amounts appropriated last year, do we continue providing them with more than they can use?

Mr. CLEMENTS. The unexpended FMS credit and undelivered MAP grant aid figures you cited do not indicate that these funds are not being used. In fact, all of these funds have been earmarked for payment of either grant aid items on procurement or for FMS cases that have been signed for which the desired defense article or service has a long delivery leadtime. These funds are only expended when payment is required on an FMS case or a grant aid delivery is made.

AID TO TURKEY

Mr. EARLY. What kind of progress has been made on Cyprus that you feel justifies granting Turkey a total of $117 million in military assistance?

Mr. CLEMENTS. It is by congressional initiative that security assistance to Turkey has been tied to progress in the Cyprus negotiations. Turkey requires U.S. military assistance in order to fulfill its obligations to the North Atlantic Treaty Organization and to retain the necessary military strength to make credible its strong pro-Western and anti-Communist policies in the Eastern Mediterranean. The roots of the Cyprus problem run deep and progress in resolving it has been slow. Intercommunal talks have been stayed temporarily by both Greek and Turkish intransigence, and issues are now being debated in the U.N. General Assembly. Ultimate resolution of the Cyprus problem, however, will depend on the ability of the Turkish Government to make concessions and of the Greek and Greek Cypriot Governments to accept a compromise formula if the Turks offer one. The U.S. Government continues to press for resumption of talks to achieve this end. Military assistance to Turkey in fiscal year 1976, as proposed by the administration, includes an estimated $41 million in overseas excess defense articles for which no security assistance appropriations are requested. The $41 million is not the actual value of such articles at the present time, but rather the acquisition cost of those articles.

AID TO GUATEMALA

Mr. EARLY. What assurances can you give this committee that Guatemala, in light of recent events, will not use the military assistance provided by the United States against British forces?

Mr. CLEMENTS. While no absolute assurances can be given, recent events appear to have decreased the probability of Guatemala taking such action. First, the arrival of British reinforcements in Belize have caused the Guatemalans to reconsider the use of force. Second, and more important, the United Kingdom and Guatemala have made public statements before the U.N. and after the passage of the Committee IV resolution on Belize that they are willing to begin negotiations and seek a peaceful solution to the dispute. Third, the State Department has made it clear to the government of Guatemala that the U.S. Government totally opposes any use of force to settle this dispute and that any such use would run the high risk of invoking sanctions against the government of Guatemala under the Foreign Assistance Act of 1961, as amended.

AID TO THAILAND

Mr. EARLY. Why are we granting Thailand $95.1 million when, as you state in your justification, Thailand enjoys a favorable foreign exchange situation?

Mr. CLEMENTS. We are requestinng in fiscal year 1976 a grant materiel program of $28.3 million. This program for Thailand has shown a steady reducing trend since $43 million was provided in fiscal year 1973. Assistance is required to fill out unit tables of organization and providing selective modernization of obsolescent items. We have significant national interest in maintaining certain base rights in Thailand. This assistance helps to maintain those base rights. It is preferred to a landlord-tenant relationship on a rent basis that might be more costly and not have the same connotation of mutual interest. Military assistance to Thailand in fiscal year 1976, as proposed by the administration, includes an estimated $65 million in overseas excess defense articles for which no security assistance appropriations are requested. The $65 million is not the "actual value" of such articles at the present time, but rather the acquisition cost of those articles.

COST OF INSPECTOR GENERAL'S OFFICE

Mr. EARLY. Why did the cost of the Inspector General Office's rise by $493,000 since last year?

Mr. CLEMENTS. Funds to operate the Inspector General's Office are made available from both MAP and AID. The need for increased MAP funding in fiscal year 1976 is caused by: personnel costs generated by increased manning to previously authorized staffing levels; increases because of inflation; and, costs associated with the redistribution of Inspector General work so that more effort will be expended on MAP programs and a lesser amount on AID programs. The redistribution of work, which must be funded by MAP, is in response to congressional guidance.

REVIEW OF THE PROGRAM

Mr. PASSMAN. Mr. Secretary, General Fish, we are going to have problems with foreign aid because it has been fragmentized and scattered all through the budget. It has been no different in the past but this time we are going to put it together and point out to the country

66-317 O - 76 - 11

and the Congress that it is not $1.5 billion, it is not $3 billion, it is not $5 billion, but it is about $15 billion when you pick up the Export-Import Bank. Possibly you haven't had time to think about the World Bank, the International Finance Corporation, the new African Development Bank, the Asian Development Bank, the Inter-American Development Bank, the Peace Corps, your military assistance and the Sinai package.

Even though we have a lot of respect for you, I think the time now is overdue for this committee to face up to its responsibilities and get back to some kind of normal operation.

I think there are some countries where we have failed to recognize what they mean to us and how they have cooperated in the past. I think we should judge a country by its past actions, not by possibly some promise that may go unfulfilled.

The Middle East has 70 percent of the oil reserves of the world, and we do know those people know how to fight and they will fight. Make no mistake about that. They have demonstrated that clearly.

I feel an obligation to make a strong recommendation to this committee to be as considerate as we can with regard to the Sinai package.

Now, this idea that you can't make cuts, that is a lot of foolishness. There is an asking price, a taking price, and a needed price. We usually stop at the taking price, but now we are getting down to the needed price.

There is one other nation where the record is abundantly clear and that is Korea. I doubt that you would find any braver soldiers anywhere else. They have clearly demonstrated that in Vietnam.

Taiwan was very loyal but we didn't accept their offer, as you well know to send troops to South Vietnam to Korea moved in and they had a lot of fatalities and a lot of casualties. The participation Korea had in that war will still cost the Korean Government 50 years from now. It will cost in payments of pensions to those injured in Vietnam. We are many times inclined to get away from the record.

As I read the record, about 5 years ago when we proposed to withdraw 20,000 of our troops out of South Korea, we agreed that in the next 5 years we would provide $1.5 billion in foreign aid. The promise was so strong it was bordering on a treaty. It was established before this committee that by withdrawing the 20,000 troops we would save $1,400,000,000, leaving, of course, a difference of $100 million in additional cost to the United States.

Do you recall the commitment we made to furnish $1.5 billion in aid to Korea over a 5-year period? How much money have we furnished Korea in the past 5 years?

Mr. CLEMENTS. Mr. Chairman, rather than supply that off the top of my head, there is still an amount owed and I would like to supply that for the record, if I may.

Mr. PASSMAN. I need something at this time.

General FISH. There is a substantial amount left to go.

Mr. PASSMAN. Have we furnished $1.3 billion in military assistance to Korea since we made that agreement several years ago?

Mr. CLEMENTS. I do not have exact numbers but——

Mr. PASSMAN. Last year it was only $140,000,000 in some type of military assistance. The year before that it was less.

General FISH. As I recall, the agreement included military assistance, grants, credits, and excess defense articles.

Mr. PASSMAN. I want you to place in the record how much we have provided to Korea during this time and how much we are delinquent on our commitment.

General FISH. Within the understanding of how we keep track of those. I will supply it for the record.

Mr. CLEMENTS. The program has been stretched out, Mr. Chairman. We will supply it for the record and also give you the categories of what we have furnished to date.

[The information follows:]

ROK MODERNIZATION PLAN

As of June 30 the United States has programed $890.4 million in grant assistance and FMS credit against a funding goal of $1.25 billion for the 5-year (fiscal years 1971–75) modernization plan. Equipment valued at $140.7 million, including excess defense articles has been transferred at no cost against a goal of $250 million.

Major categories of equipment provided since fiscal year 1971 are:

KOREA

[Dollars in thousands]

	MAP, fiscal year 1971–75 (value)	FMS credit, fiscal year 1974–75	Total
Aircraft	$235,658	$19,300	$254,958
Ships	30,853	7,800	38,653
Vehicles and weapons	196,128	6,900	203,028
Ammunition	37,478	2,200	39,678
Missiles	10,090	40,300	50,390
Communication equipment	40,234	21,000	61,234
Other equipment	93,065	11,683	104,748
Rehabilitation and repair	16,148	6,500	22,648
Supply operations	90,187		90,187
Training	14,736		14,736
Other services	10,101		10,101
Total	774,678	115,683	890,361

KOREA

Mr. PASSMAN. I believe the great President Harry Truman recognized the importance of having a sovereign South Korea and he ordered General MacArthur in to assist South Korea. He said, "Get in and get in quick." Do you remember that?

Mr. CLEMENTS. Yes, sir.

Mr. PASSMAN. In subsequent years this program in South Korea had the endorsement of President Eisenhower, President Kennedy, President Johnson, President Nixon and, I believe, now President Ford.

Mr. CLEMENTS. That is correct.

Mr. PASSMAN. We should profit in Korea by the mistakes made in Vietnam, because in some areas the Government of Saigon got just a little bit lax. Discipline was breaking down and they were hesitant to prosecute or put in jail the troublemakers who had infiltrated into the ranks of the government and as such we learn now, after it is too late, that the Viet Cong knew what was going on just about every hour of the day. Isn't that pretty much the record?

Mr. CLEMENTS. Yes, sir, that is what the record would indicate.

Mr. PASSMAN. Therefore, in a country like Korea where you are so close to the Communist line and where they are itching to overrun South Korea, you have to have strict discipline in a country like that don't you?

Mr. CLEMENTS. Yes, sir.

Mr. PASSMAN. I believe the so-called suicide squad from North Korea got within a few hundred feet of the Blue House. They prevented the assassination of the President, is that correct?

Mr. CLEMENTS. I read something to that effect. I don't know the details.

Mr. PASSMAN. How about you, General?

General FISH. I recall the press reports.

Mr. PASSMAN. Last year they did succeed and assassinated the First Lady of Korea.

General FISH. Yes.

Mr. PASSMAN. Doesn't that indicate you better have strict discipline in Korea, if not, it will go down like Vietnam?

General FISH. It has been stated and properly so that Korea comes close to being a state under siege.

Mr. PASSMAN. Why should we be bashful about putting it in the record. There was a one-man team from the United States who went out there and went into the jails and interviewed some prisoners.

Mr. CLEMENTS. We didn't have a one-man team.

Mr. PASSMAN. I didn't say you. I said there was a one-man team who went out and he went down to the jails to interview the hoodlums. I want to be fair about this thing. I guess the Koreans, if they would go down to the city jails, could get an earful about deficiencies in this country couldn't they?

Mr. CLEMENTS. There is no question about it.

Mr. PASSMAN. Let's be realistic about this. I have been to Korea many times. I purposely go out on the streets and just look for something. All I find is a bunch of happy people building up a tremendous economy. Otherwise, I wouldn't support them.

So I think the time has come to recognize that Korea is about the only country you have in Asia, after dissipating one-quarter of a trillion dollars of our resources in that part of the world, you can really tie to. You can't tie to Japan because under their constitution it is an internal proposition, isn't that true?

I think you know we are committed very definitely to Korea and they have demonstrated they will make any sacrifice necessary in human lives or resources to support our foreign policy; isn't that correct?

Mr. CLEMENTS. Yes, sir.

Mr. PASSMAN. Well, we should speak out.

Mr. CLEMENTS. Mr. Chairman, I don't think the Department of Defense has ever shown any weakness in our support for South Korea.

Mr. PASSMAN. I don't see too many statements in the press in support of South Korea. I remember very well when the South Korean soldiers moved into Vietnam. No questions asked, you understand. We said go in and they went in and they made good soldiers and no

doubt they saved a lot of American lives because they were willing to sacrifice their lives. They tell me they fought like tigers. Is that true?

General FISH. That is true.

Mr. PASSMAN. You need any further proof. Don't criticize them because they have strict discipline. If we had more discipline in this country chances are we would be better off.

Mr. CLEMENTS. I think the record needs to show the Department of Defense relationship with the heads of government and the military in South Korea could not be better. It is an excellent relationship.

Mr. PASSMAN. Thank you very much for your statement. Let's bring foreign aid under control. We should cut out many of these countries getting little tidbits and dabs of assistance and give our assistance to nations who have demonstrated they will and can fight.

THAILAND AND INDONESIA

You gentlemen are bound to agree with me. There is absolutely no justification to be giving military assistance to countries like Indonesia and countries like Thailand when they have a fabulous balance in their foreign exchange account.

You check these figures out and you will find as I said earlier, Indonesia has $1,492,000,000 surplus in the foreign exchange account. Thailand has $1,855,000,000 surplus in the foreign exchange account. Remember, we were out there borrowing dollars from them because they had a surplus. You might encourage us to write out Indonesia and to write out Thailand because Thailand told us to ge our troops out a few months ago. We went over on bended knee and asked them not to talk so loud, we are going to get out but don't embarrass us.

Mr. CLEMENTS. Mr. Chairman——

Mr. PASSMAN. I get exercised over how foolish we are, gentlemen.

Mr. CLEMENTS. In the instance of Thailand, they have not asked us to get completely out. They recognize——

Mr. PASSMAN. Leave some old uniform hanging up in a closet?

Mr. CLEMENTS. They recognize there is a mutual interest in retaining certain facilities in Thailand.

Mr. PASSMAN. They told us, Mr. Secretary, you know, about a year ago, after we took some of our equipment and landed there, to get out of the country. Diplomatic relations became very strained. They said get out. I will get you these clippings, Mr. Secretary.

Mr. CLEMENTS. I don't need the clippings. I have been to Thailand on several occasions.

Mr. PASSMAN. Those people have over a billion dollars surplus in their foreign exchange account and by gosh we went over and borrowed money from them.

Mr. CLEMENTS. But the record, Mr. Chairman, needs to indicate that we need and have good use for, on the grounds that they contribute to our national security, certain facilities that are located in Thailand.

Mr. PASSMAN. Cut them out. You shouldn't come before this committee and ask for money for people who kick us in the pants.

It is not right, gentlemen. You people spend all of your time trying to find out some way to give away this money. We only have a few days to hold these hearings.

Think it over and cut out a lot of these countries like Thailand and Indonesia. Cut it down to about 15 countries. If you don't do it, we may.

Check into these tremendous reserves they have, against the deficit we have. Also keep in mind the fact that we have to borrow this money to give away.

SMALL PROGRAMS THAT BUILD BRIDGES

Mr. CLEMENTS. Mr. Chairman, I endorse your statement of being the watchdog over these kinds of expenditures and I certainly commend you for this. At the same time——

Mr. PASSMAN. You will support me when we make these cuts?

Mr. CLEMENTS. Out of these 27 programs that you are attacking, if you will, and consolidating and eliminating some, for goodness sakes, please give due importance to some of these small—and these are small—military assistance programs that build bridges in our relationships with these governments. These governments—in the case of Indonesia—are strategically placed and the straits they overview are extremely important to us.

The position of that country in that part of the world is extremely important to us and for a relatively small sum, and with the help of our people, and in each instance, particularly in Indonesia—and I was just there a few months ago—the Ambassador there made the strong statement that our people are the best liaison that he has with the Indonesian Government.

Mr. PASSMAN. Who is the Ambassador?

Mr. CLEMENTS. This man's name I think is Newsom.

Mr. PASSMAN. You must not be too impressed with him.

Mr. CLEMENTS. Yes, I was impressed with him and I think he is doing an outstanding job.

Mr. PASSMAN. Of course you think so because you are trying to get money from this committee but this year it is going to be a different thing you understand. You are just not going to get it all. We are going to earmark funds, we are going to take care of countries we can rely on.

We are going to save you from yourselves. If you came in with 20 countries or 15 countries we would applaud you, but here you want military assistance for about 40 countries.

Isn't this something new that just developed after World War II, of giving our wealth away all over the world?

Mr. CLEMENTS. I think that in the case of Indonesia this serves our best interests, it serves the national security of this country.

Mr. PASSMAN. You say you think so?

Mr. CLEMENTS. I do think so.

Mr. PASSMAN. Well, all right, maybe you don't know any better and I will have to take your word.

Mr. CLEMENTS. We certainly are getting something in return.

Mr. PASSMAN. You have to borrow this money, Mr. Secretary. You have to borrow the money, and we are making no arrangements to ever pay any of it back. Why don't you let these people pay for this from their foreign exchange account?

Don't you have some type of program in all of the Latin American countries maybe with the exception of Mexico and Cuba?

Mr. CLEMENTS. Yes; in most instances, a small program.

Mr. PASSMAN. They are shooting and fighting and overturning governments. I think we better stop this military assistance. This is where you are going to get into trouble in this committee. There is no question about that. There are certain countries we will go along with you on. I think we pretty generally agree there is an asking price, a taking price and a needed price and we will have to work on the third category this year.

Doesn't it follow, if you furnish military training to these countries, that subsequently they are going to want equipment?

INFLUENCE OF THE MILITARY

General FISH. Sir, as I remarked before, the reverse is the usual progression. When we are just doing training, by that time we have usually phased out the grant aid programs. Training does maintain a very important military-to-military relationship. As I am sure the chairman is aware, in many of these countries the military is a very influential part of their society and we find that the limited training programs that we have—and that is why we have identified it in a subtitle this year—has been one of the highest payoffs——

Mr. PASSMAN. Payoffs in what respect?

General FISH. In influence, sir.

Mr. PASSMAN. What kind of influence?

General FISH. Influence over events in the region.

Mr. PASSMAN. How about Thailand? Of all the billions of dollars we gave to Thailand. We know those people told us to get out.

General FISH. It is a good case in point, sir, because the military turned them around.

Mr. PASSMAN. What if you don't turn them around. What makes you think you can rely upon those people? Why don't you increase the allocation to countries we can rely upon and that have demonstrated conclusively in the past that they will support us when we need them?

I am trying to help you people. I know what is going to happen to this military request. If you take this request out on the floor as you have presented it, they would defeat it. Of course, they would defeat it and there would be some justification for it.

Why do you want to give military assistance grants to Thailand when you know and I know they have asked us to get out. Secondly, with almost $2 billion surplus in their foreign exchange account, why don't you let them buy any military assistance they might need?

BASE-RIGHT NATIONS

General FISH. One of the reasons for our continued need for military assistance with some of these nations are, because they are what we call base-right nations, they are nations where we need the facilities that are existent and if we were to get to a straight landlord-tenant relationship the thing would probably be equally costly or more costly.

We think it is better to proceed on a basis of mutual respect and mutual security interest, and that that creates a better environment by far than a landlord-tenant relationship.

Mr. PASSMAN. I respect those stars on that uniform and I respect that uniform.

Not too long ago we sat on this committee and heard them say they could see the end of the tunnel in Southeast Asia. I have never been exposed to so many enthusiasts in my life. We had won the war in Vietnam, Cambodia and Laos.

Almost overnight the whole thing went down the drain. Have you ever known anything to collapse any quicker? You enjoyed that enthusiasm about what a great success we had. It was a beautiful story. I wish they would burn the hearings. We were just as enthusiastic about saving Vietnam as we are about the need for Thailand. As far as I am concerned, I don't think we should give them a dime. We will save you from yourselves and put money in for only these countries we can justify.

MILITARY TRAINING

When you train these people to use weapons, then subsequently they want the weapons, do they not?

General FISH. Sir, I would say it is the reverse. They get the weaponry of the United States earlier and we have to train them in how to use the equipment. It is as simple as that. It is also true that as long as we continue our relationship with them, they will probably buy for cash some of the weapons and defense articles that are provided by the United States, and if the State Department, along with our inputs determine it is in our national interest, both our national security interest and our foreign policy interests to sell then we would propose to sell.

Mr. PASSMAN. You still didn't answer my question. When you train these people, they subsequently want equipment, don't they?

General FISH. I would say subsequently, at the same time and before. I would say all three.

Mr. PASSMAN. Do you mean they already have the equipment and haven't been trained? Where do they get the equipment? Mr. McNamara used to tell us that if you train them, it would not necessarily follow that they would want military equipment.

General FISH. I would have a hard time saying that.

Mr. PASSMAN. It is a part of the same package that we are continuing.

What countries do you have presently in the training program that are new?

General FISH. Actually they were always there. We consolidate them in a training program, particularly for Latin America. I can give you the listing. We have a training program for Argentina, for Bolivia, for Brazil, for Colombia, for the Dominican Republic, for Ecuador, for El Salvador, for Guatemala, for Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

Mr. PASSMAN. Do you have anything in there for Morocco or Monaco?

General FISH. No, sir, not for Monaco, but we do propose a modest training program for Morocco.

The Pacific training programs include China (Taiwan), Indonesia, Korea, Malaysia, Philippines, and Thailand. Those are the training

programs for Asia. I can give you the training programs for Africa.

Mr. PASSMAN. Put it in the record.

[The information follows:]

Training programs proposed for fiscal year 1976 for countries in Africa are as follows:

Ethiopia	900,000
Ghana	100,000
Kenya	965,000
Liberia	100,000
Senegal	35,000
Zaire	400,000
Regional total	2,500,000

PLANES LEFT IN THAILAND

Mr. PASSMAN. What ever happened to the planes we moved out of Vietnam after the collapse and took to Thailand? Did they give them to us?

General FISH. They were returned to the U.S. department inventories.

Mr. PASSMAN. Where are they now?

General FISH. They have been returned to the units.

Mr. PASSMAN. Where are they? You have units all over the world. Are they still in Thailand?

Mr. CLEMENTS. The planes are out of Thailand.

General FISH. A few were left that were not economical to move. They were in too bad a condition.

Mr. PASSMAN. I believe Thailand recommended we return them, did they not, to North Vietnam?

General FISH. On the contrary. There was some discussion and some Thailand spokesmen made various statements but the truth of the matter was—and I personally was involved—that we had the assistance of the Thai military in moving them out very quickly after they were brought in.

Mr. PASSMAN. You do remember they advocated returning them to North Vietnam?

General FISH. There were some people who made such statements.

Mr. PASSMAN. Some people run the government you understand. It is a very small minority. The leaders in Thailand gave us a certain number of months to get out of Thailand. Now bring us up to date on that if you will. How long did we have to get everything out of Thailand?

General FISH. We have been invited to remain there.

Mr. PASSMAN. Who has been invited, you? You are talking about the military?

General FISH. The military.

Mr. PASSMAN. It is a very, very small nucleus invited to remain there.

Mr. CLEMENTS. It is 3,500 plus or minus.

Mr. PASSMAN. How many did you have there at the peak?

Mr. CLEMENTS. I think there were about 40,000 there.

Mr. PASSMAN. We are going to leave there about 4 percent.

Mr. CLEMENTS. It would be about 10 percent.

Mr. PASSMAN. How much begging and how many dollars did you have to commit to get them to agree to that?

Mr. CLEMENTS. None at all in that spirit.

Mr. PASSMAN. I am not talking about spirit.

Mr. CLEMENTS. I am. I am talking about our mutual interest, the interests of this country and their interests and the installations that we are leaving there.

Mr. PASSMAN. These people have almost $2 billion in surplus in their foreign exchange account. What security? We only have two people in that part of the world we can rely upon, that is Taiwan and Korea.

Mr. CLEMENTS. These installations we are talking about, Mr. Chairman, make a significant contribution to our intelligence and they are desirable from our standpoint.

Mr. PASSMAN. If two men are in business and can always agree, one is unnecessary. I am determined you are wrong and this committee is going to trim this down to size for you and you are going to stop pouring this money into countries you can't rely upon.

MIDDLE EAST BALANCE

What are the military capabilities in terms of troops and equipment, on hand and delivered, for Egypt, Syria, and Jordan and let's add to this Saudi Arabia and Iran combined. They are arming rapidly aren't they?

Mr. CLEMENTS. I don't believe anyone heretofore has included Iran in such a comparison. They only want to help Israel.

Mr. PASSMAN. Didn't the Shah say if you have another conflict in the Middle East that they would support the Arabs?

Mr. CLEMENTS. I am not familiar with that statement.

Mr. PASSMAN. I apologize to you. If you didn't see it, I did. Did you see it, General?

General FISH. Sir, there was a report which the Shah denied. There was a report in a Lebanon newspaper and as the Secretary says, I don't know that we can always believe what is reported in the newspapers. I know Iran did supply oil to Israel all through the 1973 war.

Mr. PASSMAN. At a price.

General FISH. Yes, sir, but when nobody else would.

Mr. PASSMAN. At a price.

General FISH. Yes.

Mr. CLEMENTS. They have historically done this. They have had a relationship with Israel over many, many years and there is a historical relationship where they have supplied them with this oil.

IRANIAN SUPPORT OF THE ARABS

Mr. PASSMAN. The fact follows nevertheless that the Shah is quoted as saying, that if there should be another war in the Middle East, that he would support the Arabs. You are familiar with the statement.

Mr. CLEMENTS. The record needs to indicate, Mr. Chairman, that he denied that statement.

Mr. PASSMAN. Who did he deny it to?

Mr. CLEMENTS. To our people.

Mr. PASSMAN. Who are your people?

Mr. CLEMENTS. And to the press. I am talking about our representatives in Tehran.

Mr. PASSMAN. Could you name some of them?

Mr. CLEMENTS. Yes, sir, our Ambassador there.

Mr. PASSMAN. What is his name?

Mr. CLEMENTS. Mr. Helms.

Mr. PASSMAN. Are we to discount all these things we read or hear and just yield to you on all of it without us working together and pinning this down?

Mr. CLEMENTS. Mr. Chairman, my mother came from Natchitoches, La.

Mr. PASSMAN. I represent Natchitoches.

Mr. CLEMENTS. I know you do. It is not by accident that I recall that.

Mr. PASSMAN. Do you have some relatives left there?

Mr. CLEMENTS. I do.

Mr. PASSMAN. You are a nice fellow.

Mr. CLEMENTS. And she taught me that if you listen long enough, you can hear anything, and the same thing is true about reading the newspapers.

Mr. PASSMAN. I am just afraid to listen to you people. I have gotten myself in trouble listening to you. I am trying to get you to listen now.

I make this one point: Let's go right back to the nations I name. Pitting Israel against the Middle East. Putting Israel against the Arab States that may join in hostilities in the event of another war. How does one strength compare to the other?

Mr. CLEMENTS. Our judgment is that, today, Israel is stronger than the comparison of, or in opposition to either or combined with Egypt, Syria, and/or Jordan and Iraq. I want to leave Iran out of this.

Mr. PASSMAN. I tried to qualify my question. Those who may support the Arab States, if there should be another conflict. Let's hope we don't have another conflict.

Mr. CLEMENTS. They are stronger.

SINAI PACKAGE

Mr. PASSMAN. May I ask you this question. I address it to all three of you, and I think it is very important: This package for Sinai, was this quickly worked up or was it something put together after due deliberation by our military and by our State Department? Adding to my question, is this a formula that was carefully put together, and the levels established as to need, or just something gotten up quickly to have something to present to the Congress?

Mr. CLEMENTS. Mr. Chairman, the Middle East security assistance package was evolved over many, many months and Mr. Ellsworth and General Fish in our Department, ISA, as well as Secretary Schlesinger and myself fully participated in this along with General Brown of the Joint Chiefs of Staff, through the NSC structure.

Mr. PASSMAN. Let's get away from abbreviations.

Mr. CLEMENTS. We only have one National Security Council, and this was carefully considered through the committee framework and

the parent body of the National Security Council, presided over by the President. There was no falling out of bed one morning and coming up with a program. There is none of that.

Mr. PASSMAN. How many would you say from the start to the finish, participated in these deliberations?

Mr. CLEMENTS. Counting all of the interagency groups working in support of these programs and all, I would say literally hundreds of meetings took place to evolve that program.

Mr. PASSMAN. Mr. Secretary, would you tell the committee then this was not just some figure thrown out by Mr. Kissinger, that it was the experts in the military as well as in the civilians that came up with this formula and fixed these levels?

Mr. CLEMENTS. There is no question whatsoever about that.

Mr. PASSMAN. Do you think any of these agencies such as the CIA, have any information they can impart to this committee that you don't have, to help justify these funds?

Mr. CLEMENTS. No, I don't think that they really do. They might have extraneous information but I am not sure that it would make any more contribution to what you have to consider here than what we can give you.

Mr. PASSMAN. I guess you had information from the CIA before you made these decisions?

Mr. CLEMENTS. They were a part of the interagency group and Mr. Colby, himself, participated in the National Security Council deliberations on this issue.

Mr. PASSMAN. Can I say and can you support the committee at the proper time that in putting together this formula, that the CIA people were involved and supported it?

Mr. CLEMENTS. Yes, sir.

Mr. PASSMAN. And had full knowledge of it?

Mr. CLEMENTS. Yes, sir.

Mr. PASSMAN. Including Mr. Colby?

Mr. CLEMENTS. Yes, sir.

Mr. PASSMAN. This is something I can say forcefully and not worry about having this thing come back to haunt me?

Mr. CLEMENTS. I certainly think that, Mr. Chairman, and I would not want to be speaking for Mr. Colby but I have.

Mr. PASSMAN. I don't want you to speak for him but you said he participated and approved it and CIA people worked with you from the beginning until it was finalized?

Mr. CLEMENTS. No question about it. That is a fact.

AVERAGE TERMS ON MILITARY CREDIT SALES

Mr. PASSMAN. On our military credit sales, what are the average terms?

General FISH. Sir, the interest charged on guaranties is the cost of money for the Federal financing bank plus a small surcharge for administration and the terms are typically about 8 years. We have the authority to go up to 10 for direct sales credits but usually it is about 8 years. Seven or eight years for guaranties through the Federal financing bank.

Mr. PASSMAN. Is the interest rate charged the prevailing interest rate at which you have to borrow the money?

General FISH. Yes, sir.

Mr. PASSMAN. What has been the total amount of your military sales since the inception of the military sales program, do you have that?

General FISH. It has averaged about $800 million a year for the last 5 years as far as the total program goes. Of course, the NOA that is involved, the new obligational authority, is less than the program authority.

We have two programs. We have guarantees——

Mr. PASSMAN. I understand. We are dealing with the actual money now that we expend.

General FISH. We have the direct program also, of course, and that is cost of money to the U.S. Treasury usually judged by Treasury bills and other obligations of comparable maturity.

Mr. PASSMAN. I am a little confused.

Did you tell us that the average credit terms are 8 years?

General FISH. Yes.

Mr. PASSMAN. Could you furnish for the record the total amount of military sales since the inception of the program?

General FISH. Yes, sir.

Mr. PASSMAN. And the amount that has been paid in on these accounts?

General FISH. Yes, sir.

[The information follows:]

Foreign military sales credit agreements from inception total $7.5 billion, including $1.6 billion of nonreimbursable financing for Israel ($1.5 billion in fiscal year 1974 and $0.1 billion in fiscal year 1975). Of this $7.5 billion, $6 billion has been used. As of October 31, 1975, a total of $1.6 billion has been repaid against the agreements for repayment of $5.9 billion ($7.5 billion less the $1.6 billion nonreimbursable financing for Israel).

DELINQUENT NATIONS

Mr. PASSMAN. Tell the committee, at this time, how many nations are delinquent on their payments?

General FISH. We do have some that are momentarily delinquent. We have never had a total default. I have a list of the ones that are delinquent at the moment.

Mr. PASSMAN. Put it in the record.

[The information follows:]

STATUS OF FOREIGN MILITARY
SALES CREDIT AGREEMENTS WITH
AMOUNTS IN ARREARS MORE
THAN 90 DAYS AS OF
30 SEPTEMBER 1975

COUNTRY	ACCOUNT NUMBER	LOAN NO.	PRINCIPAL	INTEREST	TOTAL	OLDEST DUE DATE
Bolivia	741	741506	$ 250,000.00	$ 104,657.67	$ 354,657.67	6-30-75
Chile	731	731506	145,725.51	-0-	145,725.51	6-30-75
Columbia	711	711509	368,448.43	56,006.90	424,455.33	7-15-74 1/
	712	711508	161,350.99	37,126.68	198,477.67	7-15-74 1/
	721	721504	1,632,211.22	-0-	1,632,211.22	6-30-74 2/
	722	731505	118,651.90	-0-	118,651.90	12-31-74
	731	731502	1,250,000.00	-0-	1,250,000.00	6-30-75
Zaire	721	721511	1,660.06	-0-	1,660.06	7-1-75
	741	741517	350,000.00	-0-	350,000.00	1-1-75
	711G			[116,527.39]		7-1-75 5/
El Salvador	741	741509	110.86	-0-	110.86	6-30-75
Jordan	691	691571	854,000.00	235,215.54	1,089,215.54	7-1-75 4/
	711	711751	227,810.89	-0-	227,810.89	6-1-75 4/
	721	721521	-0-	76,100.66	76,100.66	7-1-75 4/
Morocco	671	670756	558,187.66		558,187.66	7-1-75
	691	691508	300,000.00		300,000.00	7-1-75
	692	691509	175,000.00		175,000.00	7-1-75
	711	711515	750,000.00		750,000.00	7-1-75
	721	721527	500,000.00		500,000.00	7-1-75
	722	721528	250,000.00		250,000.00	7-1-75
	731	731504	490,000.00		490,000.00	7-1-75
	741	741514	150,000.00		150,000.00	7-1-75 6/
Turkey	721	721508	548,726.81	82,136.26	630,863.07	7-1-75 3/
Totals			$9,081,884.33	$591,243.71	$9,673,128.04	

NOTES

1/ Paid October 1, 1975
2/ $131,216.45 of Principal paid October 1, 1975
3/ Turkey's Account 731 contains overpayment of $568,471.43
4/ Paid October 21, 1975
5/ Private Loan with Chase Manhattan Bank guaranteed by DoD
6/ Paid October 22, 1975

UNCLASSIFIED

Mr. PASSMAN. What is the percentage of the outstanding delinquents?

General FISH. One-tenth of 1 percent.

Mr. PASSMAN. That are delinquent?

General FISH. Yes, sir. Oftentimes when we look this over there are misdirected checks.

Mr. PASSMAN. You made a good case, now. Don't destroy it.

General FISH. It is really less.

Mr. PASSMAN. One-tenth of 1 percent is presently delinquent.

General FISH. It is less than that.

Mr. PASSMAN. Less than one-tenth of 1 percent.

Have you had any rollovers in this area?

General FISH. Yes; there have been some.

Mr. PASSMAN. What percentage now?

General FISH. I will have to get that for you. Very small.

Mr. PASSMAN. They can all be delinquent and you roll them over.

General FISH. I would say less than 1 percent.

Mr. PASSMAN. Less than 1 percent in rollovers.

Are the rollovers keeping their payments up to date after that?

General FISH. Yes.

Mr. PASSMAN. What is the net charge on this account?

General FISH. None.

PROFIT ON SALES

Mr. PASSMAN. Let me see if this makes an accurate record. I am worried about our dollars we are giving away.

The facts are that these nations are going to buy military equipment, et cetera from the United States or some other country, is that not a statement of fact?

General FISH. Yes, sir. As long as they have perceived needs they are going to get it.

Mr. PASSMAN. If we don't sell to them, one of our competitors will?

General FISH. Yes, sir.

Mr. PASSMAN. I hate to think we are going to run a military manufacturing scheme just to create profit but we must be realistic.

The manufacturer makes a profit on the sale of military equipment, does he not?

General FISH. Yes, sir.

Mr. PASSMAN. He pays taxes into the U.S. Treasury.

General FISH. I hasten to add we would never agree to a sale that we thought was not in our own interests. Given the fact it was in our national interest to make the sale, that it would not unbalance the arms in a particular region, they must meet all of the tests in the Foreign Assistance Act——

Mr. PASSMAN. Do you have to draw on your imagination to get some of these answers?

General FISH. Yes, sir.

Mr. PASSMAN. I thought so. I do too, occasionally.

Let me get back to the case I was trying to make: If we do know it is a fact that these people are determined they are going to buy military equipment—if they don't buy it from us they will buy it from some other major countries.

General FISH. That is absolutely right.

Mr. PASSMAN. There is a very substantial profit involved, is that true?

General FISH. Yes, sir.

Mr. PASSMAN. They pay taxes into the U.S. Treasury?

General FISH. Yes, sir.

Mr. PASSMAN. And by the same token, it creates jobs?

General FISH. Unquestionably.

Mr. PASSMAN. And those people, too, pay taxes into the U.S. Treasury?

General FISH. That is right.

Mr. PASSMAN. And they also pay taxes into the local governments?

General FISH. Yes.

Mr. PASSMAN. Even though we prefer to sell tractors and trucks and automobiles and bicycles, if they are determined to buy military assistance, then why shouldn't we sell them?

General FISH. We have some very good figures I would like to put in the record about how many——

Mr. PASSMAN. Answer the question: Why shouldn't we sell to them if we know very well they are going to buy it elsewhere? Why shouldn't we?

General FISH. We should sell to them.

Mr. PASSMAN. OK, then I am for your sales.

Now, how about your cash sales of military items? What is that running per year?

General FISH. About $8 billion cash; $8 to $9 billion.

Mr. CLEMENTS. The answer to that is $8 to $9 billion per year, cash sales.

Mr. PASSMAN. I used to be in business. And anytime you see rounded figures you can charge about 60 percent off. It is $8 or $9 billion.

Mr. CLEMENTS. Can we supply that for the record?

Mr. PASSMAN. Yes, but you have too much of a spread there. I would be inclined to discount it.

General FISH. All is cash except for about $1 billion, which is credit.

Mr. PASSMAN. You are saying for the record that we sell $10 billion worth of military equipment per year and about $9 billion of it is for cash, $1 billion of it is on terms, and on the terms part there is one-tenth of 1 percent delinquent and you have never charged off a dime?

General FISH. That is right.

Mr. PASSMAN. You can verify the fact that unless we sell military assistance to them some of our competitors will?

Mr. CLEMENTS. Yes, sir.

NUCLEAR CONSIDERATION IN SALES

Mr. PASSMAN. Mr. Secretary, when negotiations take place with a country concerning the possible sale of U.S. nuclear reactors, is the Defense Department consulted concerning these sales?

Mr. ELLSWORTH. Yes.

Mr. PASSMAN. Does the Defense Department consider the possible nuclear capacity of the country before weapons are sold, which could launch nuclear warheads?

Mr. ELLSWORTH. Yes.

Mr. PASSMAN. In a meeting with one of our country's former Presidents, Mr. Nixon, he said, that Brezhnev could walk over to his desk and press a button and in 25 minutes kill 75 million Americans, and that the United States could retaliate, and our President could press a button and in 30 minutes kill 80 million Russians. Is that the dangerous world we are living in?

Mr. CLEMENTS. In the figurative sense you have outlined, yes.

Mr. PASSMAN. I think that we learned that China, from 5 to 7 years, would have a nuclear capacity which would allow them to press a button and in maybe 1 hour kill 50 million Americans.

Mr. CLEMENTS. No, sir, I don't agree with that.

Mr. PASSMAN. You may not, but you have to wait 7 years to know whether you are right or wrong.

Mr. CLEMENTS. We are monitoring those systems and their development in a regular manner and the only thing I question, Mr. Chairman, is the time frame that you mention.

Mr. PASSMAN. Let's say that are coming on strong; they are developing nuclear power, are they not?

Mr. CLEMENTS. Yes, sir.

Mr. PASSMAN. At the proper time, at the time of a showdown, China could point those nuclear weapons at us, or point them in some other direction. Is that a fair statement? If they developed the nuclear power and the chips are down, they can point those nuclear weapons right, or they can point them left?

Mr. CLEMENTS. It is conceivable.

Mr. PASSMAN. If they become involved, they would make the determination as to whether or not they are supporting our position, or maybe supporting Russia's position, or some other nation.

What I am trying to say is, I think it is important that we have some kind of friendly relationship with these people since they represent about 25 per cent of the population of the world. I think they have developed nuclear power, haven't they?

Mr. CLEMENTS. I am talking about the intercontinental capability to reach the United States.

Mr. PASSMAN. You don't know what they will have until the time comes. You don't know and I don't know. We will have to wait and see. They are making progress.

Mr. CLEMENTS. Yes, they are. No question about it.

SAFEGUARDS ON NUCLEAR WEAPONS HELD ABROAD

Mr. PASSMAN. Could you tell the committee what safeguards the United States employs to protect the U.S. strategic nuclear weapons held abroad, Mr. Secretary, and General Fish?

General FISH. The question is, sir, what do we employ to protect nuclear weapons abroad?

Mr. PASSMAN. Will you tell the committee what safeguards the United States employs to protect nuclear weapons held abroad?

General FISH. They are under our special control. We have special devices on them. The only way they could be activated would be by special codes that no one individual has. They are very stringent safe-

66-317 O - 76 - 12

guards. I think in an unclassified session it would be inappropriate to go into detail.

Mr. PASSMAN. You may elaborate for the record.

Mr. ELLSWORTH. They are on military bases heavily guarded with all kinds of military personnel, fences and adequate, full, complete military protection.

Mr. PASSMAN. Do we have adequate safeguards?

Mr. ELLSWORTH. Yes, we do.

Mr. CLEMENTS. Yes, sir, we do.

Mr. PASSMAN. I have never had any desire to retain any classified or secret material. The minute this material comes here, it is put under lock and key by the committee. If this question cannot be answered in open session, then it is quite all right with me.

How many U.S. nuclear weapons and warheads are located outside the United States?

General FISH. It is classified.

REIMBURSEMENT FOR CAMBODIAN MILITARY ASSISTANCE

Mr. PASSMAN. In a recent letter sent to the committee, it was stated $25 million was needed in December 1975, for reimbursement from the military assistance appropriation to cover past Cambodian military assistance and if it was not provided it could result in a violation of the Antideficiency Act. Would you explain that?

General FISH. Yes, sir.

Section 506 of the Foreign Assistance Act of 1961, as amended—when we were given authority to draw down defense stocks, we were also given budget authority to reorder those stocks that were drawn down. Those orders are placed, the bills are coming due, and because of the delay in addressing this bill, we are in a position where we must pay those bills and the money isn't there.

FMCS TO MIDEAST

Mr. PASSMAN. How much of the foreign military credit sales request of $1,065 million is for the Middle East?

Mr. CLEMENTS. The proposed total credit sales program for Middle East countries, Israel, Jordan, and Lebanon, totals $1,580 million. This represents about 66.5% of the total requested credit program of $2,374,700,000. About $833 million of new appropriation will be required for these Middle East countries. This represents 78 percent of the $1,065 million new obligation authority being requested. Israel alone requires $825 million or 77 percent of the new obligation authority.

PHASEOUT MAP

Mr. PASSMAN. Mr. Clements, what would be your reaction if the military grant assistance program was phased out completely and the foreign military credit and cash sales programs were retained as substitutes?

Mr. CLEMENTS. Well, Congressman, I would have to say that I believe the blanket determination of military grant assistance would be inconsistent with the national security and foreign policy requirements of the United States. By that I mean that the flexibility of the security assistance program would be clearly diminished. Grant aid is a powerful and effective tool of national policy. Those countries with less well-developed economies would be faced with the choice of enhancing their security by purchases at the cost of other important internal national programs, or looking to other nations able to provide grant type aid such as the U.S.S.R. or P.R.C. Therefore, I believe it to be essential that we examine the need for military grant aid assistance on a case-by-case, country-by-country basis taking into account world and regional conditions and our national interests. We have, and will continue to reduce and eliminate county programs as rapidly as possible but I cannot support across-the-board terminations which would be clearly counter to the best interests of the United States.

ISRAELI MILITARY CAPABILITY

Mr. PASSMAN. How does Israel's military capabilities in terms of numbers of troops, equipment on hand or to be delivered, and so forth, compare to Egypt, Syria, and Jordan?

[The classified information was provided to the committee:]

MISSILES TO THE MIDEAST

Mr. PASSMAN. As you know, in the past several months a great deal of controversy has been focused on the sale of missiles to the Middle East. Could you please tell the committee what types of missiles are being sold to the Middle East countries and if any of these missiles have a nuclear capability?

Mr. CLEMENTS. The following types of missiles have or are being sold to Middle East countries:

Air-to-surface	Surface-to-air	Air-to-air	Surface-to-surface
Maverick	Basic Hawk	Sidewinder	Harpoon (Navy).
Shrike	Improved Hawk	Sparrow	Tow (antitank).
Standard Arm	Chaparral		Dragon (antitank).
Bullpup	Redeye		Lance.
			Standard Arm (special version).

The Lance missile has a nuclear capability; however, the version sold to Israel is of the nonnuclear type only. The Improved Hawk sale to Jordan is proceeding at the present time. A total of [deleted] are included in the proposed sale to Jordan.

DRAWDOWN AUTHORITY

Mr. PASSMAN. In a recent letter sent to the committee, it was stated that $25 million was needed in December 1975 for reimbursement from the military assistance appropriation to cover past Cambodian military assistance, and if it was not provided, it could result in violation

of the Anti-Deficiency Act, reduction of personnel, and possible closing of ammunition plants. Could you explain this in further detail for the committee? In this regard, what would happen if the enttire $323,900,000 in liquidation of contract authority was denied?

Mr. CLEMENTS. Section 506 of the Foreign Assistance Act of 1961, as amended, authorizes the President to order services to be provided by the military departments and defense articles to be furnished from military department stocks if he determines such action to be in the national interest. Reimbursements for these orders, by law, are to be provided from subsequent appropriations for military assistance. During fiscal years 1974 and 1975, defense articles and services were ordered under this legal authority for support of Cambodia in the amount of $325 million. Section 506 of the Foreign Assistance Act of 1961, as amended, also authorizes the incurrence of obligations in applicable Department of Defense appropriations in amounts equivalent to the value of orders for defense articles and services so ordered in anticipation of reimbursements. Thus, in accordance with law, military departments have been provided contract authority in exchange for defense articles and services ordered to be furnished Cambodia.

In the interest of readiness, the military departments did, in fact, place contracts to replace the items furnished Cambodia using the obligational authority provided by section 506 in anticipation of reimbursements. If these reimbursements are not appropriated, there would be a shortfall in the accounts of the military departments; that is, funds available to liquidate obligations will be less than the amount of obligations incurred. The result can only be cancellation of contracts for necessary items in order to avoid unlawful expenditures.

The matter is particularly time sensitive for the Department of the Army inasmuch as the major portion of the stock delivered to Cambodia under section 506 consisted of ammunition. Cancellation of ongoing ammunition procurements will result in substantial personnel reductions and considerable turbulence in the Army ammunition plants, with an associated detrimental impact upon the economies of the communities in which the plants are located. In addition, failure to replace the ammunition and other defense articles furnished will most certainly degrade the readiness posture of the military departments.

LIBYA TO TURKEY JET TRANSFER

Mr. PASSMAN. In a newspaper article, it was indicated that seven U.S. jet fighters were transferring from Libya to Turkey in circumvention of the U.S. arms embargo. If this incident is true, what has the United States done in reaction to this situation and what is to prevent future incidents of this type from happening?

[The classified information was provided to the committee.]

KOREA-VIETNAM COMPARISON

Mr. PASSMAN. Would you please update the tables appearing on page 5 of the House appropriations report on Foreign Assistance last year, which showed the large investment we have made in Korea and South Vietnam?

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

U.S. CONTRIBUTIONS TO SOUTH KOREA

	Amount (billions)
Estimated Korea war costs DOD (fiscal years 1950–51)	$18.0
Cost of maintaining U.S. military forces in Korea (fiscal years 1954–74)	10.8
Military assistance grant aid (fiscal years 1950–75)	3.8
Economic assistance programs (fiscal year 1946–75)	5.7
Total	38.3

U.S. MILITARY CASUALTIES IN THE KOREAN WAR

	Number
Died from hostile causes	33,629
Died from nonhostile causes	20,617
Total deaths	54,246
Wounded or injured, nonfatal	103,284
Wounded or injured, fatal (added to deaths)	2,501
Total wounded	105,785
Missing in action	5,866
Captured or interned	7,140

U.S. CONTRIBUTIONS TO SOUTH VIETNAM (OUTLAYS FULL COST)

	Amount (billions)
Estimated Vietnam war costs DOD (fiscal years 1965–75) (includes MASF program)	$138.4
Economic assistance programs (fiscal years 1962–75)	7.2
Military assistance programs (fiscal years 1956–66) (funded under Foreign Assistance Act)	1.5
Assistance provided to Indochina under President Truman	1.3
Total	148.4

U.S. MILITARY CASUALTIES IN CONNECTION WITH THE VIETNAM CONFLICT

(Jan. 1, 1961 through Oct. 31. 1975)

	Number
Died from hostile causes	46,468
Died from nonhostile causes	10,355
Total deaths	56,823
Wounded or injured, nonfatal	303,704
Wounded or injured, fatal (added to deaths)	5,168
Total wounded	308,872
Unaccounted for	851

The above table has been updated to reflect the most current information available. Economic Assistance programs for both South Korea and South Vietnam for FY 1975 represent preliminary information.

OVERSEAS TROOP REDUCTIONS

Mr. PASSMAN. What troop reductions have been made, by country and number, due to the policy of requiring other countries to do more for themselves, with the United States supplying financial aid? Isn't

this cheaper for the United States instead of maintaining troops abroad?

Mr. CLEMENTS. Since the large-scale withdrawals associated with our disengagement from Vietnam, we have not made substantial reductions as part of the policy you cite. One important reason is that our major deployments overseas coincide with long-standing security commitments of primary importance to U.S. global security policy, where we have had long record of our security partners' willingness to do their part, and where we are convinced that any significant withdrawals of the U.S. troop presence would have an undesirably destabilizing effect upon the regional and worldwide military balance. I refer, of course, to our commitments to NATO in Europe, and to South Korea. The bulk of our overseas troops presence is concentrated in these two areas.

The United States has pledged to our NATO Allies that we will maintain and improve our forces in Europe if there is a similar effort by our Allies, and that we will not reduce them unless there is reciprocal action on the part of the Soviet Union and the other members of the Warsaw Pact. We are seeking such reciprocal reductions now in the negotiations on mutual and balanced force reductions (MBFR) in Vienna. Meanwhile, we are improving the combat capabilities of our deployments to NATO in response to the Nunn amendment to last year's defense budget, by taking necessary action to convert 18,000 support spaces to combat spaces. This support-to-combat conversion, however, has not involved any reduction in our overall troop presence in Europe.

As to the second part of your question, the answer would depend upon the size and place of the reduction. It is not necessarily certain that simply bringing forces home would, in fact, save money. There are substantial one-time relocation costs associated with any sizable withdrawal, plus the costs of expanding facilities in the United States to accommodate those additional personnel once they were withdrawn. Were the reduction of any significant size and were it to take place in an area such as Europe or South Korea where maintenance of the conventional military balance is essential to the United States' own security interests, moreover, I would say that the risks to regional and world stability associated with a significant reduction would outweigh any simple dollar savings that we might achieve.

ROK ARMED FORCES MODERNIZATION

Mr. PASSMAN. What is the status of the U.S. 5-year modernization agreement entered into about 4 years ago with Korea to update her armed forces?

Mr. CLEMENTS. We believe the fiscal year 1971–75 ROK modernization program will be completed during fiscal year 1977.

WORLDWIDE COLLECTIVE SECURITY EFFORTS

Mr. PASSMAN. Do you feel other nations around the world are participating effectively in the collective security of the free world?

Mr. CLEMENTS. I would say that our major security partners are certainly participating effectively in our collective security arrange-

ments. Our NATO Allies now supply 90 percent of the Alliance's ground forces, 80 percent of its ships, and 75 percent of its aircraft. In the critical central region of Europe, the United States contributes only 23 percent of NATO's manpower—compared, for example, with the Soviet Union's share of 46 percent of Warsaw Pact manpower.

In the other area of our primary security concern, Northeast Asia, the Republic of Korea has recently embarked upon a unilaterally developed force improvement plan that will take some 5 years and cost several billion dollars to complete. They have recently instituted a special additional defense tax to finance this effort, although they will also need U.S. FMS credits.

Mr. PASSMAN. Thank you very much.

I will ask Mr. Coughlin if he will preside.

SANCTIONS AGAINST NATIONS IN VIOLATION OF AGREEMENT

Mr. KOCH. Mr. Secretary, I was mulling over your last answer to me. I decided it was really unsatisfactory. You may recall my question was, in the event that you found that there was a violation of the contractual agreement with Saudi Arabia, with Saudi Arabia using war materials that we had provided it in violation of a contractual agreement, that you would do something about it.

We talked about two different situations, one where you thought there was no sanction where it was not engaged in hostilities, but simply in some kind of maneuvers, and the other where it was engaged in hostilities.

That, I think, sums up the colloquy we were engaged in at that time. Was that a reasonable summation of our dialog?

Mr. CLEMENTS. Yes, sir. I think I said the Defense Department and the other participants in the executive branch would take appropriate action. That was my term.

Mr. KOCH. And then you hastened to add: But I am not going to tell you what we would do. I think that is what you said to me.

Mr. CLEMENTS. But I said this was because it would be pure speculation on a case by case basis relating to those particular circumstances. I couldn't prejudge the situation until I knew exactly what was the situation.

Mr. KOCH. Maybe I misconstrued the tenor of your statement, but what bothers me is that this committee would not be made privy to the nature of sanctions that the DOD would engage in under certain hypothetical cases.

So, I would like to ask you—what sanctions you will use—and if you think it is material that ought to be classified, just classify it.

I would like to know what are the sanctions you would impose on a country like Saudi Arabia that uses its jets against Israel in violation of its agreement with us.

Mr. CLEMENTS. We will reply with a response for the record that will answer that question.

Mr. KOCH. The hypothetical cases, the circumstances that you would consider, and what our response would be.

Mr. CLEMENTS. What we will give you is a series of things that might be done.

Mr. KOCH. All right, and the predicate upon which it is based.

Mr. CLEMENTS. No, it would apply to any country, be it Saudi Arabia, Turkey, Israel, or whatever. It will apply to any country because those are the ground rules under which we have to operate.

[The information follows:]

FOREIGN VIOLATIONS IN USE OF U.S. PROVIDED DEFENSE ARTICLES AND SERVICES

Any country which uses defense articles or services in "substantial violation" of the terms of the agreement under which such articles were provided by the United States is subject to the sanctions provided for under the relevant U.S. law. The provision of grant military assistance under terms of the Foreign Assistance Act of 1961, as amended, is subject to Section 505(d) of that Act, which says:

"Any country which hereafter uses defense articles or defense services furnished such country under this Act, the Mutual Security Act of 1954, as amended, or any predecessor foreign assistance Act, in substantial violation of the provisions of this chapter or any agreements entered into pursuant to any of such Acts shall be immediately ineligible for further assistance."

The provision of defense articles and services under terms of the Foreign Military Sales Act, as amended, is subject to sections 3(c) and 3(d) of that act, which read:

"3(c) Except as otherwise provided in subsection (d), any foreign country which hereafter uses defense articles or defense services furnished such country under this Act, in substantial violation of any provision of this Act or any agreement entered into under this Act, shall be immediately ineligible for further cash sales, credits, or guarantees.

"3(d) A country shall remain ineligible in accordance with subsection (c) of this section until such time as the President determines that such violation has ceased, that the country concerned has given assurances satisfactory to the President that such violation will not recur, and that, if such violation involved the transfer of sophisticated weapons without the consent of the President, such weapons have been returned to the country concerned."

The criterion employed in both acts is that of substantial violation. Because of the virtually unlimited ways in which defense articles and services, taken as a whole, might be employed by recipient countries, there are few rules for judging out of the factual context whether a violation is or is not substantial. Consequently, each alleged violation must be examined individually and any finding of a substantial violation can only be made after full evaluation of the facts and circumstances of the action in question.

In evaluating whether a particular action or omission constitutes a substantial violation, a number of considerations would have to be taken into account. Among these would be:

Facts; whether a violation may be fairly said to have occurred.

Intent; whether the violation was purposeful or inadvertent.

Scale; whether the violation was on a large or limited scale.

Whether the articles or services involved were sophisticated.

Whether the violation was an isolated incident or part of a larger pattern of minor violations derived from objectives of the country's foreign policy that conflict with those of the United States, which, taken together, could be said to be substantial.

Whether the violating country recognized its violation and gave assurances that further such violations would not occur.

Following such an evaluation, the United States response might range from:

Determining that the violation was not substantial while at the same time requiring assurances from the country that it would not recur.

Suspending further assistance or sales under either or both of the acts until the nature of the violation could be more accurately determined.

Finding the violation substantial and the country ineligible to receive further defense articles and services under either or both acts.

Mr. KOCH. As my good friend and colleague Early pointed out, they don't seem to work. They didn't work with Turkey. The fact is that with respect to Turkey they used our arms in Cyprus, at least the Con-

gress decided they did, and then the Congress cut off aid, and then there were subsequent votes that required us—caused us, I should say—to reopen that aid, based on the fact that something was going to happen on the part of the Turks; nothing did. We are back in that same situation. What I am trying to convey is, I don't really see these sanctions doing anything. It bothers me. If legislation is necessary, why should I vote to allow you to sell to Saudi Arabia, American arms that could and would in my judgment be used against Israel?

Why should I do that? I am not convinced—sanctions in the past haven't worked, and I am not sure your prospective sanctions are going to work.

Mr. CLEMENTS. I think you are considering this particular case because you keep coming back to Saudi Arabia vis-a-vis Israel.

Mr. KOCH. That is because it was in the press recently. We have read it in the press. You said: Don't believe everything you read in the press. I am willing not to believe everything I read in the press, but sometimes I think they tell us more than the executives in our Government do.

Mr. CLEMENTS. On the other hand, you are considering one worst case situation that might happen under these particular circumstances. I think you also have to put into the balance and weight that kind of a lack of control, which is what you are saying, versus what are the advantages.

You weigh those advantages to this worst case situation. Our relationship with Saudi Arabia is terribly important at this particular time, and contributes to the welfare of Israel and, as a matter of fact, there are high-placed government people from Israel who feel equally strongly as I do in this instance. It is wrong to have Saudi Arabia over there in the naked position they are, exposed to their neighbors, with a very desirable treasure under their soil, so to speak.

Mr. KOCH. Saudi Arabia is surrounded by Arab nations—that is a fact, isn't it?

Mr. CLEMENTS. Yes; that is true.

SAUDI ARABIAN THREAT

Mr. KOCH. Do you know of one Arab nation that has threatened Saudi Arabia?

Mr. CLEMENTS. Yes.

Mr. KOCH. Which one?

Mr. CLEMENTS. It depends on what constitutes a threat and in what way it was phrased.

Now, let's talk about just general relations. Saudi Arabia's general relations with Syria have historically not been good. Their relationships with Iraq have been, as I would classify it, poor, and I think our State Department would agree with this. In addition to this, I would remind you that something like only 7 or 8 years ago there were 40,000 Egyptian troops on the Arab Peninsula.

Mr. KOCH. In Saudi Arabia, or in Yemen?

Mr. CLEMENTS. In Yemen, which is, of course—I said on the Arabian Peninsula, and that is immediately next door. That would be like having troops in Texas versus Louisiana, or vice versa. It is right next door.

Now, under these circumstances I don't think anyone can deny that they are threatened, and the truth of the matter is that Saudi Arabia for any practical purpose is absolutely naked. They have no external or internal security.

Mr. KOCH. Let me just conclude with this last question. Is it your position that the arms that we are furnishing to Saudi Arabia are for Saudi Arabia's defense against other Arab states, is that your position?

Mr. CLEMENT. Yes, sir, it is, and for their own internal security. This is terribly important. I have just been to Saudi Arabia a few months ago with General Brown and we have extensive programs underway there, and I would say to you in all candor that in my judgment Saudi Arabia is absolutely no threat to Israel.

Mr. KOCH. I will conclude my questioning at this point and turn it over to my good friend, Mr. Conte.

Mr. CONTE. I will be glad to yield to Mr. Long. I see that pained look on his face. I have all day. Go ahead.

Mr. LONG. No.

Mr. CONTE. I can't stand to see that pain.

Mr. LONG. I yield to the gentleman from Massachusetts. What you see on my face is simply what happens when I haven't had my bean soup.

Mr. CONTE. I will try to be brief.

I want to welcome Mr. Clements and my good friend Bob Ellsworth, who I had the privilege of serving with in the House, and General Fish. I welcome them.

ISRAEL'S REQUEST

Last year I had an interview with Congressman O'Neill in the Middle East and had an interview with Prime Minister Rabin and Defense Minister Peres; at that time I asked both of them in different meetings how much Israel needed in foreign aid and at that time Peres said $1½ billion for at least 3 years. I want the package to be the best and most useful package possible, but now I hear the reports that this is way more than is necessary and my question is: Did you make every effort to give them independent estimates of the needs of Israel? And do you agree with Minister Peres' estimate?

General FISH. I think it is important to realize, in answer to your question, Mr. Conte, that Israel's needs really exceed $1.5 billion. This is what is being asked for in the form of credits. The percentage of Israel's gross national product devoted to defense was 42 percent as opposed to our 6 percent in 1974. It was 32 percent in 1975.

The individual items we have discussed with Israel, as to her needs, are needs we recognize and endorse and they exceed $1.5 billion. We get to an estimate of her cash flows and credits required in order to supplement her own resources in getting the armaments and defense articles that she needs. We think the $1.5 billion was something that was scrubbed down rather thoroughly. The initial request was larger.

Mr. CLEMENTS. Mr. Congressman, you also need to put this into perspective that so often is not done—you already are there and this is beside the point, but this $1.5 billion number does not represent something that Israel is going to receive in the now current year, or next year. Those represent orders that they would place that would be

extended out over a period of like—before they would get some of their more important purchases under this arrangement, it would probably be at least 4 and maybe 5 years before they would get that material. So you are talking about really an evaluation that relates to the modernization of their force structure, and you need to keep it in this perspective because it is long term; it is not short term. It is not this year. It is over a period of 4 or 5 years, and some very expensive items, such as F–15's. They run $16 million or $17 million apiece. By the time you support them, they will be $16 or $17 million apiece. As you run that out in the out years, you see, they won't get delivery on those in the near term.

Mr. CONTE. How about the $1.5 billion a year for 3 years? You are talking about 1 year now, stretching it out.

Mr. CLEMENTS. This is an estimate and really I am just addressing this year's requirement, which is the $1.5 billion. I think it needs to be said that the Israelis feel that their requirements will exceed that, frankly. That number is a scrubbed number and whether or not, in fact, over a period of time, as their requirements might change—remember, there has to be a flexibility with respect to this, and a constant reevaluation of the threat and this has to be considered, too. So, as this would come up next year, and the year after, I would look for that number to be reconsidered and it might go up or it might go down, but certainly in this year, and considering the list of equipment that we are talking about, which will then in turn be extended over a 4- or 5-year period, into the future, I think the $1.5 billion is a good number, and I endorse it. I know the Department of Defense endorses it.

MILITARY ASSISTANCE PIPELINE WORLDWIDE

Mr. SHRIVER. How much then is in the pipeline for "Military assistance"?

General FISH. In the form of articles they have already purchased——

Mr. SHRIVER. Israel?

General FISH. Yes. The articles they have already purchased and that are still undelivered, it is about $1.9 billion.

Mr. SHRIVER. For total military assistance, how much is in the pipeline?

Mr. CLEMENTS. Do you mean for Israel?

Mr. SHRIVER. No; worldwide.

General FISH. I would have to get that figure.

Mr. SHRIVER. I think we need that.

General FISH. I can calculate it and give it to you with precision.

[The information follows:]

Undelivered FMS orders worldwide total $24 billion.

Mr. CLEMENTS. An indicator of that would be the billings we actually delivered and either received payment for, or it was booked in a credit sale; it was in this $3-plus billion range this year, versus taking orders for and placing into the pipeline as you mention it, for the continuing year, $9 billion, so these numbers are unrelated.

Mr. SHRIVER. I think we need to take into consideration when we appropriate additional money how much is in the pipeline as well as how much additional you are going to supply.

General FISH. We would hope the main consideration would be the requirement. The programs in the pipeline was justified in the past. They are considered, of course, as an offset to the current requirements when we bring the program forward.

Mr. SHRIVER. The question always comes up when we are submitting the bill.

Mr. CLEMENTS. I will caution you you have to consider these very expensive items that could be in there. I mentioned the F–15's, but the same thing would hold true for ship construction, F–14's, F–16, and things of this nature that on a unit basis represent a large sum of money.

Mr. SHRIVER. We are not supplying any ships.

Mr. CLEMENTS. Yes, sir, we are, as a matter of fact. Not to Israel, but you asked about the total and we have Spruance Class 963 destroyers that are to be supplied to Iran. We will probably have other sales of this too.

Mr. CONTE. That is a sale?

Mr. CLEMENTS. Yes. That is what we are talking about. These are foreign military sales. These are cash foreign military sales.

Mr. SHRIVER. I asked for military assistance.

Mr. CONTE. All types.

Mr. CLEMENTS. When you look at those numbers, you really have to look at it in the time frame involved, and also the unit cost of particular items, and they can get very big.

Mr. CONTE. In view of the reported arsenals of Egypt, Syria, and Libya in S.C.U.D. missiles, having a 200-mile range with a heavy warhead, would Israel maintain a strong defense posture without the Pershing missile?

Mr. CLEMENTS. Are you asking in my judgment?

Mr. CONTE. Yes.

Mr. CLEMENTS. The answer is "Yes," they can without the Pershing missile.

Mr. CONTE. How?

Mr. CLEMENTS. Well, there are counteractions they can take to this kind of a threat and the threat as posed by this system that you mentioned is probably not as severe as it has been painted.

Mr. CONTE. It is too bad some of our hearings aren't in closed session because I think it is very important to have that information.

According to the figures I have received, Israel's 461 combat aircraft and 2,700 tanks will be facing the Arab States totaling 1,500 combat aircraft and 6,500 tanks. How will the purchase made with the $1.5 billion we are talking about affect this proposed balance?

Mr. CLEMENTS. As I stated earlier, Israel is right now superior to these forces that she has historically confronted and I have no reason to believe that she will not maintain that superiority. I think that is really the answer to your question. She is superior now and she will stay superior.

Mr. CONTE. With a billion and a half?

Mr. CLEMENTS. Yes.

SMALL ARMS FOR THAILAND

Mr. CONTE. On page 27 of your justifications you show for Thailand an increased request for carbine rifles and machineguns of 27,714 as compared to 3,000 in 1975. Why this large increase in small arms for Thailand?

Mr. CLEMENTS. Primarily because of an insurgency that is in the north and which has become more severe.

Mr. CONTE. They have always had an insurgency in the north.

Mr. CLEMENTS. Yes, sir, but there is an increased level of intensity there and it needs to be recognized. This is a fact. It is not speculation.

SOVIET MILITARY ASSISTANCE TO SYRIA

Mr. CONTE. Could you give us what the level of the Soviet military assistance is to Syria and what type of equipment is being given Syria?

General FISH. We have that information, but I think it would be better supplied on a classified basis because the details might reveal sources.

[The classified information was provided to the committee.]

TRAINING PROGRAM FOR SAUDI ARABIA

Mr. CONTE. We had a small military assistance program. I think it was a training program for Saudi Arabia. I brought it up with Mr. Kissinger last year and he promised me they were going to knock the thing out. It was very small. Is it out?

Mr. CLEMENTS. It is out.

Mr. CONTE. There is no military assistance?

General FISH. No grant aid. We train them but it is for cash.

Mr. CLEMENTS. I want to emphasize what General Fish said and not leave the wrong impression. We have an enhanced training program in Saudi Arabia. That is ongoing, but it is for cash.

Mr. CONTE. There is nothing wrong with that. It looked bad, as small as it was.

Mr. CLEMENTS. I agree.

SOVIET PILOTS IN ANGOLA

Mr. CONTE. It was reported yesterday that up to 400 Soviet pilots and tank crews arrived in Angola, in addition to 2,500 Cuban soldiers estimated to be there already. Do you have anything new on this? Is this so?

Mr. CLEMENTS. I have no information on that.

Mr. CONTE. What are we doing about it?

Mr. CLEMENTS. We cannot confirm that and the record should show that.

Mr. CONTE. You agree with me if it is so this could bring about one of the most tragic bloodsheds in all of Africa?

Mr. C EMENTS It would be a disaster.

SOVIET NAVAL AND AIR FORCES IN THE PACIFIC

Mr. CONTE. Mr. Clements, in view of the recent buildup of the Soviet Naval and Air Forces in the Pacific, do you consider them a threat to

the United States security and does it have any effect on Japan's military status?

Mr. CLEMENTS. Yes, sir, it does. The answer in both instances is "Yes." It certainly impacts our national security and we are aware of this buildup and this is a part of the Indian Ocean Diego Garcia issue, and I consider it very serious.

With regard to the impact on the Japanese national security and their security defense forces as they conceive it, I think it is worrisome to them and I think they are aware of this; they are keenly aware of it, and they are perhaps moving in a direction that will compensate.

COSTA RICA

Mr. CONTE. I notice you have money in here for Costa Rica and Honduras. I have been in Costa Rica many years ago, but they didn't have any army there at all. They had a little police force. A very peaceful little country.

Mr. CLEMENTS. There is a modest program for Honduras.

Mr. CONTE. How about Costa Rica?

Mr. CLEMENTS. No program is proposed for Costa Rica.

Mr. CONTE. Costa Rica was something like Shangri-la. They had no army and a small, limited police force. I hate to see the day they are going to get into it.

General FISH. I don't have Costa Rica listed as one of our programs. Honduras, however, is correct.

FIVE-YEAR MODERNIZATION PROGRAM IN KOREA

Mr. CONTE. In 1971 we began a 5-year modernization program in Korea. We are now told this program is a little behind. Can you tell us something about the program, what your estimations are, and what it is going to require to bring this program up to date?

General FISH. Yes, sir. I did promise the chairman I was going to supply that for the record, but I have looked it up. As of the end of June we were about $360 million below our previous commitment in this regard. There have been some items furnished since that figure of $360 million so it is something less than $360 million we are in arrears, with regard to our earlier commitment.

We have discussed with the Koreans a continuation because no force stands still; they always need to continue to improve their forces.

As the technological threat changes, they are up against it. It is a continuing thing and we have agreed with the Koreans we will work with them on an annual basis to reexamine the threat and the status of their forces, to continue working with them to modernize their forces as required.

BELGIAN MACHINEGUNS

Mr. CONTE. We have been told to encourage the Belgians who have bought our F–16's that we are going to buy some Belgian machineguns.

General FISH. That is not true at all. You speak of the M–58 for the M–60 tank.

What we did tell the Belgians is that we would consider their gun. Our aim was to get the best weapon possible for American soldiers and

a decision would be made only after a careful evaluation of the cannon.

Mr. CLEMENTS. It had to be competitive.

Mr. CONTE. They can be competitive. That is easy on any weapon. They have a low-wage scale compared to the United States.

General FISH. We find the opposite is true. Usually these industries that supply this sort of thing from Europe have difficulty meeting the prices of the United States.

Our bigger problem is that they are reasonably competitive as to price.

Our interest is the best weapon for the American soldier. We are interested in standardization of weaponry in NATO and any decision would be made on the total merits of the case.

Mr. CONTE. That is important because if we start trading off weapons for weapons, we are going to be in bad shape.

Mr. CLEMENTS. We are not going to do that and the NATO allies understand that. This is a matter of continuing dialog between those country and ourselves and as General Fish has outlined, the basic problem for them is to be competitive, both as to quality and price.

GERMAN LEOPARD TANK

Mr. CONTE. What is the status of the German Leopard tank? Are we considering buying those?

Mr. CLEMENTS. No, sir. What we have recently had is a competition between the United States, Great Britain, and Germany with respect to the gun for the tanks, both the British—all three, the British, the German, and our tanks, and we are in the process of making an evaluation on that now.

We are certainly evaluating the Leopard tank in its advanced form, and will be. We are not right there yet, because they haven't made it available to us, but they will in time, with our new XM–1 tank and we will evaluate that tank versus theirs.

PHASING DOWN GRANT AID

Mr. CONTE. Last year we stressed the importance of getting off of military grants and going on to military credit sales, and no new countries were added on military grant last year. What is the status this year? Has any dropped off?

General FISH. No, sir. It is the status quo in that regard. Of course, the program has gone down. As the chairman outlined earlier, the total program—if you set aside the $323 million that is requested in this appropriation to pay back to defense for articles that were provided under the 506 draw down authority, the overall program is down from last year on the grant side. The crelit is up, but total sales are expected to rise only slightly.

Mr. CLEMENTS. Philosophically it needs to be stated that our position is that we certainly agree with the phasing down of grant aid and going to foreign military sales either on a cash or an acceptable credit basis. There is no question about that.

GREECE NATO DUTIES

Mr. CONTE. The chart on page 45 indicates that Greece intends to purchase 60 A–7 aircraft and 40 T–2 aircraft. Are these aircraft connected with Greece's former NATO duties?

[The classified information was provided to the committee.]

AID TO TURKEY

Mr. CONTE. As I stated several times before, I do not intend to support any further aid to Turkey unless I have assurances that we are not equipping the Turks for further conflict in Cyprus and until I get evidence that progress has been made in the negotiations. Can you give me that evidence?

Mr. CLEMENTS. It was not anticipated that lifting the arms embargo would produce an end to the deadlock in Cyprus. Rather, the continued maintenance of the embargo was seen as an impediment to progress toward a negotiated settlement of this complicated and long-standing problem. This remains our view.

Following the lifting of the arms embargo and the Turkish senatorial elections, Turkey announced it was prepared to search for a Cyprus solution and to discuss all aspects of a settlement within the framework of the intercommunal talks. Immediately thereafter the U.S. Government took a number of steps through diplomatic channels aimed at helping the parties find a basis for resuming these talks.

Under the aegis of U.N. Secretary General Waldheim, these initiatives have not produced a major breakthrough, but taken together they have advanced prospects for a negotiated settlement.

While we are seeking to achieve progress in Cyprus, we believe that the President's fiscal year 1976 recommendations for Turkey MAP and FMS credit deserve to be examined on their own merits apart from the Cyprus issue. Turkey is a valued NATO ally which does not have the economic or industrial resources to meet its own biateral or multilateral defense commitments. It is as much in our own security interests as it is in Turkey's that assistance be given Turkey to maintain its armed forces in a high state of combat readiness.

AID TO EL SALVADOR

Mr. CONTE. On page 75 of the justification there is indicated a $255,000 "Other Equipment and Supplies" item for El Salvador. What type of equipment is this and why a $204,000 increase over last year?

Mr. CLEMENTS. This money has been provided for four different types of maintenance shops which include tools and test equipment to maintain weapons, vehicles, engineer and communications equipment. The total of $300,000 including $45,000 for supply operations was exactly equal to that provided to Honduras in accordance with our policy of evenhandedness.

SOVIET SALES TO PERU

Mr. CONTE. Is Peru still purchasing large quantities of equipment from the Soviet Union?

Mr. CLEMENTS. Peru has purchased Soviet military equipment in every year since the initial ——— accord was signed in 1973. As of

July 1, 1975, the total estimated value of Peruvian purchases is at———.

SOPHISTICATION OF FMS

Mr. CONTE. Do recipients of our military sales aid have the capability to effectively employ, supply, and support the very sophisticated weapons systems which are being provided to them? For example, do you anticipate that Iran would be able to support the aircraft and air defense systems in active combat for days, weeks, months?

Mr. CLEMENTS. Iran, of course, has for several years paid cash for all its purchases from the United States. Even so, the ability of a foreign country to maintain and to utilize the equipment requested is one of the criteria in determining whether the U.S. Government is willing to sell military equipment in response to a valid requirement. It should be emphasized that a large portion of our foreign military sales involve basic and technical training, installation, and improvement of logistical facilities and the providing of support equipment. The Department of Defense is especially cognizant of the support requirements for sophisticated weapons systems and makes a special effort to assist the foreign country concerned through various ways such as phasing the logistical support and training with the delivery of the equipment and definitizing requirements for spare parts and support equipment to insure that all areas are fully considered. It would be difficult to assess the capability of any country to support itself under active combat conditions since there are a myriad of factors that must be considered. However, in the case of Iran, extensive efforts have been directed toward logistics, modernization, and training of elements of their armed services, and construction of infrastructure facilities—including communications facilities, port facilities, and technical training facilities.

Mr. CONTE. Assuming that these are ongoing programs to develop the levels of proficiency required to support such systems, how long a period of training is required to achieve a satisfactory level in such countries as Iran, Saudi Arabia, or Egypt?

Mr. CLEMENTS. We are not providing arms to Egypt. Training items required for countries like Iran and Saudi Arabia to achieve a satisfactory level to support specific weapons systems will vary to a greater or lesser degree with each weapons system and the country concerned. Deliveries of major systems to most Middle East countries are expected to peak in 3 to 4 years. Training requirements are considered as an integral part of the total package concept at the time the weapons system is sold; therefore, initial training requirements are generally programed to be completed on a timed phased basis to coincide with equipment deliveries. Supplemental follow-on training requirements for the more demanding skills can be expected to continue on a recurring basis after delivery depending on the degree of self-sufficiency achieved by the country.

Mr. CONTE. What is the ratio between equipment purchases and funds expended on training and maintenance of the equipment? What I'm trying to get at is whether it would be a better long-range investment to provide support for the latter instead of just selling the equipment?

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Mr. CLEMENTS. The purchase of weapons and ammunition has been 42.9 percent of the total cumulative FMS orders from fiscal year 1950 through fiscal year 1975. This was composed of combat aircraft, combat ships, combat vehicles, missiles, and ammunition, 57.1 percent of the total orders was composed of spare parts, supporting equipment, aircraft and missile modifications, communications equipment, construction, repair and rehabilitation, supply operations, training, and supporting services.

Fiscal year 1975 sales were in the same approximate ratio. I agree that priority must be given to support of existing equipment when it still fulfills mission requirements and as indicated by these amounts, nearly 60 percent of our past sales have been for such support items and services.

CONFERENCE OF THE COMMITTEE ON DISARMAMENT

Mr. CONTE. The argument exists today that if we don't sell a given country arms, someone else would. I cosigned a letter to Secretary Kissinger suggesting an arms limitation conference. What is your view on the possibility of success.

Mr. CLEMENTS. During the past three decades, the United States has been involved in extensive unilateral and multilateral efforts to obtain improved international restraints over arms transfers. These past efforts are described in considerable detail in the Arms Control and Disarmament Agency report entitled "The International Transfer of Conventional Arms," which was published on April 12, 1974. Underscoring continuing U.S. Government interest in achieving tangible progress on this front, Ambassador Martin proposed to the Conference of the Committee on Disarmament (CCD) in Geneva on April 10 this year that the CCD identify and discuss principles of conduct that could be applicable on a worldwide basis to the acquisition or transfer of conventional arms. In a follow-up address on June 24th, he again stressed the importance which the United States attaches to achieving such international restraints. While there has not been an immediate positive response, it is hoped that these consistent efforts eventually will result in the imposition of improved controls.

AID TO LEBANON

Mr. CONTE. Your justification states that the aid to Lebanon is designed to aid the internal security threat. To date we have poured millions into this effort yet Americans and Lebanese are being shot at and driven out of Beirut while the Lebanese Army sits around looking dapper with all our hardware. Why should we give them any more?

Mr. CLEMENTS. First, let me clarify one point—the request for Lebanon in fiscal year 1976 is in the form of only $5 million in FMS credit, not grant aid, with only limited amounts of that for weapons, per se. I would note, also that in fiscal year 1975, security assistance for Lebanon totalled only $131,000, in the form of grant training, and only $171,000 in fiscal year 1974, also mostly for training. Grant military assistance for Lebanon covering the entire period of fiscal years 1950–73 totalled only $14.5 million.

As to the internal security threat, the Beirut situation tends to obscure the fact that the Lebanese Army has been relatively effective in monitoring and limiting Palestinian activities, particularly in south Lebanon where the majority of Palestinian refugee camps are located. Also, the fighting in Lebanon outside of Beirut thus far has been limited due in large measure to the presence of and intervention by the Army. The situation in Beirut itself is extremely complex and fluid and I should defer to Department of State concerning the underlying political factors at work there.

ETHIOPIA MILITARY FACILITY

Mr. CONTE. The testimony last year was that our base in Kagnew, Ethiopia was of decreasing importance and was being phased out. What is its current status?

Mr. CLEMENTS. I think the testimony last year indicated that some functions of the Kagnew facility were being phased out. The Department of Defense has a continuing requirement for a permanent communications capability in the Middle East, Africa, South Asian area, and if the DOD is to support this requirement we must either retain the Kagnew facility or find an alternate location from which to operate.

JAPANESE MILITARY SELF-SUFFICIENCY

Mr. CONTE. Judging from the recent events in Southeast Asia and the threats from North Korea, do you see any desirability or likelihood of Japan's becoming militarily self-sufficient?

Mr. CLEMENTS. Japan has a constitutional constraint against having military forces except for her self defense. This constraint, along with the considerable public sentiment in Japan against rearmament, makes it appear unlikely that Japan will rearm. Japan also continues to place great reliance on the United States-Japan Treaty of Mutual Cooperation and Security. Following events in Southeast Asia, Prime Minister Miki, when he visited the United States in August, received the assurances of President Ford that "* * * The United States would continue to abide by its defense commitment to Japan under the Treaty of Mutual Cooperation and Security in the event of armed attack against Japan, whether by nuclear or conventional forces." In part, because of such reassurance, we have seen no evidence of Japan rearming as a result of recent events in Asia. Concerning desirability, we believe only that the Self Defense Force of Japan should be capable of fulfilling its assigned mission, the defense of the Japanese islands.

NORTH KOREAN THREAT

Mr. CONTE. At the end of Mr. Schlesinger's Far East visit, he remarked that the United States would respond with "massive conventional firepower" to an attack by North Korea. Could you tell us what that would entail?

Mr. CLEMENTS. The exact details of what our response would be if the North Koreans attacked the South would, of course, depend on the situation at the time. Nonetheless, I believe that Mr. Schlesinger's

remark was intended to be a clear statement of the U.S. intent, after appropriate consultations, to respond strongly against renewed aggression on the peninsula from the North. Indeed, this intent to act on the part of the United States coupled with our capability to do so has been a major factor in deterring a new outbreak of hostilities in Korea over the past 20 years. As long as we retain a capacity to honor our commitments to the ROK which the Pyonyang regime can recognize, the danger of renewed fighting in Korea will remain low.

SOVIET FMS IN LATIN AMERICA

Mr. CONTE. What is the extent of Soviet military sales in Latin America? Are such sales on the increase?

Mr. CLEMENTS. Cuba and Peru are the only Latin American countries purchasing Soviet military equipment. Since 1970, Cuban purchases have averaged approximately ———, an amount sufficient for maintenance and modest modernization of the military inventory. Peru began purchasing Soviet military equipment in 1973 when a ——— accord was signed. Additional agreements were reached in 1974 and early 1975, raising the total of Soviet sales to ———.

MAP AGAINST FMCS

Mr. CONTE. In 1974 the number of countries that had successfully made the transition from grant military assistance to foreign military sales credits was stressed. Last year there were no new additions to that list. Have any countries made this transition since we last had hearings?

Mr. CLEMENTS. Tunisia has transitioned to foreign military sales credits from fiscal year 1975 to fiscal year 1976. The only MAP costs for this country are supply operation cost to deliver materiel that was funded in prior years.

MAP IN INDONESIA

Mr. CONTE. It is estimated that Indonesia should have $4 billion of oil revenue in 1975; if this is so, it looks like a good time to let them pick up a greater share of the tab. Yet, you are proposing a $6.3 million increase in MAP money and $18.1 million increase in sales credits. Will grant aid really decrease over the coming years?

Mr. CLEMENTS. The increase in the fiscal year 1976 MAP materiel program for Indonesia from the fiscal year program is $3.5 million. Although Indonesia has begun to realize substantial foreign exchange earnings from oil exports as a result of worldwide price increases, this new income has not significantly increased Indonesia's low per capita GNP, nor will it immediately provide for all the country's many economic and security requirements. With the fall of Indochina, Indonesia's future is of major concern to the United States, and with our assistance Indonesia can make a substantial contribution to stability in the region, as well as to the maintenance of our lines of communications and our access to resources. We anticipate, in our planning, to

reduce and eliminate grant materiel programs as rapidly as possible considering U.S. national policy interests and the economic ability of grant recipients to absorb the cost of their defense burden.

CHINESE INFLUENCE IN ZAIRE

Mr. CONTE. Is there any real threat of Chinese influence emanating from the Congo, endangering our position in Zaire?

Mr. CLEMENTS. I don't think any real danger of that exists. Congo and Zaire do not have a close relationship, and the nature of Chinese aid to the Congo—largely small arms and wheeled vehicles—and the number—two or three dozen—of Chinese advisers there keep the threat of influence from that quarter pretty low.

We believe Zaire shares our concern over the inroads of radicalism in central Africa and is taking steps to limit its impact on Zairian institutions. At the same time I must note that Zaire began a limited military supply relationship with China in 1974 and that small amounts of Chinese equipment already have been received. ——.

BOLIVIAN OIL

Mr. CONTE. How much oil and natural gas is Bolivia now exporting? To whom?

Mr. CLEMENTS. In fiscal year 1974 Bolivia exported 10.8 million barrels of oil. The main buyers were Brazil, Chile and Peru. During this same year approximately 55 billion cubic feet of natural gas was exported principally to Argentina through a natural gas pipeline between those two countries.

Mr. CONTE. How does security assistance "enhance our access" to this fuel?

Mr. CLEMENTS. Although the amount of petroleum products now exported by Bolivia is modest, it is believed that large reserves may exist. There are currently 15 American oil companies exploring within that country and presumably the United States will participate in the benefits of future discoveries. Associated with this consideration as well as in the broader context, it is in the U.S. interest that the current stability which has characterized the Bolivian Government in recent years should continue. In this regard, we believe that U.S. assistance in many areas has had a beneficial and supportive effect. Certainly the Bolivian Government sees this to be true and views its ties to the United States in very positive terms. One aspect of this relationship involves our security assistance program which, in our opinion, have assisted the Bolivians in their efforts to sustain a stable government and which will continue to be a significant factor in the maintenance of positive relations between our two countries.

Mr. KOCH. Gentlemen, the hearing is concluded. I want to thank you for your presentation. It was the first for me and I have enjoyed it immensely.

Mr. CLEMENTS. Thank you. We enjoyed being here.

Mr. KOCH. The committee is adjourned.

TUESDAY, DECEMBER 2, 1975.

MILITARY ASSISTANCE AND MILITARY CREDIT SALES

WITNESSES

LT. GEN. H. M. FISH, U.S. AIR FORCE, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY, DOD
MAJ. GEN. JOHN A. HOEFLING, U.S. ARMY, COORDINATOR FOR ARMY SECURITY ASSISTANCE, DEPARTMENT OF THE ARMY, DOD
J. H. SILBER, OFFICE OF THE ASSISTANT GENERAL COUNSEL FOR INTERNATIONAL AFFAIRS, DOD
STANLEY STACK, OFFICE OF THE COMPTROLLER, DEFENSE SECURITY ASSISTANCE AGENCY, DOD
ANN A. STOUT, OFFICE OF THE SPECIAL ASSISTANT TO THE DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY, DOD
CARLYLE E. MAW, UNDER SECRETARY OF STATE FOR SECURITY ASSISTANCE, DEPARTMENT OF STATE
SAMUEL GOLDBERG, DEPUTY ASSISTANT SECRETARY OF STATE FOR CONGRESSIONAL RELATIONS, DEPARTMENT OF STATE
THOMAS STERN, DEPUTY DIRECTOR OF POLITICO-MILITARY AFFAIRS, DEPARTMENT OF STATE
ALBERT N. WILLIAMS, ASSISTANT DIRECTOR OF THE OFFICE OF POLICY PLANNING AND COORDINATION, POLITICO-MILITARY AFFAIRS, BUREAU OF INTER-AMERICAN AFFAIRS, DEPARTMENT OF STATE

Mr. PASSMAN. The committee will come to order. We shall continue our examination of the budget request for foreign aid and assistance for fiscal year 1976 and the transition quarter. This afternoon we shall again consider the military assistance and military credit sales programs. We have as witnesses Lt. Gen. H. M. Fish and Maj. Gen. John A. Hoefling, Mr. J. H. Silber, Mr. Stanley Stack, and Mrs. Ann A. Stout.

From the Department of State we have the Honorable Carlyle E. Maw, Mr. Samuel Goldberg, and Mr. Thomas Stern.

GENERAL STATEMENTS

I would assume, General Fish, that you would like to kick off the hearings with your statement, sir. We will insert the prepared statements in the record at this point.

[The statements follow:]

STATEMENT OF GEN. H. M. FISH, USAF, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY

Mr. Chairman, members of the committee, I welcome this opportunity to testify on the security assistance program.

The Secretary of State has set forth the proposed fiscal year 1976 security assistance program in his testimony and explained how it will support the foreign policy objectives of the United States. Secretary Clements, in his testimony before you, outlined the Defense considerations in formulating that program. Today, I will address the responsibilities of the Department of Defense related to the worldwide military assistance program and the military credit sales program.

The Secretary of Defense is primarily responsible for the determination of military end-item requirements, procurement of military equipment in a manner which permits its integration with service programs, supervision of end-item use by the recipient countries, supervision of the training of foreign military personnel, movement and delivery of military end-items, and the establishment of priorities in the procurement, delivery, and allocation of military equipment.

My primary role as manager of those functions for the Secretary of Defense is to insure that the security assistance programs administered by the Department of Defense are efficiently implemented. The programs must be in the best interests of the United States in accordance with applicable provisions of the Foreign Assistance Act and Foreign Military Sales Acts and other governing legislation which provide specific policy guidelines.

As Secretary Clements has testified, we are requesting this year $2.37 billion for the 1976 credit program. It includes $1.1 billion in new obligational authority for direct DOD credit, nonreimbursable sales to Israel, and to guarantee private financing.

Grant materiel assistance is steadily diminishing and cash and credit sales increasing. As directed by Congress we are careful to examine the military assistance program with the goal of reducing grant aid as rapidly as feasible consistent with the security and foreign policy requirements of the United States. Accordingly, our proposed MAP program requests $423 million for 22 countries. In fiscal year 1976 Congress is requested to appropriate $394.5 million in new obligational authority. Adding to this $28.3 million in recoupment, reimbursement and reappropriation funds and $323.9 million in drawdown payback, the total fiscal year 1976 funding is $718.4 million, down from $985 million last year.

As the President has stressed in his message to the Congress, nothing so underscores the essentiality of our peacekeeping role as our current efforts in the Middle East. Not only is it of paramount importance to work toward achieving and preserving peace in that area, but equally vital is the necessity of free and continuing access to the area's necessary oil reserves. We are requesting $1,500 million in military credits for Israel.

Her neighbor, Jordan, historically a longstanding friend of the United States, has embarked upon a major military reorganization and modernization program. To the extent that we aid the Jordanian Army, we strengthen the ability of King Hussein to maintain stability in his country. We are asking, therefore, for $100 million in military assistance; $800,000 in training funds and $75 million in military credit sales.

Lebanon's modest assistance program includes $200,000 in training funds and $5 million in credit sales. Yemen, one of the world's poorest countries, is a moderate Arab country and is pro-Western. She is struggling to modernize her armed forces and we propose a modest grant military assistance program and $500,000 in training funds to assist her.

Conversely, Tunisia, located strategically at the center of the North African littoral and on the Strait of Sicily, is being shifted from grant aid to a combination of cash and credit sales to enable it to finance its own military modernization program. Residual MAP paid now totals $200,000 for supply operations, $400,000 for training programs, and $15 million in credits for fiscal year 1976. In neighboring Morocco, whose strategic importance stems primarily from its location at the junction of the Atlantic Ocean, the Mediterranean Sea and the Strait of Gibraltar, we are asking for $800,000 in training funds and $30 million in military sales credits to facilitate that country's efforts to modernize its armed forces.

Elsewhere in Africa, we are proposing military grant aid in the amount of $12 million and FMS credits of $10 million to Ethiopia to support forces needed to maintain internal security and a credible defense posture. Our assistance to Ethiopia also is designed to enhance stability in the horn of Africa and to help counter large amounts of military equipment the Soviet Union has been supplying to neighboring states.

Zaire faces an increasing threat to its security as a result of a build-up of Soviet military influence in the Congo and Uganda, and instability in neighboring Angola. We propose $19 million in FMS credits to help modernize its forces and to increase stability in the area.

Turning to our strategic interests in the Eastern Pacific:

The Republic of Korea is moving from sole reliance on grant military assistance to purchases for cash and credit under FMS and commercial arrangements.

In the recent past, Korea's economy has shown a rapid and sustained growth. While this growth has slowed because of international economic trends, prospects for further growth are good. Substantial reductions in grant aid and corresponding increases in FMS credit can be expected after completion of the Korea Armed Forces modernization program begun in fiscal year 1971.

The progress already made toward greater Korean self-reliance in defense is impressive. Korea has accepted increased responsibility for its own defense commensurate with its improving economic strength. We ask, therefore, for $74 million in grant aid, $2.7 million in training funds and $126 million in foreign military sales credts.

Indonesia is a country of great strategic and political importance in Southeast Asia and the Pacific. During the past year, Indonesia has begun to realize substantial foreign exchange earnings from oil exports as her offshore fields come into production. However, this new income will not, in the short run, substantially increase Indonesia's low per capita GNP or immediately provide for all the country's many economic and security requirements. Indonesia is in a transitional period, wherein the requirements for grant military assistance will appreciably decline and the Indonesian capacity for self-reliance, including purchase of defense items from abroad, will markedly increase. In recognition of Indonesia's greater self-reliance and growing income from oil, grant aid will focus on training, technical assistance and modest value end items needed to fill existing units and enhance Indonesian logistics and management capabilities. FMS credit will be used primarily to meet Idonesia's requirements for major materiel items such as aircraft and ships. We are requesting for Indonesia, $19.4 million in military assistance, $2 million for training and $23.1 million in foreign military sales credits.

The Republic of China (ROC) is no longer a grant materiel recipient but is employing its own resources to support its armed forces—by way of FMS purchases, as well as by commercial purchases from the United States. Grant military assistance, except for training and supply operations to delivered pipeline, was terminated at the end of fiscal year 1974; and FMS credit sales are increasing steadily as an alternative source of required military equipment. We are proposing $80 million of FMS credits for China in fiscal year 1976.

The United States has an important military interest in the Philippines because of its strategic location. The United States maintains a number of military facilities there, the most important being Subic Naval Base and Clark Air Base. The security relationship between the two nations is defined in three major agreements: The 1974 Military Bases Agreement as amended, a Military Assistance Agreement of the same date, later revised in 1953; and the 1952 United States-Philippine Mutual Defense Treaty.

For the next several years, there will be greater emphasis on meeting Philippine materiel needs through foreign military sales. Grant training will focus on projects which will increase the self-sufficiency of the armed forces in such areas as logistics and management. Grant materiel assistance will concentrate on completing the equipping of high priority Army units and on enhancement of Navy and Air Force life capability. We are requesting $19.6 million in military assistance, $750,000 in training funds, and $17.4 million in foreign military sales credits.

The U.S. security commitment to Thailand is defined by the terms of the 1954 Manila Pact which has been the basis of successful cooperation between the two countries in mutual security for the past two decades. Countering the Thai insurgent threat is the responsibility of the Thai Government, and U.S. forces stationed in Thailand are not involved. However, U.S. military assistance bolsters Thai defense capabilities and reassures Thailand that the United States continues to value Thailand as an ally. We are proposing $28.3 million in grant materiel assistance, $1.8 million in training funds, and $36.7 million in foreign military sales credits.

The FMS credit of $15 million proposed for fiscal year 1976 for Malaysia is to provide standard, relatively unsophisticated weaponry which will enhance that small country's ability to combat insurgent terrorists.

By the Foreign Assistance Act of 1974, the 93d Congress repealed the previous ceiling on the foreign military credit program for Latin America. By lifting this restriction, the Congress has permitted us to be more responsive to the legitimate security needs of friendly nations in the hemisphere and to be able to pursue our objectives in Latin America in a mature way, without the taint

of paternalism. Throughout Latin America, the small military assistance training programs are for vehicles, spare parts, and communications equipment.

Our security assistance programs in Europe are proposed for our two longtime friends and allies in the Mediterranean, Greece and Turkey.

Greece remains strategically important. It is located in a central position with respect to the strategic areas of the Turkish Straits, the Suez Canal, the Strait of Sicily, and the Otranto Strait; and it blocks direct access from the Balkans to the Aegean Sea through Hellenic Thrace. Therefore, an adequate Greek defensive posture is necessary. FMS credit will be required to permit Greece to purchase items essential to meet its valid military modernization requirements. The resultant strengthening of its defensive capabilities in turn will continue to help promote U.S. and NATO security interests in the Eastern Mediterranean. We are proposing a $110 million FMS credit program for Greece, together with $50 million in grant materiel assistance and $800,000 for training.

Turkey provides 37 percent of the standing manpower forces in Europe available to NATO. Turkey is important as the anchor of NATO's southern flank, as a member of Cento, and in its strategic location astride the militarily significant Bosporous and Dardanelles which allow the Soviets access from the Black Sea to the Mediterranean. The United States highly values Turkey as an ally and depends on the Turkish Armed Forces to contribute to mutual security interests. Of direct military importance to the United States are important intelligence and communications sites, operating rights for U.S. air and naval units, and prepositioning of weapons and materiel for NATO emergency use. These facilities and rights are needed to help assure that the United States has the necessary support structure for employment of its forces committed to NATO and the use of air routes important for military air operations. We are proposing $75 million in military assistance for Turkey, $1.8 million for training, and $130 million FMS credit.

I might mention a matter of special concern to many of you, the reporting requirements of section 36(b) of the Foreign Military Sales Act. The Department of Defense desires to keep the Congress fully informed concerning the scope and direction of foreign military sales. We have been working closely with staff members to provide sufficient time for review and will continue to seek ways in which we can improve our procedures to insure meaningful participation by the Congress.

Mr. Chairman, this completes my statement, and I am ready for your questions.

STATEMENT OF HON. CARLYLE E. MAW, UNDER SECRETARY OF STATE FOR SECURITY ASSISTANCE

Mr. Chairman and members of the subcommittee, I welcome this opportunity to meet with you today for the purpose of discussing the President's proposals for security assistance during the current fiscal year.

The principal purpose of security assistance—both the grant military and economic components of the program, as well as foreign military sales—is to help our friends and allies to maintain a posture of military strength adequate to deter their adversaries and thereby to promote the peaceful resolution of contentious issues. This has been our purpose since the inception of the program.

Twenty-six years ago, Congress in the Mutual Defense Assistance Act stated its intention to promote international peace and to support the foreign policy and general welfare of the United States by fostering an improved climate of political independence and individual liberty, and by facilitating arrangements for collective security. One of the act's other clearly defined goals was to create a stable international environment in which allies and friends could be secure. Successive Congresses have reaffirmed that goal. We believe the President's program for fiscal year 1976 is a reaffirmation of this administration's support for the security of friends and allies and that it warrants your support as well.

The essential purposes of U.S. foreign policy are exemplified by our current efforts to buttress prospects for peace in the Middle East. Both President Ford and Secretary Kissinger have stated firmly on numerous occasions that the United States is determined to make every feasible effort to maintain the momentum of progress toward a peaceful settlement of the Arab-Israeli conflict. Over the past 2 years, we have produced two agreements leading to the disengagement of forces on two fronts; and in September of this year, an agreement that is producing a significant withdrawal of Israeli Forces within the Sinai Penin-

sula. At the same time, we have restored diplomatic relations with all of the key countries of the Arab world. In brief, we have moved the area from stagnation and recurring crisis to negotiation and real hope for an end to conflict.

To sustain progress, we are proposing a significant increase in the level of our assistance to nations in the region—fully 70 percent of the fiscal year 1976 security assistance program.

For fiscal year 1976, we are requesting authorization and funds for a program of $3.383 billion for the Middle East region. The program is almost equally divided between economic supporting assistance and military assistance. We are requesting $100.8 million in grant military assistance (MAP), $1,575 million in foreign military sales credits, $1,657.5 in supporting assistance, and $50 million for the special requirements fund. With respect to the $1,500 million FMS credits to Israel, authority has been requested to forgive interest and repayments on half of that total.

In preparing our Middle East program we have been mindful of the economic problems facing us here at home, and the budgetary restraints they require. We have therefore tried to strike a balance between what we could do to assist constructively in the area and what we should ask Congress and the American people to provide. Our program reflects this balance. We hope it will receive the support that it requires and deserves.

After the Middle East, the remainder of our proposed program is to be allocated along the following lines:

	Millions
Europe:	
MAP	$129.9
FMS	240.0
Supporting Assistance	164.1
Total	534.0
East Asia:	
MAP	150.2
FMS	298.2
Total	448.4
Latin America:	
MAP	16.0
FMS	180.0
Total	196.0
Africa:	
MAP	14.2
FMS	31.5
Supporting Assistance	22.8
Total	68.5

As you know, we have greatly modified our security assistance programs in the past 5 years to encourage other nations to bear the primary burden for their own defense. But in specific situations military assistance, in the form of MAP and FMS credits, must continue to play a significant role. The bulk of our grant assistance, excluding the Middle East, is to be directed to Korea, Greece, and Turkey. In each nation we have very substantial security interests. The rest of the program will provide modest amounts of materiel and training to nations in Asia, Latin America, and Africa.

I wish to take note of two additional points at this juncture.

The administration has omitted a specific request for Spain pending conclusion of an agreement relating to the U.S. military bases in that country. The agreement is to be submitted to Congress for approval, and we plan to forward a security assistance budget amendment to Congress at the same time.

Second, I wish to underscore a significant change that has taken place in our security assistance program. As you know, we have made strenuous efforts to decrease the reliance of friends and allies on grant military assistance and to

move them toward greater dependence on foreign military sales and commercial purchases. The administration proposals for East Asia reflect this trend. For the first time, the foreign military sales component of the program outweighs grant military assistance—$298 million to $142 million respectively. In addition, the Korean force modernization plan that was introduced in 1970 and placed such great emphasis on MAP is today more dependent on the availability of FMS credits for its successful completion.

Comparable changes reflecting movement toward self-reliance on the part of friends and allies are to be encountered in other regions. As a result, there are 65 percent fewer military assistance advisory personnel assigned to our overseas missions today than in 1970; we have reduced the number of flag-rank officers assigned to these missions; and we also have fewer MAP material country programs than at any time in the history of security assistance.

Gentlemen, I firmly believe that security assistance and our arms transfers generally are a crucial instrument of our national policy in much the same sense as are our politcal support and economic assistance for others. They contribute needed jobs to several sectors of our labor force, and they help us to maintain a more favorable balance of payments. Furthermore, they permit our defense industries to achieve significant economies through scale of production—economies that are passed along through lower prices for our Armed Forces.

For all of these reasons I urge your favorable consideration of our proposals embodied in our fiscal year 1976 security assistance program.

BIOGRAPHIES

Mr. PASSMAN. We will also insert the biographies of General Fish and Secretary Maw in the record at this point.

[The biographies follow:]

LT. GEN. HOWARD M. FISH, USAF

General Fish was born in Melrose, Minn., on August 1, 1923, and 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, McGuire Air Force Base, N.J.

In August 1963 he entered the Air War College, Maxwell Air Force Base, Alabama, 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, Seventh Air Force, Tan Son Nhut Airfield, Republic of Vietnam.

General Fish returned to Headquarters U.S. Air Force in July 1970 as the 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 Katherine 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.

Carlyle E. Maw

Under Secretary of State for Security Assistance, August 1974–present.

Legal Adviser, Department of State, November 27, 1973–August 1974.

Member firm of Cravath, Swaine & Moore, 1 Chase Manhattan Plaza, New York, N.Y. 10005, January 1, 1939–November 26, 1973. Associate September 17, 1928–October 16, 1933; March 6, 1934–December 31, 1938. Member of the New York bar; admitted 1929.

Born, Provo, Utah, October 13, 1903. Parents, Charles E. and Margaret (Peterson) Maw (deceased). B.S. Brigham Young University 1925, George Washington University 1924–25; LL.B. (cum laude) Harvard Law School 1928; editor, Harvard Law Review 1926–28; treasurer 1927–28.

Professional associations: American Bar Association (chairman, Committee of Foreign Economic Cooperation, section of International and Comparative Law 1953–58; chairman, International Trade Committee, section of antitrust law 1971—); Association of the Bar of the City of New York (vice president 1954–55) (Committees: Admissions 1944–47 (secretary 1945–46; chairman 1946–47); executive 1949–54 (chairman 1954–54); finance 1954; grievances 1955–58; increase of membership 1942–43, 1947–48 (chairman 1947–48); federal legislation 1941–46; patents 1949–50; international law 1960–65 (chairman 1963–65); Committee on the Lawyer's Role in the Search for Peace 1962–69; Committee on European Common Market 1962–69); New York State Association (Committees on Federal and State Constitutions 1960; Committee on International Law 1967–71 (chairman 1970–71); International Law Association (Committee on Foreign Investments in the Developing Countries 1968–1973; Executive Committee American Branch 1971—); International Bar Association; Inter-American Bar Association; Union Internationale des Avocats; American Society of International Law (Executive Council 1968–72). Fellow: American Bar Foundation.

Chairman, executive committee, Committee for Defense of the Constitution by Preserving the Treaty Power 1953–57.

Articles, statements, etc.: "The Use of the Federal Injunction in Constitutional Litigation," (43 Harv. L. Rev. 426 (1930)); "Conflict Avoidance in International Contracts" Parker School Studies in Foreign and Comparative Law, 1962; "Response to Sabbatino" (5 Harv. Int'l Law Club J. 221)); "Application of International Law in United States Courts—Immunity of States and the Act of State Doctrine" symposium, International and Comparative Law Center of the Southwestern Legal Foundation 379 (1964); "Joint Ventures Abroad—Forms and Methods" symposium, International and Comparative Law Center of the Southwestern Legal Foundation 171 (1965); chapter 7 "Limits Under International Law of National Jurisdiction To Regulate the Conduct of International Trade," Common Market and American Antitrust (Rahl, editor 1970); "Applicable Law and Conflict Avoidance in International Contracts" 25 The Record, Association of Bar of City of New York (1970); "United States Antitrust Law Abroad—The Enduring Problem of Extraterritoriality" 40 Antitrust Law Journal 796 (1971).

Chief Counsel, Housing Division, Public Works Administration September 1933–March 1934.

Other associations: chairman, Harvard Law School Fund 1961–63; president, Harvard Law School Association of New York City 1965–66; president, Harvard Law School Association 1969–71; member, Harvard Law School Visiting Committee 1966–71; director, Fishers Island Electric Corp., Fishers Island Telephone Corp., Fishers Island Development Corp.; Member Advisory Board, International and Comparative Law Center, the Southwestern Legal Foundation 1964——.

Clubs: University, River, Broad Street, Wall Street (N.Y.C.) Metropolitan (Washington, D.C.), Fishers Island Country, Hay Harbor (Fishers Island, N.Y.).

Married: Margot Bell, September 8, 1934; children—Carlyle E., Jr.; Michael Bailey; Susan Margot (Mrs. Martin Hykin). Church affiliation: St. Bartholomew's Episcopal Church, New York, N.Y. Residences: 700 New Hampshire Avenue NW., Washington, D.C. 20037; Fishers Island, N.Y. 06390.

General Fish. Sir, I welcome this opportunity to testify on the security assistance program. The basic purposes of the security assistance program have been set forth by the Secretary of State. The Secretary of Defense is, of course, primarily responsible for the determination of military end-item requirements and procurement of military equipment in the manner which permits its integration with the service programs and supervision of end-item use in the recipient countries. He is also responsible for supervision of training of foreign military personnel and delivery and movement of military end-items, and establishment of priorities in the procurement, delivery, and allocation of military equipment.

While the grant materiel assistance is steadily diminishing, the foreign military cash and credit sales are increasing. Our proposed military assistance program request is for $423 million for 22 countries.

In fiscal year 1976 Congress is requested to appropriate $394.5 million in new obligational authority. Add to this $28.3 million in recoupment, reimbursement, and reappropriation funds and $323.9 million in drawdown authority, the total fiscal year figure for funding is $718.4 million, down from $985 million requested last year.

The details of the program are in my expanded statement and also in the congressional presentation documents that your staff has examined.

One particular matter of concern I might mention which is the reporting requirements of section 36(b) of the Foreign Military Sales Act. The Department of Defense desires to keep the Congress fully informed concerning the scope and direction of military sales and our representatives are working closely with staff members to pro-

vide additional information and sufficient time for congressional review. We will continue to seek ways by which we can improve our procedures to insure meaningful participation by the Congress.

I believe that summarizes the matter at hand.

RECOUPMENT FUNDS AND DRAWDOWN AUTHORITY

Mr. PASSMAN. Thank you, General Fish. Let's clear up one thing concerning recoupments. Wouldn't it be a better definition if we would say deobligating funds previously obligated which become available for new obligations?

General FISH. Yes, sir.

Mr. PASSMAN. Let's do it that way.

General FISH. Yes, sir.

Mr. PASSMAN. It simply means previously you obligated to a program more money than the program required, therefore, you needed to deobligate the excess funds. Two things could be done with these funds. They could go back into the U.S. Treasury or back into the military assistance program, is that correct?

General FISH. Yes, sir.

Mr. PASSMAN. So you are willing for us to say that these are excess obligations that we now deobligate. Instead of putting these funds back into the Treasury, we will put them into this program.

What did that amount to in fiscal year 1974?

General FISH. That was $12.8 million, sir.

Mr. PASSMAN. How does that compare to fiscal 1975?

General FISH. $12.8 million in fiscal year 1974 and $26.7 million in fiscal year 1975.

Mr. PASSMAN. So it is on the increase?

General FISH. Yes, sir, but I think it is true historically it has been under $20 million.

Mr. PASSMAN. Certainly we want to cooperate in keeping the record correct so when we look at your budget request for fiscal 1976 of $718,400,000, $323,900,000 is to reimburse the Defense Department for equipment and material that you borrowed from the DOD to be used in the Southeast Asian conflict; is that correct?

General FISH. Yes, sir, that is under section 506 drawdown authority and for Southeast Asia——

Mr. PASSMAN. So that it would be easier to understand drawdown, could we just say it was expenditures under the law that you are permitted to make out of the Defense Department with the understanding that you would subsequently reimburse them?

General FISH. Yes, sir.

Mr. PASSMAN. So, in reality, your 1976 request, as such, is $394,500,000.

General FISH. That is correct.

Mr. PASSMAN. Plus the deobligated funds added to that making a grand total of how much?

General FISH. $422.8 million.

Mr. PASSMAN. $422.8 million. Now the fiscal year 1975 appropriation was $475 million, is that correct?

General FISH. Yes, sir.

Mr. PASSMAN. So this part of the program, the military assistance program, is actually lower than fiscal 1975?

General FISH. Yes, sir, by some $52 million.

EXCESS DEFENSE ARTICLES

Mr. PASSMAN. Would you tell the committee how much equipment you plan to make available in fiscal year 1976?

General FISH. Yes, sir, the excess program that we are estimating for the upcoming year would total some $281 million.

Mr. PASSMAN. Is that acquisition cost?

General FISH. That is at acquisition cost original value.

Mr. PASSMAN. How does that compare to the previous year?

General FISH. In 1975 it was approximately $29 million.

Mr. PASSMAN. So in reality, if we take into account the excess, that is acquisition value, then we are substantially above fiscal 1975?

General FISH. Yes, sir.

Mr. PASSMAN. Thank you very much.

NATIONS RECEIVING MILITARY ASSISTANCE

How many nations will you have some type of military assistance program in for fiscal 1976? We are talking about materiel, excess, and also training.

General FISH. Forty-five countries.

Mr. PASSMAN. Forty-five nations?

General FISH. Yes, sir.

Mr. PASSMAN. I believe you have some assistance, either materiel or training or excess for almost all of the Latin American countries?

General FISH. For a significant number. Most of them, not all.

Mr. PASSMAN. Let me ask you this, General. Would you place in the record at this point the list of those nations?

General FISH. Yes, sir, I would be happy to.

[The information follows:]

The 17 Latin American countries are listed below:

Argentina	El Salvador	Panama
Bolivia	Guatemala	Paraguay
Brazil	Haiti	Peru
Colombia	Honduras	Uruguay
Dominican Republican	Mexico	Venezuela
Ecuador	Nicaragua	

Mr. PASSMAN. We are in a peacetime economy now after having a wartime economy for 36 years. It follows, however, that we are going to have to eat just a little lower on the hog than in the wartime economy because we are living pretty much on inflation. Would you buy that?

General FISH. Yes, sir .

LINE ITEM BILL

Mr. PASSMAN. So we are getting back to a normal period and we anticipate that the intake to the U.S. Treasury for fiscal year 1976 will be about $30 billion, a tremendous amount of money, but because we are trying to be everything to everybody, everywhere on borrowed money and at the expense of unborn generations we are going to wind

up with a defiicit of over $70 billion by all estimates. We have to borrow that money.

Wouldn't you think this committee would be doing the country, the military, and the executive branch as such, a favor if we would spend a few hours, maybe a few extra days, studying this military assistance program and write a line item bill and tell you people how much will be available for each country.

Could you live with that type of legislation?

General FISH. Sir, we of course like it the way it is and——

Mr. PASSMAN. I know you do. I am trying to get you where you don't like it and save you from yourselves.

General FISH. We certainly think the Congress in its wisdom should decide which is the best way to handle it. It is feasible either way.

Mr. PASSMAN. It is feasible either way?

General FISH. That is right.

Mr. PASSMAN. You could live with what this committee does? You could live with it if we decide we want to save you from yourselves and write a line item bill?

General FISH. Yes, sir.

Mr. PASSMAN. Thank you very much.

Dr. Long?

LIBERIA

Mr. LONG. General Fish, I just got back from a trip to West Africa which included visits to Senegal, Mali, the Ivory Coast and Liberia. Then I was in Brazilian Latin America. It occurred to me I should do something to help repay the Government for that trip.

In Liberia, I passed, on a very dilapidated road to the airport, a sign that said "U.S. Military Mission." I understand that we have a nine-person military aid mission to Liberia, and that we are proposing $500,000 in military credit sales and training for Liberia for fiscal 1976.

I understand that country has no army, only a police force. Why do we have a military mission there? What is the military threat that Liberia faces?

General FISH. There is no identified external threat to Liberia at this time. However Liberia does have a National Guard and a Coast Guard for which the credit funds would be utilized. The main reasons for the program are: That we have had a long historical association with Liberia; its natural resources; its continual willingness to provide United States access to their air base and port facilities which became important to us, and also they permit the United States to operate communications facilities.

Mr. LONG. Aren't there other things we could do for them that would get exactly that quid pro quo?

General FISH. They think the presence of a mission and the credit sales program—very very minor—does give them an association—a mutual interest.

Mr. LONG. Why can't we give tehm economic aid? I have been to few countries in which there were more poor people, more wretchedly poor than in Liberia. And I have been to dozens of countries, including Mali, which I visited before arriving in Liberia and which I

thought was the most forlorn God-forsaken little country I had ever been to. Then I got to Liberia and found there an even poorer country.

They need education, they need nutritional programs. I saw kids in Liberia who were brought in in the last stages of malnutrition. I saw a child of 6 months, who weighed only 6 pounds, and who was about to die in front of your eyes.

And we have a military mission there when you admit they have no military threat. No country, I believe, has ever threatened Liberia militarily, and you have a miliary aid mission there to keep their good will.

General FISH. No, sir, it goes beyond that. I believe the military there is a significant part of their structure.

Mr. LONG. When they don't have a military, only a police force?

Mr. STERN. May I interject. It is an interesting question that you raise because the Liberian program happens to be unique.

Mr. LONG. I hope so.

Mr. STERN. For different reasons than I think you have in mind. If you look at what the program really contains you will find there is a heavy emphasis on civic action. We are providing equipment primarily to assist the economic infrastructure of that country. Because the military is so deeply involved in that economic infrastructure the aid has to go through the military assistance program.

Mr. OBEY. Why?

Mr. STERN. Because that is who builds the roads, that is who grows rice. It is the military, as I understand it. This program has a very heavy emphasis on civic action, as you will note from the writeup in the congressional presentation.

Mr. LONG. What cost does this nine-person military aid mission represent, budget cost? There is a $500,000 military credit sales program, but that doesn't cover the cost of the nine military personnel, does it?

General FISH. No, sir.

Mr. LONG. What cost does that represent?

General FISH. In 1976 it is about $900,000.

Mr. LONG. $900,000 and another $500,000 for military credit sales. General, I think you have outdone yourself. If you can justify this program, you can justify anything in this world.

COMMERCIAL ARMS SALES FIGURES

On your commercial arms sales delivery figures, you just sent us a list of errata which reduces by almost two-thirds——

General FISH. There was a question on the figures, sir. If that is incorrect I will be glad to correct it for the record.

Mr. LONG. You have sent us a list of errata which reduces your estimate of commercial arms sales deliveries. How can we trust any of the figures in your justification statement with errors like that?

General FISH. The commercial side is a very difficult thing to estimate. Mr. Stack, can you address that please?

Mr. STACK. Actually, when we find that there is an error we make the necessary corrections.

Mr. LONG. I think that is magnanimous of you. I appreciate that. Here are the changes: Iran, $1 billion down to $200 million; Saudi Arabia, $540 million down to $40 million; Nigeria, $50 million down to $5 million. Worldwide totals, from $2.126 billion to $781 million. Those aren't minor errors. If I had somebody on my staff who made errors like that I would think I would ask him to look around for work that was more in line with his talents. How can we trust anything after you have handed us stuff like that? Do you want to comment on that?

General FISH. I think you can trust us absolutely.

Mr. LONG. We can trust you to correct it after it is pointed out?

General FISH. The staff does try to provide accurate information. I will provide for you, sir, a detailed reason of how this error occurred. It is regrettable, but we do want to get the best information to the Congress and we do attempt to do so.

[The information follows:]

Our corrected estimates of commercial sales deliveries for fiscal year 1976 are as follows:

Estimated fiscal year 1976 commercial sales deliveries

	Thousands
East Asia and Pacific:	
Australia	$5,500
Burma	30
China (Taiwan)	12,000
Indonesia	3,000
Japan	80,000
Korea	2,000
Malaysia	8,000
New Zealand	250
Philippines	2,000
Singapore	6,000
Thailand	4,000
Regional total	122,780
Near East and South Asia:	
India	250
Iran	200,000
Israel	150,000
Jordan	800
Kuwait	3,500
Labanon	6,000
Libya	4,500
Morocco	1,000
Pakistan	750
Saudi Arabia	40,000
Tunisia	1,000
Regional total	407,800
Africa:	
Ethiopia	500
Kenya	2,000
Liberia	400
Nigeria	5,000
Uganda	1,200
Zaire	2,000
Regional total	11,100

Europe:	
Austria	500
Belgium	7,000
Denmark	3,500
Finland	500
France	12,000
Germany	36,000
Greece	3,000
Italy	24,000
Netherlands	6,000
Norway	4,000
Portugal	900
Spain	8,000
Sweden	10,000
Switzerland	6,000
Turkey	2,000
United Kingdom	15,000
Yugoslavia	4,000
Regional total	142,400
Latin America:	
Argentina	12,000
Bolivia	100
Brazil	1,000
Chile	1,000
Colombia	500
Ecuador	1,000
El Salvador	200
Guatemala	100
Haiti	100
Jamaica	30
Mexico	200
Nicaragua	200
Panama	2,000
Paraguay	100
Peru	500
Venezuela	3,000
Regional total	22,030
Canada	75,000
Worldwide total	781,110

COMMERCIAL SALES ESTIMATES

Foreign military sales estimates included in the congressional presentation document are based on foreign commitments to purchase during a fiscal year. Commercial sales estimates are based on deliveries which will occur during a fiscal year.

The erroneous estimates were a result of misunderstanding of instructions by staff personnel and by failure to effect proper coordination of the estimates with the Department of State. The original estimates for the three countries were based on estimated contracts to be signed during fiscal year 1976; the corrected estimates are based on equipment deliveries anticipated during fiscal year 1976.

The Government of Iran signed a contract for coproduction of helicopters during fiscal year 1976; however, substantial deliveries will not occur until after fiscal year 1976.

Export license requests for commercial sales are monitored by the Office of Munitions Control, Department of State. Consequently, that Office has primary knowledge regarding projected equipment deliveries from commercial contracts. The Department of Defense has reviewed its procedures for developing estimates of deliveries from commercial sales; revised procedures will assure close

coordination with the Office of Munitions Control when developing such estimates.

While the estimates of commercial deliveries could be developed by the State Department, they are included in the defense congressional presentation document to afford the Congress a complete review of military exports.

Mr. LONG. What other figures will be changing in the near future for arms sales or delivery?

General FISH. None that I expect, sir.

FISCAL YEAR 1976 U.S. MILITARY SALES

Mr. LONG. Please provide for the record a list of countries for which you are projecting FMS and commercial arms sales in fiscal year 1976. For each country, please show your estimates of FMS credit sales, FMS cash sales, exclusive of credit sales, and commercial arms sales—delivery figures for fiscal year 1976 will suffice.

General FISH. The information you requested is attached. A review of the fiscal year 1976 estimates of FMS orders projected to be financed with FMS credits will indicate a substantial difference between the estimates and the amount of new FMS credit authorizations requested for fiscal year 1976. This is to be expected because:

(*a*) FMS orders placed during fiscal year 1976 could be financed either from FMS credit authorized during fiscal year 1976, or from FMS credit authorized and accepted by the country concerned during previous years.

(*b*) FMS credit authorizations requested for fiscal year 1976 may be used to finance FMS orders placed during early fiscal year 1977 as well as fiscal year 1976. Also, a large portion of the credit authorization requested for fiscal year 1976 will be used to provide incremental financing to cover progress payment requirements for major FMS orders placed prior to fiscal year 1976.

(*c*) Credit authorizations requested for fiscal year 1976 also may be used to provide financing for certain commercial sales contracts.

[The information follows:]

ANTICIPATED FINANCING
(Cash vs. FMS Credit/Guarantee)
FY 1976 ESTIMATED FMS ORDERS
($-thousands)

ANTICIPATED FINANCING
(Cash vs. FMS Credit/Guarantee)
FY 1976 ESTIMATED COMMERCIAL SALES (Deliveries)
($-thousands)

Country	CASH	CREDIT	TOTAL	CASH	CREDIT	TOTAL
EAST ASIA/PACIFIC						
AUSTRALIA	50000	----	50000	5500	----	5500
BURMA	700	----	700	30	----	30
CHINA (TAIWAN)	85000	15000	100000	12000	----	12000
INDONESIA	25000	15000	40000	----	3000	3000
JAPAN	50000	----	50000	80000	----	80000
KOREA	50000	30000	80000	----	2000	2000
MALAYSIA	15000	10000	25000	5000	3000	8000
NEW ZEALAND	2600	----	2600	250	----	250
PHILIPPINES	9600	15400	25000	----	2000	2000
SINGAPORE	11200	----	11200	6000	----	6000
THAILAND	10000	15000	25000	500	3500	4000
VIETNAM	----	----	----	----	----	----
Regional Total	309100	100400	409500	109280	13500	122780

ANTICIPATED FINANCING
(Cash vs. FMS Credit/Guarantee)
FY 1976 ESTIMATED FMS ORDERS
($-thousands)

ANTICIPATED FINANCING
(Cash vs. FMS Credit/Guarantee)
FY 1976 ESTIMATED COMMERCIAL SALES (Deliveries)
($-thousands)

Country (Con't)	CASH	CREDIT	TOTAL	CASH	CREDIT	TOTAL
NEAR EAST/SOUTH ASIA						
BAHRAIN	----	----	----	----	----	----
INDIA	2000	----	2000	250	----	250
IRAN	2500000	----	2500000	200000	----	200000
ISRAEL	25000	975000	1000000	25000	125000	150000
JORDAN	314300	75000	389300	800	----	800
KUWAIT	150000	----	150000	3500	----	3500
LEBANON	5000	5000	10000	6000	----	6000
LIBYA	----	----	----	4500	----	4500
MOROCCO	20000	20000	40000	----	1000	1000
NEPAL	----	----	----	----	----	----
OMAN	----	----	----	----	----	----
PAKISTAN	20000	----	20000	750	----	750
SAUDI ARABIA	4000000	----	4000000	40000	----	40000
TUNISIA	----	15000	15000	1000	----	1000
YEMEN	25000	----	25000	----	----	----
Regional Total	7061300	1090000	8151300	281800	26000	407800

Country (Con't)	ANTICIPATED FINANCING (Cash vs. FMS Credit/Guarantee) FY 1976 ESTIMATED FMS ORDERS ($-thousands)			ANTICIPATED FINANCING (Cash vs. FMS Credit/Guarantee) FY 1976 ESTIMATED COMMERCIAL SALES (Deliveries) ($-thousands)		
	CASH	CREDIT	TOTAL	CASH	CREDIT	TOTAL
EUROPE						
AUSTRIA	6000	----	6000	500	----	500
BELGIUM	14000	----	14000	7000	----	7000
DENMARK	10000	----	10000	3500	----	3500
FINLAND	100	----	100	500	----	500
FRANCE	5300	----	5300	12000	----	12000
GERMANY	250000	----	250000	36000	----	36000
GREECE	100000	----	100000	3000	----	3000
ICELAND	300	----	300	----	----	----
IRELAND	100	----	100	----	----	----
ITALY	15600	----	15600	24000	----	24000
LUXEMBOURG	600	----	600	----	----	----
NETHERLANDS	45000	----	45000	6000	----	6000

Country (Con't)	ANTICIPATED FINANCING (Cash vs. FMS Credit/Guarantee) FY 1976 ESTIMATED FMS ORDERS ($-thousands)			ANTICIPATED FINANCING (Cash vs. FMS Credit/Guarantee) FY 1976 ESTIMATED COMMERCIAL SALES (Deliveries) ($-thousands)		
	CASH	CREDIT	TOTAL	CASH	CREDIT	TOTAL
EUROPE (Con't)						
NORWAY	14000	----	14000	4000	----	4000
PORTUGAL	500	----	500	900	----	900
SPAIN	125000	----	125000	8000	----	8000
SWEDEN	1000	----	1000	10000	----	10000
SWITZERLAND	40000	----	40000	6000	----	6000
TURKEY	----	100000	100000	2000	----	2000
UNITED KINGDOM	75000	----	75000	15000	----	15000
YUGOSLAVIA	5000	----	5000	4000	----	4000
Regional Total	707500	100000	807500	142400	----	142400
AFRICA						
ETHIOPIA	40000	10000	50000	500	----	500
GABON	----	----	----	----	----	----
GHANA	200	----	200	----	----	----

Country (Con't)	ANTICIPATED FINANCING (Cash vs. FMS Credit/Guarantee) FY 1976 ESTIMATED FMS ORDERS ($-thousands)			ANTICIPATED FINANCING (Cash vs. FMS Credit/Guarantee) FY 1976 ESTIMATED COMMERCIAL SALES (Deliveries) ($-thousands)		
	CASH	CREDIT	TOTAL	CASH	CREDIT	TOTAL
AFRICA (Con't)						
KENYA	1000	7000	8000	2000	----	2000
LIBERIA	----	900	900	----	400	400
MALI	----	----	----	----	----	----
NIGER	5	----	5	----	----	----
NIGERIA	10000	----	10000	5000	----	5000
UGANDA	----	----	----	1200	----	1200
ZAIRE	----	12000	12000	----	2000	2000
Regional Total	51205	29900	81105	8700	2400	11100
LATIN AMERICA						
ARGENTINA	5000	35000	40000	1000	11000	12000
BOLIVIA	100	2900	3000	20	80	100
BRAZIL	40000	5000	45000	100	900	1000
CHILE	30000	----	30000	1000	----	1000
COLOMBIA	1000	9000	10000	100	400	500

Country (Con't)	ANTICIPATED FINANCING (Cash vs. FMS Credit/Guarantee) FY 1976 ESTIMATED FMS ORDERS ($-thousands)			ANTICIPATED FINANCING (Cash vs. FMS Credit/Guarantee) FY 1976 ESTIMATED COMMERCIAL SALES (Deliveries) ($-thousands)		
	CASH	CREDIT	TOTAL	CASH	CREDIT	TOTAL
LATIN AMERICA (Con't)						
COSTA RICA	300	----	300	----	----	----
DOMINICAN REPUBLIC	----	1000	1000	----	----	----
ECUADOR	13000	2000	15000	1000	----	1000
EL SALVADOR	----	2500	2500	200	----	200
GUATEMALA	----	1500	1500	100	----	100
HAITI	300	----	300	100	----	100
HONDURAS	----	3000	3000	----	----	----
JAMAICA	100	----	100	30	----	30
MEXICO	2000	----	2000	200	----	200
NICARAGUA	----	2500	2500	200	----	200
PANAMA	600	----	600	2000	----	2000
PARAGUAY	----	500	500	100	----	100
PERU	17500	10000	27500	300	200	500

Country (Con't)	ANTICIPATED FINANCING (Cash vs. FMS Credit/Guarantee) FY 1976 ESTIMATED FMS ORDERS ($-thousands)			ANTICIPATED FINANCING (Cash vs. FMS Credit/Guarantee) FY 1976 ESTIMATED COMMERCIAL SALES (Deliveries) ($-thousands)		
	CASH	CREDIT	TOTAL	CASH	CREDIT	TOTAL
LATIN AMERICA (Con't)						
URUGUAY	500	2500	3000	----	----	----
VENEZUELA	25000	10000	35000	3000	----	3000
Regional Total	135400	87400	222800	9450	12580	22030
CANADA	100000	----	100000	75000	----	75000
INTERNATIONAL ORGANIZATIONS	20000	----	20000	1700	----	1700
Sub Total	120000	----	120000	76700	----	76700
WORLDWIDE TOTAL	8384505	1407700	9792205	628330	154480	782810

IRANIAN MANUFACTURE OF AIR DEFENSE SYSTEM

Mr. LONG. I understand a direct commercial agreement with Iran to permit the manufacture in Iran of an air defense weapons system proposes to define "licenses territory" as all third countries worldwide except the Communist bloc. What are your feelings about such broad licensing agreements insofar as (1) they relate to the transfer of U.S. technology, (2) relate to U.S. domestic jobs, (3) long-term competition with U.S. industry, and (4) any clarification in the existing law which you feel may be necessary.

General FISH. The air defense weapons system you refer to is a low cost fair weather 20-millimeter and 35-millimeter antiaircraft cannon that holds no competition with any other U.S. firm. The agreement provides "license territory" to all third countries worldwide except the United States and the Communist bloc. Additionally it provides all design rights to the USG free of charge if the USG chooses to manufacture either weapon. This will entail a savings of $50 million. There is a minimal transfer of technology as this is a simple, low-cost fair weather system. All research and development, testing and initial manufacturing is being done in the United States at Iranian expense.

In accordance with the requirements of the international traffic in arms regulation, all such license agreements must include a provision for prior U.S. Government approval of any third country sales made on the basis of this licensed production.

Section 42(a) of the Foreign Military Sales Act places "special emphasis" on procurement in the United States, but also indicates that licensed production outside the United States shall be considered "when such production best serves the foreign policy, national security and economy of the United States." These same factors are also applied by the Department of Defense in reviewing any cases referred to us by the Department of State involving proposed licensing arrangements by U.S. industry on a direct commercial basis.

In addition, section 42(b) of the Foreign Military Sales Act requires that any proposals for licensed production outside the United States which involve the area of FMS credit or credit guarantees be reported in advance to the Congress, together with, inter alia, a statement as to the probable impact on employment and production within the United States.

I believe, therefore, that our existing legislation is fully adequate in this important area.

THIRD COUNTRY TRANSFERS

Mr. LONG. Does the United States have any real control, despite legislation or contract terms restricting third country transfers of U.S. military equipment without our prior consent, should a country decide to ignore our wishes? Could Iran, for example, transfer U.S. equipment to Libya at some unforeseen date, and ignore our wishes?

General FISH. Restrictions on the unauthorized transfer of military equipment, for both military assistance and sales items, are clearly stated in our contractual agreements with the recipient country. Fur-

ther, our MAAG's play an important role in explaining those provisions and in checking and reporting on the utilization and disposition of U.S. origin defense articles. Since our security assistance program is extended to friendly countries and is based on friendship, cooperation, and mutual trust we believe we can continue to insist these countries comply with contractual provisions.

There is a wide range of actions which could be taken to enforce such provisions, although I must emphasize that we have not found it necessary to use them. Such actions could include varying degrees of restrictions on approval of future logistic system support or future security assistance programs, as well as withholding deliveries of equipment approved in prior programs. Should our relations with a recipient country become strained, it is conceivable that transfers to a third country could be accomplished without U.S. consent.

PRODUCTION AND COPRODUCTION OVERSEAS OF DEFENSE ARTICLES

Mr. LONG. Would you please insert the guidelines on USG approval of proposals for production and coproduction overseas of defense articles involving USG funding?

General FISH. The guidelines you request are developed by the Department of State. I will insert a copy for the record.

[The information follows:]

GUIDELINES ON USG APPROVAL OF PROPOSALS FOR PRODUCTION AND COPRODUCTION OVERSEAS OF DEFENSE ARTICLES INVOLVING USG FUNDING

PURPOSE

The following guidelines relate to U.S. Government approval of proposals for production and coproduction overseas of defense articles which involve some element of U.S. Government funding including the provision of direct or guaranteed credit and/or the conclusion of such projects under provision of the Foreign Military Sales Act. These guidelines are in addition to, and are not in lieu of, any other provisions of law and regulation regarding the export of defense articles or technical data and technology relating thereto.

LEGAL CONSIDERATION

Section 42(a) of the Foreign Military Sales Act (FMSA) places "special emphasis" on procurement in the United States. Coproduction overseas of defense articles of United States origin is authorized by the FMSA only when "such production best serves the foreign policy, national security and economy of the United States." This policy applies to all sales under the FMSA, whether for cash or financed by credit or guaranty.

In addition, section 42(b) provides that no credit can be extended or guaranty issued to finance an overseas coproduction project unless and until the Secretary of State reports to the Congress full informatoin concerning the proposal, including a description of the particular items to be so produced, the estimated value of such production, and the probable impact of the proposal on employment and production within the United States.

Finally, under section 42(c), foreign (i.e. offshore) procurement involved in any overseas coproduction project cannot be financed with FMS funds unless such foreign (offshore) procurement is less costly than procurement in the United States and it is determined that the economic or other advantages of such less costly procurement are not outweighed by resulting adverse effects on: The economy of the United States; the industrial mobilization base, with special reference to any areas of labor surplus; or the net position of the United States in its balance of payments with the rest of the world.

GENERAL POLICY CONSIDERATIONS

It is U.S. Government policy not to encourage production overseas of defense articles of United States origin by providing U.S. Government financing, including guaranties, for such projects.

Grant military assistance funds or other U.S. Government grant assistance ordinarily will not be used to finance production or coassembly/coproduction projects overseas.

Any credit extended by U.S. Government agencies for such production projects will be approved pursuant to these guidelines and provided at not less than the cost of money to the U.S. Government.

For programs involving specific quantities, the total U.S. Government financial commitment to any production project shall not exceed the cost of direct procurement from U.S. sources of the defense article to be produced overseas and in no case shall include any provision for local currency costs. For programs involving no limit on the amount to be produced (e.g. spare parts, engines, etc.) total U.S. Government financial support must be economically defensible when compared to direct procurement from U.S. sources of reasonable quantities of the article to be produced overseas.

MILITARY CONSIDERATIONS

The following criteria will be used in evaluating proposals for production overseas of defense articles in terms of U.S. military and defense interests at home and abroad:

a. whether the proposed project is militarily justifiable in terms of the proposing country's defense needs.

b. whether such production might contribute to an arms race, or increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements.

c. whether such production would provide important benefits to U.S. military objectives.

ECONOMIC, FINANCIAL, AND COMMERCIAL CONSIDERATIONS

In those cases in which foreign governments or international organizations request U.S. Government financial assistance for production or coproduction projects, the following economic, financial, and commercial consideration will be applied in determining the U.S. Government purpose:

a. impact on the U.S. balance of payments and balance of trade, both short and long term.

b. the relative impact of (1) direct procurement, (2) production or coproduction overseas, and (3) the applicant abandoning the project or selecting a third country source, on employment and production in the United States, both short and long term.

c. whether denial of U.S. Government financial assistance for the project is likely to result in U.S. or third-country procurement, or in abandonment of the project by the proposing country and the significance thereof.

d. the relative costs of direct procurement vs. production or coproduction overseas.

e. amount and type of U.S. Government assistance being provided to the applicant.

f. probable availability of U.S. Government credit funds and relative priority of the proposed project in terms of current and multiyear requirements for such funds.

g. whether the article to be produced overseas represents a justifiable priority requirement in terms of alternative uses of domestic and foreign resources for other military and nonmilitary requirements of the applicant.

h. extent, nature and implications of technology transfers.

i. potential for future sales competition with direct U.S. exports.

j. economic, technical, and managerial feasibility of the project in the country.

k. impact of the project on the country's balance of payments and debt servicing capacity.

POLITICAL CONSIDERATIONS

In determining whether U.S. Government financial assistance will be provided to support production or coproduction overseas of defense articles of United States

origin, careful consideration will be given to the probable impact of the recommended course of action, including any increase in U.S. presence that might result therefrom, on U.S. bilateral and alliance relationships.

PROCEDURES

The following procedures will be followed by U.S. Government agencies in processing proposals from foreign governments and international organizations for approval of projects for production and coproduction overseas of defense articles involving U.S. Government funding:

a. U.S. diplomatic missions abroad or other U.S. Government agency receiving such proposals will forward them to the Department of State.

b. Upon receipt in the Department of State, the Bureau of Politico-Military Affairs (PM) will promptly refer such proposals:

(1) to DOD for staffing within DOD and the military services particularly with regard to military considerations.

(2) to the Office of Management and Budget (OMB), the NSC staff, and to the Department of Treasury.

(3) within the Department of State to:

(*a*) the Bureau of Economic and Business Affairs (EB) for assessment particularly with regard to the economic, commercial, and financial considerations. In its assessment, EB shall request the views of and be responsible for coordinating the responses from the Department of Commerce and Labor, the Assistant to the President for International Economic Affairs, and other interested agencies:

(*b*) the appropriate Geographic Bureau(s) for assessment, particularly with regard to political considerations; and to

(*c*) the Office of the Legal Adviser for review.

c. EB, DOD, OMB, the NSC staff, the Department of Treasury, the State Department Geographic Bureau and the Office of the Legal Adviser will, within a period of 20 working days, provide PM with an assessment and advise whether they recommend that the proposed production or coproduction project involving U.S. Government financing or FMS procedures be approved.

d. Following receipt of these assessments, PM will attempt to resolve any dispute or difference among various offices and/or agencies and prepare a report, including a report of any unresolved differences, for consideration by the Security Assistance Program Review Committee (SAPRC), whose membership will be expanded, as appropriate, to include other interested agencies.

e. In case the proposal is approved, established procedures within the executive branch and for notification to the Congress will be followed. In case of disapproval, PM will be responsible for coordinating the response to the foreign government or international organization making the proposal.

Mr. LONG. Are you in favor of new authority to cover non-U.S. Government financed coproduction deals, such authority to cover third country transfers?

General FISH. Section 42(a) of the Foreign Military Sales Act provides that coproduction shall be considered "when such production best States". Additionally, in accordance with the requirements of the International Traffic in Arms Regulation, all such agreements must include provisions for prior U.S. Government approval of any third country sales. I believe this gives us ample authority and the basis for full control, and no new legislation is necessary.

Mr. LONG. Would you please outline your analysis of the disadvantages and advantages of coproduction of U.S. military equipment overseas?

General FISH. Coproduction is considered to be an important component of the U.S. foreign military sales program and, as such, represents another valuable tool of U.S. foreign and national security policy.

Major advantages of coproduction include:

Creating in-country compatibility with the U.S. standardized equipment, thereby creating allied capability of supporting deployment of U.S. forces.

Promoting the standardization of materiel or equipment to integrate and strengthen international military operations in times of emergency or hostilities.

Encouraging multinational acceptance of strategic and tactical concepts and doctrine through the utilization of common military materiel.

Encouraging the creation of complementary forces in allied countries.

Establishing or broadening the base for common and interchangeable logistics among free or allied nations.

Serving to improve procurement, production, contract administration, and mutual support capability of friendly allied nations.

Enhancing political relationships between the United States and foreign countries that encourage the continuance of policies favorable to the United States.

Affecting favorably the U.S. balance of payments by expanding market and purchases as opposed to loss of a sale and associated jobs by refusal to coproduce.

Disadvantages of coproduction may include:

Potential creation of unnecessary competition with U.S. contractors for materials, assemblies, components, and skilled personnel resources which could result in increased costs or unacceptable delays for U.S. production.

Possible divergence of U.S. coproducer's interests in the transfer, loan, or sale of coproduced systems to third countries.

Possible future competition with U.S. producers for sales to third countries.

Potential release to foreign industrial and military competition of sensitive U.S. design information and manufacturing technology which represent major U.S. R. & D. assets.

Potential strain on host country's financial resources which could increase dependency on the United States for capital.

May complicate arms control problems and depress the efficiency of U.S. policies.

AID TO BOLIVIA

Mr. LONG. Why are you still proposing a $9 million military aid, credit sales, and training program for Bolivia when a GAO report found that:

> Consideration should be given to reducing future programs since Bolivia is purchasing a considerable amount of unneeded military equipment at the apparent expense of economic development, and is the recipient of large amounts of equipment and training on a grant-aid or concessional basis from neighboring countries.

General FISH. We do not completely agree with the findings of the GAO report.

Mr. LONG. What response do you have to the GAO's statement?

General FISH. Defense is in agreement with the GAO that the military assistance program for Bolivia should be reviewed and adjust-

ments made as dictated by the review. We do, however, take exception with the GAO assertion that "Bolivia is purchasing a considerable amount of unneeded military equipment." In our view, Bolivia's purchase of trainer and tactical aircraft, transport aircraft, armored personnel carriers, and small arms should not be labeled as unneeded. The weapons contribute to internal security and civic action purposes and the trainer aircraft enhances Bolivian self-sufficiency.

Bolivia tried to obtain A37B aircraft and M–41 tanks from the United States. In the case of the A37B aircraft, technical problems, delivery time, and unavailability of FMS credit on concessionary terms combined to cause the Bolivian Air Force to turn to Canada for T33 aircraft as a substitute for the A37B. The M–41 tanks were not available from U.S. sources, which caused Bolivia to turn elsewhere for similar equipment.

Bolivian purchases from third countries do not in themselves appear to be a reason for reduction in U.S. military assistance to Bolivia, since the United States would have sold the same or equivalent items if they had been unavailable or if the terms of sale had been competitive with other suppliers.

Grant assistance to Bolivia from neighboring Latin American countries, while contributing to Bolivian equipment and training requirements, has been relatively insignificant to date.

The effect of these acquisitions on economic development must be considered in terms of what contribution such acquisitions make to internal security and stability. We believe that more forthcoming arms transfers policies on the part of the United States would better serve both U.S. interests and the perceived requirements of Latin American and other countries, and in this instance might have averted third country purchase of trainer aircraft.

Mr. LONG. Please list what other military equipment Bolivia has received on a grant or concessional basis in the last 2 years and so far in fiscal year 1976 (by item and dollar value with dollar totals) from countries other than the United States.

General FISH. The following table lists the supplier, year of delivery, value—in million U.S. dollars—and type of equipment provided to Bolivia as grant aid. (The table was classified:)

THIRD COUNTRY TRANSFERS

Mr. LONG. General Fish, can you state that the United States will refuse under any circumstances to approve the transfer or sale of U.S. military aircraft by Iran, Spain, Saudi Arabia or any other country to Egypt, Jordan, or Syria? If not, please explain why not.

General FISH. Mr. Long, in accordance with the pertinent provisions of the Foreign Assistance Act and the Foreign Military Sales Act, I can state that all transfers of defense articles to third countries must be made with the express consent of the President. Any transfer must be evaluated to insure that the best interests of the United States are served. Beyond that point, any response, on my part, would be pure conjecture.

Mr. LONG. General Fish, can you state that the United States will refuse to approve under any circumstances the transfer or sale of

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Phantom jet bombers by Iran or Spain to Egypt, Jordan, or Syria? If not, please explain why not.

General FISH. Mr. Long, again I must cite the law, as in your previous question. The President must approve all transfers of defense articles to third countries and in any case, the transfer must be weighed against whether the best interests of the United States are served. I do not know of any initiatives to seek such transfers or sales.

TOTAL MILITARY AID

Mr. LONG. Please list for the record the total estimated military aid, military credit sales, government-to-government cash arms sales orders, and deliveries, and commercial arms sales (orders or deliveries) of the United States, the Soviet Union, France, Britain, and other major arms suppliers for fiscal year 1976. Please list in separate categories.

General FISH. During the period January 1974 to June 1975, the major arms suppliers—excluding the United States—concluded military agreements valued at an estimated ———. About ———. The value of military equipment deliveries during the period is less than ———. Major supplier military agreements and deliveries follow:

Estimated value of military agreements and deliveries

[Millions of U.S. dollars]

Supplier:	
France	———
U.S.S.R	———
United Kingdom	———
West Germany	———
Italy	———
Total	———

For the United States the estimated amounts are:

Proposed fiscal year 1976 military assistance and training	$452,800,000
Proposed fiscal year 1976 military sales credit	2,374,700,000
Estimated fiscal year 1976 military cash sales credit	9,438,442,000
Estimated fiscal year 1976 commercial sales deliveries	781,110,000

THIRD COUNTRY TRANSFERS

Mr. LONG. Would you please list for the record all U.S.-approved third country transfers, such as Iran's transfers to Pakistan, which have been approved for all countries in the past 2 years: Have we denied any such requests, and if so, which?

General FISH. In accordance with a procedure approved by the Speaker of the House, the then Assistant Secretary of State for Congressional Relations Linwood Holton sent on January 31, 1975, a classified report for 1974 on approved third country transfers of U.S. origin defense articles to the Chairman of the House Committee on Foreign Affairs. The report for 1975 has not yet been prepared, but to date a preliminary check of our records indicates 17 requests for transfer, to which the United States indicated it was prepared to consent, have been reported individually to the Chairman of the Senate Foreign Relations Committee and to the Speaker of the House.

This number may vary from the final report when it is submitted, since final consent to the requested transfers follows the notification to the Congress as well as receipt by the U.S. Government of transfer assurances in writing from the proposed recipients in the case of significant defense articles on the U.S. munitions list. No log is kept of third country transfer requests that have been denied, and we are not aware of any such cases during the past 2 years.

Mr. LONG. All right, my time is up. I have some more questions.

Mr. PASSMAN. Your time is never up. We will come back to you. Mr. Obey?

LATIN AMERICA

Mr. OBEY. Thank you, Mr. Chairman.

General, how many countries in Latin America are going to be receiving MAP assistance, grant military assistance, this year, eight?

General FISH. MAP materiel assistance to Latin America, sir, nine.

Mr. OBEY. How many will receive military credit sales?

General FISH. Fifteen.

Mr. OBEY. In your statement you say on page 6 that Congress by lifting the restrictions you are talking about there, "has permitted us to be more responsive to legitimate security needs of friendly nations in the hemisphere and to be able to pursue our own activities in Latin America in a mature way."

I would like to ask somewhat the same question Dr. Long asked of Liberia. What is the security threat to Bolivia that we are trying to help them defend against?

BOLIVIA

General FISH. We haven't identified any specific external threat to Bolivia. There has been a history of difficulty in the area. They do believe they need a military establishment and we are continuing our long——

Mr. OBEY. I am trying to get at the rationale which really underlies our program. I am not one who believes there should not be any military assistance around the world. We do live in a real world. But I am trying to determine what the specific rationale is for providing military assistance to each country and I am trying to determine whether there is in fact a military rationale, whether it is purely political, whether it is purely a question of good will, or exactly what is it? Are we trying to buy friends? What are we doing?

General FISH. I will ask Mr. Stern to help me on this, but U.S. interests in Bolivia, and in the hemisphere are stability and security——

Mr. OBEY. I don't care about that. I want to know what the specific problem is that we are assisting Bolivia?

General FISH. It is centrally located bordering five other countries in South America. It needs to be able to protect its own interests?

Mr. OBEY. Against whom?

General FISH. Against any internal threat. There has been insurgency in the area.

Mr. OBEY. Any internal——

General FISH. I am sorry. Insurgency in the area, or to create a vacuum. Any sovereign nation needs to have armed forces.

Mr. OBEY. What external threat is it that we are helping them to defend against?

General FISH. The only rationale for the program is not external threat period.

Mr. OBEY. What is it?

General FISH. I would submit to you, sir, if you allow a power vacuum to exist where they do not have the ability to defend themselves, it becomes attractive for others to move in.

Mr. OBEY. If that is the case why aren't we in every country? Do we have to have an aid program for each country just because it is there? If I am supposed to go home and talk with my farmers and all the people in my district who are opposed to spending money overseas, who think they could use it to help support 89 sewer and water projects in my own congressional district for instance, I would like to be able to respond to some specific questions.

What do you tell them is the security threat which we are helping Uruguay to defend itself against?

NATURE OF THE THREAT

General FISH. Sir, you insist it has to be because of some acute present threat and I submit the way you maintain——

Mr. OBEY. In our own domestic area, we are trying to deal with acute economic problems, as the chairman indicated earlier. Yes, I would like to know what serious as opposed to theoretical threat it is that we are helping to defend those countries against.

Mr. STERN. I think you have to separate two aspects of your question, Congressman Obey. One is the issue you raise, what threat do we perceive, which I think General Fish has tried to respond to.

But second and perhaps most importantly is what threat does the recipient country perceive?

Mr. OBEY. What do we think is more important, our perception of a threat or theirs?

Mr. STERN. I don't think we can really answer that question in priority order. I think both issues are important and if we are to maintain friendly relations with these countries we have to take into account their perceptions as well as our own. In many cases their perceptions have to take priority.

URUGUAY

Mr. OBEY. All right, who does Uruguay feel it is defending itself against?

Mr. STERN. I think in general most countries perceive some threats from outside powers.

Mr. OBEY. Can you be specific? Use any Latin American country you want. You name the country. Take any three countries and tell me what specific threat they see?

Mr. STERN. Well, Uruguay, for example, I think might consider Argentina a threat. The same with Paraguay. Bolivia the same way.

Mr. OBEY. OK, for what reasons? When is the last time there has been any military action there?

Mr. STERN. I was going to get to that. In Latin America particularly, I think you will find long historical tensions that may not have cropped up in the last few years.

Mr. OBEY. What do you mean by few?

Mr. STERN. 10, 20, 30 years. They go back to the beginning of this century and perhaps in the latter part of the last century. But people do not forget.

Latin Americans have long memories and they always go back in history and say, "Yes, things have been quiet in the last 10, 20 years, but remember back in 1892, or 1822" whatever the case may be; and that is a very difficult psychological problem for us to deal with.

Mr. OBEY. With all due respect, and I know I have exceeded my time, Mr. Chairman, if I were to give that as the rationale for providing military aid to a specific country in Latin America I would be laughed out of any meeting in my district.

Mr. STERN. I am sorry. I want to be clear. That is not the reason we provide aid. It is to maintain friendly and close relationships with these countries. That has to be in part based on their perception of the threat and how they view the world.

Mr. OBEY. So the amount of dollars we shell out is determined by somebody else's view of the world, not our own?

Mr. STERN. In part, absolutely.

Mr. PASSMAN. Would the gentleman yield?

Mr. OBEY. Sure.

Mr. PASSMAN. In other words, there could be a threat from their neighbors and we are giving the neighbors aid also, military assistance, aren't we?

Mr. STERN. That is correct.

Mr. PASSMAN. Boy, what a can of worms.

Mr. LONG. Aren't those neighbors our friends, these nations against whom we are helping arm Bolivia?

Mr. STERN. We maintain close relations with them.

Mr. LONG. Do we help our friendship with them by arming a country against them?

Mr. STERN. What we try to do is maintain some semblance of balance in order to minimize tensions.

Mr. OBEY. Are we going to balance them 6 feet above the ground or 500 feet above the ground. That is the question we are trying to get at.

Mr. STERN. I think, Mr. Congressman, if you would examine the requests we get from these countries you would find what we are willing to provide is less than what they would like to have.

RATIONALE FOR PROVIDING AID

Mr. OBEY. I am not trying to badger anybody, or make anything appear silly. I am saying we need a hell of a lot more than these very vague general explanations of why we are shelling out billions of dollars for military aid to countries all around the world. And I think we have a right to understand, in specific terms, exactly what the rationale is for providing aid for these eight countries in the MAP category, for instance, and if there is a rationale.

General FISH. $4.6 million——

Mr. OBEY. I don't care. The fact is it is dollars. I could use $4.6 million usefully in my district. I am sure the chairman could, too. I would like to be able to tell my people what those specific reasons are because in the 7 years I have been in the Congress, I have never been

able to respond to specific questions like that and I think that at least we ought to have some idea of what the rationale is.

I was just in Panama, for instance. I was given some fairly decent reasons down there by the military people for providing some of the money that we are providing. I am not sure I am totally satisfied but I thought it was a reasonable response. I don't think I have gotten that from you for any other country.

Mr. PASSMAN. Thank you, Mr. Obey. Mr. Bevill.

EFFECT OF FRANCO'S DEATH

Mr. BEVILL. Thank you, Mr. Chairman.

How has Franco's death and the assumption of power by Juan Carlos affected the negotiations for the renewal of the leases on our bases in Spain?

Mr. STERN. I am not sure they have been affected at all. At the moment matters are in suspense but I am not sure the negotiations are not going to continue the way they were originally intended.

Mr. BEVILL. Are these negotiations still underway?

Mr. STERN. Yes, still underway but that has to await the formation of the new government now. They were pretty well along the way but obviously have been suspended.

TRAINING PROGRAMS IN PAKISTAN, NEPAL, AFGHANISTAN, AND INDIA

Mr. BEVILL. I notice that the military aid to a number of countries in South Asia, including Pakistan, Nepal, Afghanistan, and India, are being cut off this year. What is the reason for these cutoffs?

General FISH. Sir, they are training countries only. Previously the training was not separately broken out from the military assistance program but there is a separate title in this year's bill for training and if you will note Afghanistan and other countries that you mentioned, the training part of the military assistance program does continue. So actually those aspects of the military assistance program that were existent last year for the countries mentioned exist this year also.

Mr. BEVILL. With training only this year?

General FISH. That is right.

AID TO VENEZUELA

Mr. BEVILL. In 1974 our military sales credits to Venezuela totaled about $7½ million. Last year we extended no credits to that country, while this year $16 million in military sales credit is proposed. What is the reason for this shifting back and forth with our aid to Venezuela?

General FISH. Actually, sir, in that case last year we did have a program formed for them but they did not use it. The authority existed and there was a program proposed but it did not eventuate.

MEXICO

Mr. BEVILL. The total military aid proposal for Mexico, I notice, increased from $109,000 solely in military assistance last year to $5

million in credits this year. What are the reasons for this increase?

Mr. STERN. I think you will find it is the same problem as you mentioned in the India-Pakistan case. $100,000 is shown in training in a separate table and that is why it shows a decrease. The $5 million of the credit is the same problem as in Venezuela. Last year we offered the $5 million credit and Mexico did not accept it. We hope to offer another $5 million loan this year.

Mr. BEVILL. I don't see Mexico listed under the training program you mentioned.

General FISH. The military assistance program for Mexico in 1975 was $109,000 and none proposed in 1976. Is that your point, sir?

Mr. BEVILL. Yes. One year you spent $109,000, and the next year you didn't spend anything in this area?

General FISH. The training is $100,000, so it is about the same. It was $109,000 last year and $100,000 this year, so it is about a level program.

Mr. BEVILL. What is the $5 million for? You have $5 million for Mexico, I understand, in this request.

General FISH. That is for foreign military credit sales.

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

THREAT IN LATIN AMERICA

Mr. PASSMAN. Mr. Koch?

Mr. KOCH. General, in response to Mr. Obey's question as to why we are furnishing arms to some Latin American countries, you initially responded not only with respect to some external threat, but also an internal threat and then you quickly caught yourself——

General FISH. No, sir; insurgency.

Mr. KOCH. That is what I want to talk about. I am not trying to catch you.

General FISH. I thought Mr. Obey's question was to the external threat, but there are insurgency threats throughout the Latin American countries and I wouldn't exclude them.

Mr. KOCH. Right, and I want to get some background information on it. My purpose is not to entrap you but to get some information on it.

Do we distinguish between insurgency within the country that is a bona fide internal revolution as opposed to an internal revolution supported by external forces? Do we make determinations of that kind?

General FISH. Certainly there are externally supported insurgencies throughout the area.

Mr. KOCH. OK, now could you tell us in Latin America, just to focus on one area of the world, what countries are faced with internal insurgencies supported by external forces?

General FISH. Yes, sir, I think I would have to supply that for the record but I would be happy to and we do have that information. Some of it would probably be classified but I think it most appropriate if I provided it for the record.

Mr. KOCH. That can't be classified information.

Mr. OBEY. My God, I got some from the Library of Congress. Can't you give us a hint?

General FISH. I was going to put it in that format. There is a difference between the Library——

Mr. KOCH. Is there any country that comes to your immediate mind that you would say at this moment is subject to an internal revolution supported by external forces, any one country in Latin America that you could name for us?

General FISH. Let me do some checking here and see if my notes will give me the kind of information that you desire. I recall that Che Guevara was a Cuban revolutionary and met his death in Bolivia.

Mr. KOCH. When was that?

General FISH. That was in 1967. But I use it as an example.

Mr. KOCH. That was 10 years ago. Do you remember how many people were involved in that?

General FISH. No; I don't, sir.

Mr. KOCH. I will have to check on it, but I think about five Cubans were involved.

I am not for a moment suggesting that there isn't Cuban involvement in Latin America, but I would really like to know more about it. What I am really asking is: Does the Department make a judgment and could that judgment, if it has been made in the past with respect to each of the Latin American countries, be provided to this committee as to whether there is any internal subversion that is supported externally and that requires our assistance? I think that is a reasonable question, isn't it?

General FISH. Yes, sir, certainly.

Mr. KOCH. So could we get that?

General FISH. Yes, sir, I would be delighted to.

[The classified information was provided to the committee.]

Mr. KOCH. I won't burden you with that here. You are going to provide that to us.

KOREAN THREAT

Let me take you to another area, just the area of Korea.

Yesterday I watched a television show and former Ambassador Reischauer, who was our excellent former Ambassador to Japan, said he really couldn't quite comprehend why we were sending so much military aid to the Republic of Korea and why we weren't phasing out our troops, when South Korea has at least twice the population and their military forces are greater than North Korea's.

Could you tell me what it is that causes us to do that?—but with one additional thought, if that is the word.

Ambassador Reischauer said that the repression in the Republic of South Korea is infinitely more massive today than it was 2 or 3 years ago and that our supporting them is adding to that repression. Could you comment on that?

General FISH. Yes, sir, I would be happy to. The Ambassador is entitled to his views. I would dispute some of his opinions as well as his facts.

Mr. KOCH. You dispute that repression exists?

General FISH. I dispute first of all the relative balance. Our count is different than his as far as in terms of numbers of aircraft and divisions of North versus South.

Mr. KOCH. Could we get that for the record?

General FISH. Sure.

[The classified information was provided to the committee.]

Mr. KOCH. Could you give us an evaluation of North Korea vis-a-vis South Korea, because I am going to leave in a moment. I can't miss that vote if I want to come back here next year.

Are you telling us that North Korea is superior in arms to South Korea?

General FISH. I think your comment, sir, was that the Ambassador said that the South has more than the North.

Mr. KOCH. He did say that.

General FISH. I dispute that and I would be happy to provide the relative figures for the record.

Mr. KOCH. Of the military strength?

General FISH. Yes, sir.

Mr. KOCH. But basically speaking what you are saying is——

General FISH. We try to maintain a balance in the area.

Mr. KOCH. I understand.

General FISH. And the second point is as far as the human rights question, and that is a difficult one, I don't believe it can be demonstrated either positively or negatively that our assistance to a country or our failure to provide it, has an effect on their human rights. I think it is arguable at least, that if a country does feel threatened—and certainly if you have been in Korea, you realize they are a state under seige—they get more paranoid and concerned about their security, I don't think it enhances human rights if they are weak, and to the extent they are not weak it probably encourages them to open up the society. Further, the more contact they have with us the more open it becomes.

HARKIN AMENDMENT

Mr. KOCH. Let me ask a short question to get a short answer. You have heard of the Harkin amendment?

General FISH. No, sir.

Mr. KOCH. The Harkin amendment basically says if a judgment is made that a country is overwhelmingly repressive, vis-a-vis its own people, that we should not provide it with arms.

Do you think there is anything wrong with that philosophical concept?

General FISH. Sir, I don't know how you define overwhelmingly.

Mr. KOCH. Just the concept. In such a situation if we could find ways to make such an evaluation, do you see anything wrong with that concept?

General FISH. No, of course not.

Mr. KOCH. You like the concept?

General FISH. I don't know now where you are. Where are you? Which concept am I supposed to like or not like?

Mr. KOCH. The concept if a country is overwhelmingly repressive to its own citizens——

General FISH. We dislike that thoroughly.

Mr. KOCH [*continuing*]. That we should not provide it with assistance?

General FISH. I don't think we could.

Mr. KOCH. Do you like that concept?

General FISH. I like that concept. Don't provide it, if they are overwhelmingly repressive.

Mr. KOCH. So the concept is OK?

General FISH. Yes.

Mr. KOCH. Then it becomes a question of——

Mr. LONG. There aren't any such countries, you understand that.

General FISH. I hope there are none that we support.

Mr. KOCH. The fact is that we are in accord on that last issue and I am going to leave and turn it over to the Chair. Thank you.

Mr. LONG. Thank you, Mr. Koch, for your excellent questions.

Mr. Early?

MILITARY ASSISTANCE ADVISORY GROUPS

Mr. EARLY. What do you feel would be the effect of eliminating the MAAG's?

General FISH. Disestablishment of the MAAG's, missions, and military groups, would damage the national security and foreign policy interests of the United States. It would greatly reduce United States influence on significant elements of host governments and would preclude efficient control and management of security assistance programs.

Foreign governments now supported by MAAG's would lose the assistance provided in military force planning. This involves threat assessments; identifying equipment needs, types, and quantities; analysis of force improvement being achieved; and, analysis of the impact on country resources and its ability to maintain and operate the equipment.

The United States would lose a significant influence on the implementation of military programs and the selection of military equipment. As a result, our efforts to attain equipment standardization would suffer; larger not smaller military programs may result; military organizations and operational practices and techniques adopted by the recipient nation would be those of the supplying nation; and U.S. military and political influence would be withdrawn and the opportunity to fill the void would be afforded other supplying nations including the Soviet Union.

Termination of MAAG's would jeopardize the success of major programs in some countries which are not self-sufficient. In these countries essential on-the-spot advice and assistance would be lost and quick response logistics and maintenance support would be denied.

The United States would be denied valuable information on host countries forces, weapon systems and requirements and on the use and disposition of equipment received through military assistance program grants and foreign military sales.

Mr. EARLY. What about the possibility of having MAAG duties and responsibilities handled by the Defense Attaché's Office in each of these countries?

General FISH. I do not believe it advisable to combine the MAAG and Attaché offices, except in unusual circumstances, because of the dissimilarity in their duties and responsibilities. Most countries of the

world utilize military attachés and they are traditionally recognized as overt intelligence collectors, whereas MAAG personnel are responsible for providing appropriate military advisory services and technical assistance to the host country, plus carrying out the Secretary of Defense's responsibilities under the Foreign Assistance Act and the Foreign Military Sales Act.

Although we no longer provide grant assistance to many countries, we do have sales programs with many friendly countries. To assure that defense articles are properly utilized, and supported, we must provide expert advice. Additionally, MAAG personnel in all countries monitor MAP end items to insure their proper use/disposal. This is a residual requirement which continues after termination of grant aid programs. To carry out these necessary functions, our military advisers have to build and maintain a relationship of mutual trust and confidence with the host country's military establishment. A relationship of this nature is much more difficult for a combined MAAG/Attaché structure which has a recognized intelligence collection mission. The transfer of MAAG responsibilities to the Defense Attaché probably would result in undesirable restrictions on access to and free exchange of information with host government officials by the United States.

Mr. EARLY. You mention in the congressional presentation on page 10 that MAAG's engage in monitoring the movement and delivery of MAP end items and continuous observation and review of their use by recipient countries. However according to a defense study team report—

> The procedures used to meet the statutory requirement of end-item utilization vary widely. In some cases, host country submissions are used as the basis for MAAG reports while in others, local nationals are hired to track the equipment and submit the report. In some countries MAAG's are constrained from reporting due to host country sensitivities or lack of cooperation.

How effective is this monitoring?

General FISH. As noted in the report, section 623a(3), Foreign Assistance Act of 1961, as amended, states that—

> The Secretary of Defense shall have primary responsibility for the supervision of end-item use by the recipient country.

This responsibility is met through the use of reports submitted to the MAAG's by host country personnel or local nationals and through periodic inventories performed by the MAAG. Even though the data collection procedure may differ from country to country, the overall monitoring program is effective.

Mr. EARLY. In a recent GAO report they found that in fiscal year 1974, the congressional presentation document for security assistance, there were reported 1,208 authorized personnel for 16 countries and 3 unified commands. The GAO team found that the actual number of personnel involved in this area were 3,711—U.S. military and civilian personnel. Would it be possible for you to give this committee a more detailed accurate account of the number of personnel involved in this area? Including technical assistance field teams, mobile training teams, temporary duty personnel, et cetera?

General FISH. The fiscal year 1976 authorization for MAAG's, missions and military groups, is 1,622 U.S. personnel. Allocation of these

spaces is as shown on pages 11 and 12 of the congressional presentation document. The three unified commands are authorized 131 spaces in fiscal year 1976 for security assistance related activities. U.S. personnel authorized for assignment to other security assistance activities are as follows: Technical assistance field teams—876; technical assistance teams and weapons systems liaison offices—29; English language advisers—22; and, contract management offices—172. Mobile training teams fulfill short duration commitments on an as required basis, and are not covered by a fixed personnel authorization. On September 1, 1975, 86 personnel were performing duty with MTT's.

Mr. EARLY. In the same report it is also reported that—

> The cost of temporary duty personnel used to augment MAAG's and of permanent personnel assigned to unified commands or their subordinate command for work of a security assistance nature, were not always funded under the security assistance program nor identified in defense program documents as MAAG cost. For instance, fiscal year 1974 budgeted cost for personnel and operations of the MAAG in Iran were exceeded by $4.4 million. These costs were attributed to a European Command support activity unit detailed to Iran.

Would you please comment on this report?

General FISH. In a number of countries the MAAG's receive administrative and logistical support from U.S. activities located in the host country. These units have the responsibility of supporting other DOD elements not having security assistance missions; therefore, total operating costs of those units should not be met solely with security assistance program appropriations.

In an agreement reached in March 1975 the Government of Iran is reimbursing the United States for approximately 85 percent of the MAAG's personnel cost and approximately 70 percent of total support unit costs. These amounts are in addition to support received through assistance in kind.

Mr. EARLY. General, would it be possible to provide this committee with a more detailed breakdown of the cost of the MAAG program? Does the congressional presentation reflect the total manpower and funds required to implement this program?

General FISH. We are currently estimating that the total cost of operating the MAAG's during fiscal year 1976 will be approximately $65 million. Of that figure, $15.2 million will be funded by the MAP program and the remainder, or about $49.8 million, will be funded by the military departments. The latter figure represents essentially the cost of military personnel, which in fiscal year 1976 we are precluded from paying out of the MAP appropriation by section 632 (d) of the Foreign Assistance Act of 1961, as amended. However, beginning on July 1, 1976, we are required by section 515 of the Foreign Assistance Act of 1974 to pay the total cost of MAAG's from the MAP appropriation. Our initial estimate of these costs on the new basis for fiscal year 1977 is $59.3 million.

GRANT AID TO THAILAND

Mr. EARLY. Why are we granting Thailand a total of $95.1 million—page 26 of justification? I am referring to all grant aid including military assistance program, foreign military training program, and excess defense articles, when as you state in your justification, Thailand enjoys a favorable foreign exchange situation?

General FISH. The actual value of the security assistance program is not $95 million in fact. The $65 million figure for excess defense articles—EDA—is grossly inflated due to the special circumstances of troop withdrawals and base closures, which we anticipate will result in considerable excess equipment being left behind. The actual fair market value of this EDA is probably at most about one-third of the estimated $65 million. Second, while Thailand has increased its financial capabilities, it is still a very poor country. We consider it would be very undesirable that Thailand, in response to the increasing level of insurgent activity, commit its modestly increased resources to the military sector and neglect its social and economic development requirements. As observed over the past several years, U.S. military assistance to Thailand has decreased very markedly. Because the United States continues to have defense interests there and wishes to maintain a residual force in Thailand, it is in our best interest to help the Thai Government through this budgetary transition period while the military assistance level is declining and FMS credit is being introduced.

INSURGENCY IN URUGUAY

Mr. EARLY. On page 29 in the presentation you state that Uruguay has problems with a major threat to internal security by externally supported insurgent elements. Could you tell this committee who are supporting these insurgents and what level you would describe the insurgent movement as? Perhaps you could cite fatalities, wounded, et cetera—is it a revolution or just a jungle skirmish?

General FISH. The current internal security threat in Uruguay is considered minimal. During 1972–73, the military and security forces successfully countered a serious threat from the National Liberation Movement, better known as the Tupamaros. This organization carried out a very costly and destructive terrorist/insurgent campaign between 1968 and 1973. At the height of their activity, the Tupamaros had an estimated 3,000 militants and several thousand sympathizers. Now there are an estimated 200 militants in country, and the number of supporters has diminished accordingly. The organization received support in the form of training, funds, and probably weapons from Cuba in the late 1960's and early 1970's, and Cuba is believed to be continuing to provide propaganda and moral encouragement at this time.

The principal threat is the possible resumption of Tupamaro activity. However, due to vigilance of and forceful counterinsurgency actions by security forces, no such resumption is anticipated in the near future.

GRANT AID TO EAST ASIA

Mr. EARLY. In Secretary Maw's statement, he states: ". . . we have made strenuous efforts to decrease the reliance of friends and allies on grant military assistance and to move them towards greater dependence on foreign military sales and commercial purchases. The administration proposals for East Asia reflect this trend. For the first time, the foreign military sales component of the program outweighs grant military assistance—$298 million to $142 million respectively." (page 5) General, when I add up all the grant aid programs in this area, and

I include excess defense articles as grant aid, I arrive at a figure of $270.3 million in grant aid. Why didn't this committee receive the sum total of grant aid to avoid the time-consuming search of the presentation from country to country in order to get an accurate figure?

General FISH. A table listing all aspects of security assistance, including supporting assistance, by type of assistance and by country and area appears on pages 106 and 107 of the CPD.

TRAINING PROGRAM IN YEMEN

Mr. LONG. Why are you proposing to spend $125,000 for four students for military training in Yemen, $500,000 for four students, when the per student military training costs elsewhere in the Middle East have not risen above $25,000 per student in the last 3 fiscal years?

You are in Yemen, is that right?

General FISH. That is right. I don't know how that was arrived at. I will have to get an answer for the record.

Mr. LONG. While you are about it I think you might explain why it is we are giving a particular break to Yemen and South Yemen when they both voted against us in the United Nations——

General FISH. South Yemen is not part of the program, sir.

Mr. LONG. All right, Yemen. The fact is that Yemen and South Yemen both voted against us in the United Nations resolution equating Zionism with racism. I don't want to make a point about South Yemen so don't get me diverted on that question.

General FISH. Proposed total training is $500,000.

Mr. LONG. For four students?

General FISH. For four students. I will have to reconcile those numbers for you and give you a good answer.

Mr. LONG. While we are at it I want it put in the record.

General FISH. Yes, sir, be happy to.

[The information follows:]

A training program of $500,000 is being proposed for Yemen in fiscal year 1976 to promote a more desirable relationship with Yemen, whose present government is moderate, progressive, and pro-West. Yemen is on the verge of severing a military assistance relationship with the Soviet Union, and it is expected that Saudi Arabia will fund the Yemen Arms Modernization program. The training program proposed in fiscal year 1976 for Yemen will provide staff, professional, and technical training. At this time, the only specific definitization is for four students planned to receive orientation training at a total cost of approximately $11,000.

TRAINING COSTS IN THE MIDEAST

Mr. LONG. In the Mideast nations the highest per student cost——

General FISH. I have an answer to that.

Mr. LONG. Let me get the figures: $5,700 per student in Jordan: $5,800 per student in Lebanon; $8,500 per student in Morocco; and $2,500 per student in Tunisia.

General FISH. The deficiency is in how we try to portray. The students are specific students that are identified in forces formally organized. We also have as part of the training cost the dispatchment of mobile training teams that go to the country, so you can't do the calculations that you just did, which is divide the total in. I would

have to also indicate beside the number of students the number of teams that travel to the country rather than the students that came here. That is the problem.

Mr. LONG. What are we trying to accomplish?

Are we trying to get their friendship and do you think we have achieved that in view of the votes in the United Nations?

AMERICAN INFLUENCE ABROAD

General FISH. We are trying to maintain our influence in the area.

Mr. LONG. Do we have much influence, in view of that vote?

General FISH. Not yet. It is certainly true——

Mr. LONG. Don't you think we would be justified in cancelling this program and others in view of the fact that we obviously have no influence with them; that they have gone out of their way to indicate resentment or the fact that they don't intend to do us any favors? I believe we pleaded with each of these countries to vote differently from what they did.

General FISH. As a comment, I would say I don't think that confrontation with these countries on these matters is advisable, or that buying the votes is a proper approach either.

Mr. LONG. If we are buying votes we are certainly getting cheated, aren't we?

General FISH. I think it is important to remain in contact with them, try to influence them. Shutting off contact with them certainly doesn't hold much hope for the future.

Mr. LONG. Having contact with them hasn't done very much for us, has it?

General FISH. I believe there is a good track record in other parts of the world and cutting off people is not necessarily the best way to influence them.

Mr. LONG. What do you do to influence these people? When I was in Mali, the head of the national development bank there led off with a long statement about how grateful they were for all the aid the United States has given to all the countries in the world. We had been the ones who helped them and they valued the help given when they were in need.

It was really stirring. I was moved by it. A tear came to my eye, and then I reflected that this particular country had voted against us on that U.S. resolution. Not only voted against us on that but voted to condemn our policy in Puerto Rico and when I asked why they had done that they said they had to do it because the other countries were doing it.

General FISH. I think it gets to a point in sovereign nations where we don't necessarily mean we have no common interests with another country because our interests diverge on a single issue.

Mr. LONG. Thank you.

HISTORICAL REVIEW OF THE PROGRAM

Mr. PASSMAN. General Fish and Mr. Secretary, I am a bit frustrated. I have been a Member of Congress for 29 yeas. It has been my privilege

to chair this committee for 21 years. I believe the foreign aid program as such started after World War II around 1947.

If we look at the record, when this foreign aid program was first presented to the Congress, it required the older Members, ones well-fortified with seniority, to dare walk into the well of the House to address the Chair.

"We are now embarking upon a program that conceivably may take us into 17 nations of the world. It may cost $15 billion and it may take 5 years to complete."

Let's contrast how this thing got started and where we are today. It is not 5 years but 28 years. Not 17 nations but 128 nations of the world. It is not $15 billion. We have already passed out over $269 billion in foreign aid.

Now, if we include the Defense Department's cost, it could well total half a trillion dollars.

When I came here we had a public debt in the amount of $259 billion. When we close fiscal 1976 we will have a public debt of over $600 billion. Then, if we pick up the statutory obligations, your true public debt is over $2 trillion and growing.

Now, I don't know when we are ever going to get control of this budget deficit. But I am just afraid that you men are too busy, possibly doing what you consider more important work, to get into the details and look at what we are doing to unborn generations.

Let's take Indonesia. I think we know very well that it is a very poor country. But they have actually discovered a lot of wealth in Indonesia in the form of petroleum and copper. As I look at the actual record of December 31 last year, we find that Indonesia had $1,490 million surplus in the foreign exchange account. We look over to the United States of America and we find that we had a balance-of-payments deficit of $18,100 million.

Look at the trade situation. We had a deficit, the third time I believe in over 100 years, of $2,300 million. I believe we are in agreement that we have to borrow this money to fund these programs? We are going to have a deficit of over $70 billion this year, so we are going to have to borrow the money.

You agree to that, don't you, General? I am not trying to lead you or badger you. I am trying to be realistic. It is unbelievable that we have permitted this foreign aid to get so far out of control.

So much of it is going into multilateral organizations, which is the worse type of foreign aid, with terms like IDA, 50 years with no interest. We know not when, where, for what purpose, or in what amount they spend the money. We just turn it over to them blindly and that is it. We have no idea until after the fact, if ever where the money goes. Now we borrowed this money at about 7 percent and we gave it to IDA. They make it available to developing countries, without interest, for 50 years, with only three-quarters of 1-percent service charge. Then you give them a 10-year grace period before they start repaying the loan. Then they only pay 1 percent a year. This is what we have gotten ourselves into.

Look at Indonesia. The United States is asking for military assist-

ance for Indonesia. They are in under practically all of the other spigots. Now, tell me if this is accurate:

Indonesia Funding of Costly Space Project Stirs Criticism. When the U.S. space agency shoots "Palapa" into orbit in July, Indonesia will share with the United States, Canada and the Soviet Union the distinction of actually possessing one of those icons of modern technology, a communications satellite.

This is at a cost of a billion-and-a-half dollars.

Are you familiar with that?

Mr. MAW. I saw the same article that you are reading from the Washington Post.

Mr. PASSMAN. Even with the $1,492 million surplus in the foreign exchange account, aren't you asking for aid for Indonesia?

Look at the military assistance program. You move from $15,850,000 up to $19,400,000 for fiscal 1976 in grant aid. Am I correct there?

Mr. MAW. Yes, sir.

Mr. PASSMAN. On credit, you are moving from $5 million to $23,100,000. Am I reading those into the record correctly?

Mr. MAW. Yes, sir.

Mr. PASSMAN. You know it is just a question of months now until the interest on the public debt will be running over $40 billion a year.

So, I am glad that you stated in the beginning that you could live with whatever this committee does. We are going to be fair. There are certain nations we are going to write into the bill and certain nations we will write out. One we will write in is Korea. I think we are in accord. As a result of our bringing 20,000 soldiers home from Korea, over a period of 5 years we saved almost as much as our commitments amounted to, correct?

Mr. MAW. Yes, sir.

Mr. PASSMAN. Some of these nations we are positively going to write out and we will discuss them with you before we do. We want to be fair. It appears to me the time is overdue to try to bring this program under control. Not only do we run up the public debt, but we are always passing new legislation which says that we are going to give more in subsequent years for some service you previously rendered.

So we create a reserve. Each and every one of the 213 million Americans, whether it is the baby born this morning or the old man who will be 100 years old tomorrow, owes Uncle Sam $9,589. That is every one of them.

CREDIT SALES PROGRAM

Do you have direct sales of military equipment to nations where the accounts are paid back into the Defense Department?

General FISH. Yes, sir.

Mr. PASSMAN. That money is paid back into the Treasury, is it not?

General FISH. That is correct.

Mr. PASSMAN. Do you have an account where the Defense Department extends credit and you subsequently have it paid back?

General FISH. No; I don't think so. No, sir.

Mr. PASSMAN. So really, you have just the three spigots, grant aid, excess equipment, and the credit sales?

General FISH. Yes, sir. As the chairman knows, the credit is essentially at the cost of money rates which come back into the Treasury.

Mr. PASSMAN. I would have some difficulty quarreling with you about the credit sales. If I understand the credit sales program, you make the military equipment available to these countries and you charge them the prevailing interest rates. If we are paying 8 percent to borrow money, you charge that country 8 percent.

CONCESSIONARY RATES

General FISH. Yes, sir. On the statute there is a capability to give concessionary rates. That is very rarely used. It is very, very small.

Mr. PASSMAN. Why do you have any concessionary rates at all?

General FISH. For some specific countries in the past, to take care of situations where they were not able to finance it.

Mr. PASSMAN. How many countries are involved?

General FISH. We have granted such concessionary rates in very small sales to one country during the last year.

Mr. PASSMAN. We are talking about Israel. You have made loans there. I support that. I am not quarreling with you.

General FISH. I was not thinking of Israel. That was the forgiveness. The Secretary reminded me that in the case of Israel it is a combination of forgiveness for payments and concessionary rates.

Mr. PASSMAN. Let's not fool the American people. Let's not say we are loaning them $1 billion when we are giving it to them. Let's not say we are making a payment of $2 billion and going to give them $1 billion of it. You are making a certain amount available on grant aid and a certain amount available in repayment. You cannot take a package and call it a loan and later say we are going to forgive you half of it because in the beginning that is understood, that the $1 billion is a gift.

I wonder why we don't spell it out where people understand it. It would make it easier on all of us. I am not going to fool you and you are not going to fool me.

General FISH. I would not want to, sir.

Mr. PASSMAN. I would like to think you don't. I will take it at face value.

EMERGENCY ASSISTANCE ACT OF 1973

Mr. MAW. On Israel, we are following the pattern that Congress set in the Emergency Assistance Act of 1973 on grant military assistance and FMS credit.

Mr. PASSMAN. You are speaking in general now, not just one nation?

Mr. MAW. That is in the case of Israel.

Mr. PASSMAN. Yes, I recall that.

Mr. MAW. That is the only country where we have authority to forgive indebtedness.

Mr. PASSMAN. Why not say that for the record, rather than we say we have made exceptions? We knew we were talking about Israel. I am a friend of Israel. I am going along with the Sinai package. Why not put in the record what it is? Why be bashful about it?

Mr. MAW. We are not bashful about it. We thought it was clear.

Mr. PASSMAN. But it is confusing.

Mr. STERN. If we were to put that $750 million on the MAP as a grant, there are a lot of restrictions and legal problems that arise in

making a MAP grant. We would have to open up a MAAG mission in Israel. So we are not trying to hide the fact that we would like to forgive half of the $1,500 million. But it is a technical problem and that is the reason why it shows up that way.

Mr. PASSMAN. What is technical about it? Hypothetically, if you want $2 billion in military assistance for Israel, we say right in the beginning half of it you don't owe, we are going to give it to you. The other half will be made available on a credit basis.

We know very well that it is a grant. What is the difference between grant and forgiving a loan the following day?

Mr. STERN. The law has different requirements.

Mr. PASSMAN. Who wrote the law?

Mr. STERN. The Congress.

Mr. PASSMAN. No, you people drafted it. We have people up here who do not switch a comma or a period without calling you people up.

Mr. STERN. I wish that were true, sir.

CREDIT PROGRAM FOR INDONESIA

Mr. PASSMAN. Indonesia, with $1,492 million surplus in their foreign exchange account and coming on strong with the tremendous wealth they have from petroleum and copper, how can we justify borrowing money at 7 percent to give to Indonesia? Can you justify that?

General FISH. As you said in your opening comments, it is a poor nation. It has potential. It has a very large population.

Mr. PASSMAN. I know all that, but you are not telling me how we can afford to go out and borrow money we don't know how, in the name of goodness, to pay back. We have no provision to pay it back. We are going to borrow it and agree to pay from 6- to 8-percent interest and we are going to give it to a nation with $1,492 million surplus in their foreign exchange account. How can you justify that?

Mr. MAW. The main program is for credit. We are going to lend them that money.

Mr. PASSMAN. You are proposing to increase the Indonesian military assistance program from $15.850 million in fiscal year 1975 to $19.400 million in fiscal year 1976.

Mr. MAW. That is correct.

Mr. PASSMAN. Now if you go over to your FMS credit program, you are jumping from $5 million up to $23,100,000.

Mr. MAW. That is correct.

Mr. PASSMAN. How can we justify that? We have to borrow this $19,400,000 at 7 percent to give it to Indonesia. It is a gift, isn't it?

Mr. MAW. Yes.

Mr. PASSMAN. Thank you very much.

How much do you have in Indonesia for your excess equipment?

General FISH. I can give you those figures. On the excess equipment, of course this is a matter of——

Mr. PASSMAN. It is $13 million, is it not?

General FISH. Yes.

Mr. PASSMAN. Let's add that to your $19.4 million.

I believe that is $32,400,000, which is grant.

General FISH. That is acquisition value. The true value of those goods would be considered less than that.

Mr. PASSMAN. You know that I know if you happen to be short in an area of excess equipment that you can make it excess overnight. It has happened. You go out in Southeast Asia, in Taiwan, and other places where you had a lot of excess equipment you didn't want to bring home, Okinawa, Guam. Then it became excess.

Let me yield to Mr. Coughlin.

AID TO ISRAEL

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

I have a couple of questions with regard to the aid to Israel. The $1,500 million in foreign military sales credits to Israel, half of that I understand will be interest- and repayment-free, correct?

General FISH. There is authorization in the law for the President to make that provision.

Mr. COUGHLIN. Then why doesn't that show as a grant, rather than foreign military sales credit?

General FISH. As the Secretary testified a few moments ago, sir, we were following a formulation set down by the Congress in the 1973 Supplemental Act when the Congress decided to handle Israel in this manner.

There also are, as Mr. Stern testified, technical reasons. If it was a MAP grant aid program that would require a military mission in Israel. It would require end-item supervision. We would maintain a residual title to the equipment and there are circumstances in Israel's case that we thought would make this arrangement appropriate.

Mr. COUGHLIN. Under the MAP program we retain title.

General FISH. Yes, sir. We retain residual title.

Mr. MAW. When it serves its purpose, it reverts to us.

Mr. COUGHLIN. Under MAP, but not under foreign military sales, is that correct?

Mr. MAW. That is correct.

AID TO KOREA

Mr. COUGHLIN. With respect to the aid being provided to Korea, I am pleased to see that a large proportion of that is now becoming foreign military sales, credits.

General FISH. Yes, sir.

Mr. COUGHLIN. That is as opposed to grant assistance. In the future, would you tend toward more credit sales?

I realize the difficulties they have over there and their need for an adequate defense. But by the same token, they are becoming more prosperous and better able to sustain themselves.

General FISH. We believe that in the Korean case the movement might have been even more dramatic had it not been for the worldwide recession and the increase in energy costs. Korea is a good example of the overall trend of the program—a movement from grant aid to credit sales and cash eventually. As we have transitioned other countries, we would hope to transition Korea in that direction.

Mr. PASSMAN. Would the gentleman yield?

I think we are making a record that is not going to be accurate. If we look at Korea, 1975, the credit sales were only $59 million. So this jumped up to $126 million in fiscal year 1976.

General FISH. That is the Congressman's point, that credit sales are increasing.

Mr. PASSMAN. Let me make the record. You had credit sales for $59 million in 1975 but it is going up to $126 million in 1976.

General FISH. That is correct.

Mr. PASSMAN. On the grant side where it was $82,600,000, you are dropping it to $74 million in fiscal year 1976, are you not?

General FISH. That is on MAP.

Mr. PASSMAN. I am talking about military grant assistance. So the credit sales are actually more than double while the grant part is coming down and it is now down to only about 25 percent of what you had 4 years ago.

General FISH. Yes, sir.

Mr. PASSMAN. Thank you.

Mr. COUGHLIN. What do you anticipate for next year, and do you feel aid will be down to a smaller figure in terms of the grant sales?

General FISH. It is hard to forcast. We will have to look at it. We hope to continue the trend. It will depend greatly upon how the threat develops there and how the Korean economy develops in view of the problems that they are having, as most of the nations of the world are, because of the large energy cost increases. I would hate to speculate what it is going to be next year.But the trend, we hope, will continue.

Mr. COUGHLIN. I guess our own economic problems are important in evaluating some of that, too.

Mr. MAW. The present indication is that by the end of 1977 the modernization program will have been completed if it continues at the present rate. This is what has taken most of this MAP and FMS credit over the past few years.

Mr. PASSMAN. If the gentleman will yield again, only to keep the record straight, we do have a shortfall. We are behind with our actual commitments to Korea, I believe, made by President Nixon when we said we were going to withdraw 20,000 troops but we would make available $1,500 million of assistance during 5 years. We saved $1,400 million by bringing our soldiers home so the net cost was only $100 million.

General FISH. Yes, sir, we are about $360 million short.

Mr. PASSMAN. That is what I wanted to say. We are $360 million short of our commitments to Korea. Commitments resulting from an agreement reached several years ago.

Am I stating it right?

General FISH. Exactly.

Mr. PASSMAN. I only do that because I remember the past experience with this item.

AID TO INDONESIA

Mr. COUGHLIN. With respect to Indonesia, when do you expect Indonesia to be entirely on credit sales as opposed to grant military assistance, considering its economic disparity?

General FISH. I think it would be speculative to say a date certain. I think the best we can do on that, sir, is to point out that history has been for transition countries to go to a higher reliance on credit sales and to an eventual reliance on cash. We hope Indonesia will follow in that pattern. It will have to depend upon what happens in the area.

Mr. COUGHLIN. Wouldn't you think that if Indonesia's economic position continues to be what it is, we might anticipate that next year there will be no grant aid?

General FISH. I don't know, sir. The economic situation, with the population size with a low per capita income doesn't show any near term hope for a great turnaround.

Mr. COUGHLIN. They have substantial oil revenues.

General FISH. It started from a very extremely low base.

Mr. MAW. The average per capita income is $80–$110, including all of the oil. What the future holds for their oil and their general redevelopment is hard to estimate. We sincerely hope that their development will proceed to the point where they can do it on their own.

MILITARY ADVISORY GROUP IN IRAN

Mr. COUGHLIN. It has been reported that there is a possibility that there are Americans from the military advisory assistance group in Iran that are now participating in the battle in Oman between Iran and Oman. Is that true or not true?

General FISH. Absolutely not true. It is unequivocably not true.

Mr. COUGHLIN. We have no advisers there?

General FISH. None at all.

Mr. COUGHLIN. What percentage of the fairly large military advisory group that is in Iran at the present time are compensated for by the Iranian Government?

General FISH. The majority of the U.S. personnel in Iran—and I will have to get the exact figures—are fully compensated for by the Iranian Government. They are technical assistance field teams that we provide on a fully reimbursable FMS basis. I will provide for the record the details of what the percentages are.

Mr. COUGHLIN. Would you provide that for the record?

General FISH. Yes, sir.

[The information follows:]

TECHNICAL ASSISTANCE FIELD TEAMS—IRAN

The current authorized strength of the technical assistance field teams in Iran is 868—officers, civilians, enlisted—with 603 assigned. The cost of these personnel is reimbursed 100 percent by the Government of Iran. Additionally, the GOI pays for 85 percent of the personnel costs in the military assistance advisory group. Authorized strength is 209—officers, civilians, and enlisted men—with 201 assigned. Both reimbursements are accomplished on a cash basis through a foreign military sales case.

Mr. COUGHLIN. It seems to me that Iran should be in a position at this time to fully compensate us for the personnel we have there.

General FISH. We would say there is always going to be some segment of the military advisers there for our interest. We would feel it inappropriate to have them completely paid for, no more than we would have our other personnel—for example, Marine guards—there primarily for our own interest being paid for by that country.

AID TO TURKEY

Mr. COUGHLIN. Turning to Turkey, it has been reported that Turkey has asked for an annual payment of $1,500 million for the use of our bases in Turkey. Is this true? If so, where would that appear?

General FISH. Turkey has made some requests. We think that would be an unreasonable request.

We are not requesting it.

Mr. COUGHLIN. There are no funds in here for that?

General FISH. No, sir.

Mr. COUGHLIN. Do you anticipate a request for that?

General FISH. No; I don't anticipate a request for that. Mr. Stern, do you have any comment on that?

Mr. STERN. I think there is a difference between anticipating a request and our view of that request, as the general said.

Mr. COUGHLIN. Whether you anticipate sending Congress a request?

Mr. STERN. Not of $1,500 million.

Mr. COUGHLIN. Thank you, Mr. Chairman.

GRANT AID TO INDONESIA

Mr. PASSMAN. I would like to open this up one more time with respect to Indonesia. You remember President Sukarno; do you not?

General FISH. Yes, sir.

Mr. PASSMAN. We know that the former President to Indonesia, Mr. Sukarno, was looked upon as quite an extravagent President, spending a lot of money on frills and statues. Isn't that the record in Indonesia, that he dissipated a lot of resources on frills and statues and things that didn't help the so-called underprivileged people?

General FISH. I will defer to your knowledge, Mr. Chairman.

Mr. PASSMAN. Mr. Secretary, isn't that what the record is?

Mr. STERN. I will defer to your knowledge on that, Mr. Chairman. I just don't know.

Mr. PASSMAN. Why don't you defer to me when we mark up this bill?

Mr. STERN. I think we already agreed to that in the beginning.

Mr. PASSMAN. Thank you very much. If you don't know that, maybe you do not know whether your request for Indonesia is correct or not. In the article, "Funding of Costly Space Projects Stirs Criticism," it says they are going to spend $1½ billion to put a communications satellite in orbit. Is that right?

Mr. STERN. I assume that is correct.

Mr. PASSMAN. We have any number of different grant programs for Indonesia throughout the aid bill; do we not?

Mr. STERN. I believe that is correct, sir.

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

Mr. SHRIVER. Thank you, Mr. Chairman.

General Fish, on the 31st of October of this year the GAO issued a report on the use of military assistance advisory groups. Are you familiar with that report?

General FISH. Yes, sir.

Mr. SHRIVER. They concluded that advisory group personnel are now being used primarily to facilitate foreign military sales, both credit sales and commercial sales, and thus the cost of the groups should be recovered from the sales activity.

Would you comment on this GAO report?

General FISH. Yes, sir, we did provide unsolicited unofficial comments on the GAO report. We would disagree with some of the conclusions, that the Military Assistance Advisory Group efforts have not primarily facilitated foreign military sales. Their function is to repre-

sent our national interest, to make recommendations and fulfill certain provisions that are statutory regarding end-use supervision, and assure that when requests are made by countries to make purchases, that we comply with the statute and make an informed judgment as to whether they need the item or not, and that it would not unbalance the program in the area. So I could argue with the GAO. Although Defense's comments were not requested, we did provide the GAO with informal comments during the draft stage of processing. We are currently in receipt of the final report which my staff is reviewing. The GAO has requested formal comment and I would be happy to provide you with a copy of our response for the record when we are ready to release it to the GAO.

AMOUNT OF AID IN PIPELINE

Mr. SHRIVER. We have heard a lot of figures with regard to the total amount of military aid and hardware this country sends abroad from government and commercial sources. Do you have an accurate figure on that?

General FISH. Yes, sir. I have an accurate figure and can provide it. I would like to comment, if I may, in a general analogy of the discussion that has been engendered about the composition of foreign military sales agreements. The historical record is that about 40 percent of the total value of such agreements is for arms and 60 percent is for training, infrastructure, airfields, ports, even family housing at the military bases and things of this nature. Foreign military sales agreements are presently about $10 billion annually. However, the actual annual deliveries is a much lower figure because these agreements are prospective over a number of years.

Mr. SHRIVER. In other words, some of it is in pipeline or will be?

General FISH. A great majority is in the pipeline.

Mr. SHRIVER. What percentage would you say?

General FISH. The deliveries in this last year were on the order of about $3.5 billion. The agreements signed up are on the order of about $10 billion. I will get those exactly for the record. But I think it is helpful if I can give you these figures here in the oral session.

Given those figures, it is about a 70 percent lag.

[The information follows:]

A table setting forth the dollar values of the foreign military sales orders and foreign military sales deliveries over a 10-year period follows:

WORLDWIDE FOREIGN MILITARY SALES

[In thousands of dollars]

	Orders	Deliveries
Fiscal year:		
1966	1,627,136	823,370
1967	978,742	895,560
1968	798,558	1,060,121
1969	1,551,231	1,250,914
1970	952,593	1,366,024
1971	1,656,818	1,360,529
1972	3,261,192	1,214,352
1973	4,368,437	1,392,822
1974	10,808,926	2,919,383
1975	9,510,727	3,439,142

MILITARY ASSISTANCE IN PORT ACTIVITIES

Mr. SHRIVER. You mentioned one thing that would be attached to the military request is anything you do in connection with ports. Is that true?

General FISH. Yes. We assist some of these countries in port activities. I would submit that that is important to the civil sector as well as the military sector.

Mr. SHRIVER. Right now the Port of Monrovia is badly in need of repairs. It was originally built by the Navy. Would that be considered a military effort?

General FISH. Yes, sir. If we were to provide it, the Defense Department would be involved in foreign military sales. I think the Congressman makes an important point that some of these things flow through the military account as foreign military sales because the governments concerned have a high regard for the management expertise of the Department of Defense and its procurement activities and want us to assist them in these matters. We find it helpful to do that in the relationships we develop with the countries and we hope we can influence them in the future.

Mr. SHRIVER. General Fish, you are in effect the manager of our military aid and sales programs.

General FISH. Yes, sir; I am the administrator.

Mr. SHRIVER. As such you do not make broad policy decisions, do you?

MILITARY ASSISTANCE POLICY

General FISH. No. The policy is completely under the control of the State Department. Whether there will be a program or not and the size of the program and specific sales are a policy decision of the State Department. We do make our inputs along with other departments.

Mr. SHRIVER. If you were setting up a priority list, and there must be some contingency plans for determining priorities, would it be something like this?

The first priority would be the Middle East. The second perhaps Turkey and Greece. The next may be Korea.

General FISH. Sir, that would be a very, very difficult question. I see where the Congressman is going. I don't think you can set, for instance, Korea's requirement against the Middle East and say one is priority 1 and one is priority 2. I think we have to be able to meet our national interests anywhere in the world, wherever it is. Either it is required and justified or it is not. I don't think that they are in that sense a numerical priority.

Mr. SHRIVER. The total aid request is rather large this year. The financial problems our country has are enormous, with a possible Federal deficit for this year of over $75 billion. So maybe some priorities will have to be set by this committee.

Would we talk to you about them or to somebody else?

General FISH. I think it is appropriate that the committee addresses all the priorities. I have noted the questions, the general questions of: "Why do we have the program?" I would like to make a couple of comments that if you agree that we are successful, we don't have problems.

We were discussing Latin America a little while ago in terms of what is the present threat. The fact is that threats do not develop. The fact that we deter threats from developing is a useful purpose of the program. It is kind of like an insurance policy, if I might.

When a family gets into a shape where its resources are being limited or it has problems of choice and priorities to make, you don't eliminate your insurance policies. I think it might be more expensive in the long run if some of these programs are not enacted and appropriated because of what it might cost us to protect our national interests alone.

FORCE MODERNIZATION FOR KOREA

Mr. SHRIVER. I think about 5 years ago this committee was told that the United States was going to contribute heavily for a limited period of time toward a force modernization plan for Korea. What is the status of that plan now?

General FISH. The plan, as we testified a little while ago, has not come to fruition on schedule. The commitment that was made to the Koreans is running about $360 million in arrears as of June 30 of last year. That number is slightly less now. It has been stretched out.

We believe that all these programs should be looked at in the light of threat developments and as the ability of the country concerned develops.

Mr. SHRIVER. What is the estimated completion date now?

General FISH. It is 1977 for that specific program. But I hasten to add that when you are dealing with military forces, they never stay static, just like the threat never stays static. In Korea, you have to expect that the threat will change over time. The technological quality of the opposing forces will increase.

So, I think that the Koreans will have to, like all military forces, continue to modernize their forces indefinitely. Hopefully, it will be at a lower rate.

Mr. SHRIVER. Then it might continue to be a responsibility of ours for an indefinite period of time?

General FISH. We would hope that Korea, like other countries including Taiwan, will move from grant aid programs to credit programs to cash.

Mr. SHRIVER. I think I have used my 5 minutes at this point. Thank you.

CHAIRMAN'S STATEMENT ON AID TO SOUTHEAST ASIA

Mr. PASSMAN. Thank you.

I want to be stopped, General and Mr. Secretary, if I make any statement that is not in keeping with the record.

Personally, I think that 75 percent of all foreign aid has been a complete waste. I think it has been a disservice to nations rather than a service to them because they become complacent, and a lot of them don't appear to be very appreciative of what we have done for them. In no sense am I a foreign aid enthusiast, but since it is my responsibility to chair the committee, I would like to point out some of the good things in the program, and they are pretty hard to find, and also point out the bad ones and you will find them on every page.

As we go out to Southeast Asia and take the total cost since the end of World War II, I believe we have spent around $200 billion in that part of the world, have we not, $155 billion in Vietnam and a substantial amount in Cambodia, Laos, and Thailand.

General FISH. Our investment has been pretty high.

Mr. PASSMAN. As we look at the record today it is hard to put your finger on two dependable allies in that part of the world. One would be, no doubt, the Republic of China and we are treating them like stepchildren now. I don't think we should, but we are nonetheless. The other would be South Korea.

KOREA

Looking at Korea, I believe President Truman said it was a must that we salvage South Korea. We took an awful chance, but we did go into Korea because President Truman and all the great military leaders thought it was necessary to have a sovereign South Korea. Isn't that when we started on the present program?

General FISH. Yes, sir, I was there.

Mr. PASSMAN. The same thing happened and was continued under Mr. Eisenhower, Mr. Kennedy, Mr. Johnson, Mr. Nixon, and Mr. Ford. All of them said that it is a must that we have a sovereign, dependable, strong South Korea; is that true?

General FISH. Yes.

Mr. PASSMAN. If you go back in history, all along the way there have been many attempts to overthrow a sovereign government almost succeeding many times.

From the Republic of South Korea you can almost see the enemy with binoculars, can you not?

General FISH. Yes, sir.

Mr. PASSMAN. They are tunneling under in many places, aren't they?

General FISH. Yes.

Mr. PASSMAN. I think you had a suicide squad that got within 200 feet of the Blue House and tried to assassinate the President. Another assassin tried to kill the President but killed his wife. Doesn't that require strict discipline in the country?

General FISH. Yes.

Mr. PASSMAN. If you didn't have strict discipline, this could go down overnight. The Koreans are so anxious to show that they appreciate what we have done, they pay us more for commodities that they could buy in other nations.

Let's take military. We are talking about a grant program in Korea of $82.6 million last year. They actually spent cash out of their own resources in the amount of $218,806,000 for military last year, did they not?

General FISH. Yes, sir.

Mr. PASSMAN. They refused to buy from any other nation. They insisted upon spending every dime of their cash for military equipment from the United States, did they not?

General FISH. Yes, sir.

Mr. PASSMAN. Now, if you take chapter 2, we find they spent over $200 million out of their resources, cash, for other commodities in the United States. I think rice alone was $83 million. So these people actually purchased from us over $400 million in cash and paid a pre-

mium in several instances so as to give the business to the United States. Isn't that the record?

General FISH. Yes.

Mr. PASSMAN. It is a marvelous record.

TAIWAN

Now, let's go to Taiwan. We felt the same way about Taiwan as we did about Korea. You know and I know that along the way there has been a lot of talk about dumping Taiwan. These people, too, last year, instead of going into the competitive market to buy military equipment, I believe they purchased $123 million in cash in military equipment from this country; did they not?

General FISH. Yes, sir. They had $123.1 million in cash and credit sales orders in fiscal year 1975.

Mr. PASSMAN. You don't need much more proof of how loyal those people are to us, do you?

General FISH. I think Taiwan and Korea both are good, strong friends of the United States.

Mr. PASSMAN. I am steering the point before the committee of the tremendous amount of cash that they are spending with us. They could just as easily buy from some of the European countries. That is fantastic. I want you to be sure and verify that Taiwan has purchased over $700 million worth of military goods and services, paid for over half in cash?

General FISH. We will verify these figures.

[The information follows:]

TAIWAN FOREIGN MILITARY SALES ORDERS

Cumulative foreign military sales to Taiwan through June 30, 1975, were $702 million. During the same period, we extended credit in amount of $396 million of which $131 million was used for commercial sales leaving a total of $435 million that will be paid in cash.

Mr. PASSMAN. In addition, under credit sales, they purchased a substantial amount of equipment and they are keeping up with those payments, aren't they?

General FISH. Yes, sir.

Mr. PASSMAN. If we look at the record of Taiwan and Korea, neither one of them are delinquent a dime on their indebtedness to this country, right?

General FISH. That is correct.

Mr. PASSMAN. I think it is commendable that we have at least two countries in that part of the world where we can say at least they were worth the sacrifice.

You are requesting $50,500,000 less in fiscal year 1976 for military grant assistance than you received in fiscal year 1975, is that correct?

General FISH. Yes, sir.

Mr. PASSMAN. I believe you said earlier that you concurred with that old statement of Dr. Hannah that there is an asking price and a taking price. The present proposal is your asking price, isn't it?

General FISH. Yes, sir. This is our request. The Chairman and I discussed that before.

Mr. PASSMAN. But this is your asking price?

General FISH. Yes, sir.

Mr. PASSMAN. Thank you. We recognize that and we will get around to the taking price later.

General FISH. We hope it will also be the taking price.

MIDDLE EAST PACKAGE

Mr. PASSMAN. I know that.

Could you tell the committee how much of the $765 million increase you are requesting in the foreign military credit sales program can be attributed to the Middle East package?

General FISH. The military sales credit program for the Middle East, sir, will total $1.6 billion—this figure includes nongovernment funds obtained by loan guarantees. That is the proposed total program.

Mr. PASSMAN. Could you state for the record, if it is not classified, how that will be distributed?

General FISH. Yes, sir, $1.5 billion for Israel——

ISRAEL PACKAGE

Mr. PASSMAN. Now, that is the total package for Israel?

General FISH. That is the total foreign military sales credit.

Mr. PASSMAN. Included in the $1.5 billion is an amount to be forgiven?

General FISH. It is $750 million of that $1.5 billion which would be forgiven.

Mr. PASSMAN. Which means we will not get anything back. If it was in another program, it would be grant, right?

General FISH. Yes.

Mr. PASSMAN. What kind of legislation would you have to have to get us to the point of not fooling the people that it is actually a grant?

General FISH. I think the public record has been made.

Mr. PASSMAN. What kind of legislation would you need to get it where we could call it what it is? We say we have made them a loan of a billion-and-a-half and that we are going to forgive them later of this. To me it is confusing but it may not be to you.

What kind of legislation would it take to straighten this out?

General FISH. It would have to be appropriated in the military assistance program rather than the credit program.

Mr. PASSMAN. I know, but it is grant. Half of it is grant. I am not quarreling about it. But actually it is grant. We know that it is grant. It was really forgiven before you got the money. You stated it is going to be forgiven.

General FISH. The authority exists in the act for the President to do so. I presume that he intends to do so, but I don't know that for a fact.

Mr. PASSMAN. You don't anticipate it being any different than requested, do you?

General FISH. No, sir. I expect it to be forgiven.

Mr. PASSMAN. I don't know why we couldn't call it what it is. I think I realize as much as any man on this committee the importance of having a sovereign, strong Israel. If we ever let Israel go down the tube, it would indicate that we are losing interest in the Middle East.

It would be just a question of time until the Russians would dominate that entire area.

Isn't that about what would happen if we just back off and let Israel go down the tube?

General FISH. We are certainly dedicated to the continued survival of Israel.

Mr. PASSMAN. If we indicate we no longer want to support Israel and back out, wouldn't that be an inviation for Russia to come in?

General FISH. It would be invitation to the whole area.

Mr. PASSMAN. Seventy percent of the oil reserves in the world are located there, the Red Sea, part of the Mediterranean, and the Suez. All of that would fall and the next jump would be Europe for the Soviets, wouldn't it?

General FISH. Yes, sir.

Mr. PASSMAN. So I strongly support maintaining a sovereign Israel and have so indicated by my vote in the past. I wish we could make clear our fiscal year 1976 program to Israel so people could understand it. I understand it. You understand it and the committee does, but when it gets to the press, it looks like a loan of $1.5 billion.

Could you tell us at this time what the division will be of the total?

General FISH. Besides the $1.5 billion for Israel, it will be $75 million for Jordan.

Mr. PASSMAN. Is half of that also forgiven?

General FISH. No. The only forgiveness provision in the request is for Israel. $5 million for Lebanon, $30 million for Morocco and $15 million for Tunisia for a proposed total of $50 million.

AIR BASE IN MOROCCO

Mr. PASSMAN. Have we taken back the proposed air base in Morocco?

General FISH. I think you are thinking of the one in Libya.

Mr. PASSMAN. Didn't we have one in Morocco?

General FISH. We did at one time.

Mr. PASSMAN. It was a very expensive air base. The King said, "Get out." They said they would give us a little time so it would not embarrass us. While we were moving out the Russians were moving in. The gentleman back there knows that is correct. I don't know how you people forget these things so quickly. They said, "Get out." When we got out, the Russians came in.

What do you have for Morocco?

General FISH. I think you are talking about the Air Force base in Libya.

Mr. PASSMAN. I know it is Morocco. He is shaking his head in the right direction. This man over here knows it, too.

General FISH. We will have to straighten it out for the record, sir.

Mr. PASSMAN. OK, you straighten it out for the record. You are going to find that I know what I am talking about.

[The information follows:]

U.S. AIRBASES IN MOROCCO

At the time of Moroccan independence in 1956 the Moroccan Government ——— adopted certain policies designed to demonstrate that Morocco was not subordinate to foreign powers, particularly those of the West. The least tolerable vestiges of foreign domination were the remaining military forces and installations———.

As a result of discussions between 1956 and 1959, a joint announcement was made during President Eisenhower's visit to Morocco in December 1959 that the United States would evacuate its military installations by the end of 1963. The airbases were turned over to Morocco for conversion to other uses on January 1, 1964.

Morocco established formal diplomatic relations with the Soviet Union in 1958 ———.

———. The Soviets did not occupy the airbases evacuated by the United States, nor has Morocco allowed the Soviet Union to utilize the bases for the advancement of Soviet interests in Morocco or elsewhere.

AID TO MOROCCO

Mr. PASSMAN. How much do you have for Morocco?

General FISH. We are requesting a credit program of $30 million.

Mr. PASSMAN. How much grant aid?

General FISH. I will have to look that up. It is training of $800,000. There is no MAP.

Mr. PASSMAN. The $800,000 is grant, isn't it?

General FISH. It is a training program.

Mr. PASSMAN. But it is a gift. It is a grant. Don't be bashful. You couldn't make the sale without the grant?

General FISH. No, sir, the training program has a rationale of its own.

Mr. PASSMAN. Why don't you let them pay for it? You are paying them, aren't you?

General FISH. Yes, sir.

Mr. PASSMAN. Why don't you let them pay for it?

General FISH. We believe we have a mutual interest here.

Mr. PASSMAN. Oh, we are going to go back over that again. OK. Thank you a lot.

AID TO LEBANON

Let's look at Lebanon. How much money, $5 million?

General FISH. Yes, sir.

Mr. PASSMAN. How much did you have last year?

General FISH. Credit sales?

Mr. PASSMAN. No, grant aid.

General FISH. Lebanon is not a grant-aid program, sir. Lebanon has a $200,000 training program.

Mr. PASSMAN. They are going to pay for that?

General FISH. No, that is grant.

Mr. PASSMAN. That is grant aid, isn't it?

General FISH. That is correct.

Mr. PASSMAN. Are you going to give the aid to the Moslems or Christians, which side? Have you decided?

General FISH. It is for the armed forces.

Mr. PASSMAN. Who controls the armed forces? Are they going to divide them? Isn't it a good time to stay out of Lebanon?

General FISH. I think the armed forces are stabilizing.

Mr. PASSMAN. Which side are they on? Where are the opposing factions getting their ammunition? Both sides seem to be well-equipped. I wonder if they are American arms they are using out there?

General FISH. I don't know, sir. I will have to find out.

Mr. PASSMAN. Don't you think it would be good to find out?

Mr. STERN. We have not issued an export license for arms for Lebanon since May of this year.

Mr. PASSMAN. That doesn't mean they couldn't get arms from other nations for their cause. It looks to me like this would be a good time to stay out. I know it is tempting not to get out of any nation.

AID TO JORDAN

How much for Jordan?

General FISH. $75 million in credit sales. Military assistance is proposed at $100 million. The training proposed for Jordan is $800,000.

Mr. PASSMAN. I would like you to insert in the record at this point the 44 nations that you have listed to receive some form of grant aid. We want it divided up, whether it is for training or equipment.

General FISH. We will submit a table for the record, sir.

Mr. PASSMAN. What we want in the record at this point is, first, grant, by nation and the amount.

Second, we want to know what excess defense articles are scheduled to go to these nations.

Then, third, the credit sales scheduled for fiscal year 1976.

Fourth, the cash purchases these nations made from the United States.

Fifth, the cash purchases these nations made from other countries.

General FISH. Yes, sir: we will provide it.

[The information follows:]

SECURITY ASSISTANCE AND RELATED DATA

[In thousands of dollars]

	Proposed fiscal year 1976				Estimated calendar year 1975 3d country military assistance
	MAP and foreign military training	Excess [1] defense articles	Foreign military sales credit	Fiscal year 1975 FMS orders cash	
East Asia and Pacific:					
Australia				158,564	———
Burma				30	———
China (Taiwan)	1,400		80,000	116,139	———
Indonesia	21,400	13,000	23,100	45,103	———
Japan				29,647	———
Korea	76,700	27,000	126,000	212,880	———
Malaysia	300		15,000	4,153	———
New Zealand				4,156	———
Philippines	20,350	19,500	17,400	31,356	———
Singapore				1,480	———
Thailand	30,050	65,000	36,700	11,422	———
Regional total	150,200	124,500	298,200	614,930	———
Near East and South Asia:					
Afghanistan	200				———
Bahrain				18	———
India	200			7,939	———
Iran				2,567,903	———
Israel			[2] 1,500,000	841,936	———
Jordan	100,800	12,000	75,000	29,270	———
Kuwait				370,496	———
Lebanon	200		5,000	269	———
Morocco	800		30,000	294,876	———
Nepal	35				———
Oman				1,613	———
Pakistan	350			37,408	———
Saudi Arabia				1,373,862	———
Sri Lanka	15				———
Tunisia	600		15,000	450	———
Yemen	2,000			372	———
Regional total	105,200	12,000	1,625,000	5,526,412	———

SECURITY ASSISTANCE AND RELATED DATA—Continued
[In thousands of dollars]

	Proposed fiscal year 1976				Estimated calendar year 1975 3d country military assistance
	MAP and foreign military training	Excess [1] defense articles	Foreign military sales credit	Fiscal year 1975 FMS orders cash	
Europe:					
Austria	25			6,967	
Belgium				737,937	
Denmark				367,742	
Finland	25			1	
France				4,565	
Germany				291,698	
Greece	50,800	44,000	110,000	193,522	
Ireland				21	
Italy				46,219	
Luxembourg				25	
Netherlands				686,387	
Norway				458,931	
Portugal	1,325	1,500		2,456	
Spain	[2] 925			52,581	
Sweden				691	
Switzerland				49,212	
Turkey	76,800	45,000	130,000	68,469	
United Kingdom				30,497	
Yugoslavia				257	
Regional total	129,900	90,500	240,000	2,998,178	
Africa:					
Ethiopia	12,600	15,500	10,000	25,391	
Gabon				218	
Ghana	100			16	
Kenya	965		2,000		
Liberia	100		500	430	
Nigeria				4,470	
Senegal	35				
Zaire	400		19,000	1,337	
Regional total	14,200	15,500	31,500	31,862	
Latin America:					
Argentina	920		34,000	6,004	
Bolivia	2,920	3,500	6,000	920	
Brazil	1,120		60,000	25,451	
Chile				23,801	
Colombia	750		16,000	566	
Costa Rica				259	
Dominican Republic	870	1,500	1,000	3	
Ecuador	970		10,000	14,822	
El Salvador	1,140	3,200	2,500	199	
Guatemala	630	1,500	1,500	468	
Haiti	200			84	
Honduras	1,140	3,200	2,500	282	
Jamaica				71	
Mexico	100		5,000	153	
Nicaragua	1,040	3,100	2,500	571	
Panama	580	1,500		258	
Paraguay	810	7,500	500	37	
Peru	940		20,000	23,599	
Uruguay	1,120	13,700	2,500	6,699	
Venezuela	750		16,000	29,993	
Regional total	16,000	38,700	180,000	134,240	
Canada				102,126	
General costs and MAPSAD	37,300				
International organization				30,694	
Worldwide total	452,800	281,200	2,374,700	9,438,442	

[1] Excess defense articles at acquisition value.
[2] $750,000,000 to be nonreimbursable financing.
[3] The amount for Spain MAP reflects requirements for continuation of prior years program. Separate request to be submitted subsequently to reflect results of negotiations.

CLOSING OF AMMUNITION PLANTS

Mr. PASSMAN. General, in a recent letter sent to the committee it was stated that $25 million was needed in December 1975 for reimbursement from the military assistance appropriation to cover past Cambodian military assistance, and if it was not provided, it could result in violation of the Anti-Deficiency Act, reduction of personnel and possible closing ammunition plants. Could you explain this in further detail for the committee?

First, why it would close ammunition plants.

General FISH. Sir, we are now in a position that we would have to cancel some of those orders, and that would result in the closing of some of the plants if the appropriation does not follow the budget authority.

[The information follows:]

APPROPRIATION REQUIRED TO COVER SECTION 506 DRAWDOWN

Section 506 of the Foreign Assistance Act of 1961, as amended, authorized the President, if he determines it to be in the security interests of the United States, to order defense articles from the stocks of the Department of Defense and defense services subject to subsequent reimbursement from appropriations available for military assistance. Section 506 further authorizes the incurrence of obligations in anticipation of reimbursement in amounts equivalent to the value of orders placed for defense articles or services.

Under the authorization provided by section 506, orders of approximately $250 million in fiscal year 1974 and $75 million in fiscal year 1975 were issued to the military departments for support of Cambodia. In the interest of readiness, the military departments placed contracts to replace the items furnished using the obligational authority provided by section 506 in anticipation of reimbursement.

The President's budget for fiscal year 1976 includes in the military assistance appropriation a request for $325 million to reimburse the military departments for defense stocks diverted and services provided to Cambodia in fiscal years 1974 and 1975. If these reimbursements are not appropriated there would be short fall in the accounts of the military departments; that is, funds available to liquidate obligations will be less than the amount of the obligation. In those circumstances, contracts for necessary items would have to be canceled in order to avoid unlawful expenditures.

The matter is particulary time sensitive with respect to the Department of the Army inasmuch as the major portion of the stock delivered under section 506 to Cambodia consisted of ammunition. Cancellation of ongoing ammunition procurements will result in substantial personel reductions and considerable turbulence in the Army ammunition plants with an associated detrimental impact upon the economies of the communities in which the plants are located. Failure to replace the ammunition will most certainly degrade the readiness posture of the Army.

CONTINUING RESOLUTION AUTHORITY

Mr. PASSMAN. Could you proceed under the continuing resolution?

General FISH. We are requesting agreement from the committee to go ahead and proceed under the continuing resolution authority.

Mr. PASSMAN. What would happen if the entire $323,900,000 in liquidation of the contract authority was denied?

General FISH. We would not have the moneys to perform under some of the contracts that have already been let.

Mr. PASSMAN. You had legislation approved by the Congress giving you specific permission to withdraw articles from the Defense Department for this program?

General FISH. Yes, sir.

Mr. PASSMAN. And with the understanding that we would subsequently appropriate the money to reimburse you?

General FISH. Yes, sir.

Mr. PASSMAN. As far as I am concerned, I have no objection to you proceeding to obligate the $25 million, and I don't think you will be in violation of any law.

What you are actually doing is reimbursing the Defense Department. There is no foreign nation involved in anyway, shape, form, or fashion in this. It is merely putting back in the Defense Department what you borrowed from them.

General FISH. Yes, sir.

Mr. PASSMAN. I wouldn't possibly have any objection to that and I would hope the committee would feel the same way.

Do you plan to go ahead under the continuing resolution and provide the $25 million in liquidation of contract authority in December with the agreement of this committee?

General FISH. Yes, sir; that is our thought.

PHASING OUT THE MILITARY ASSISTANCE PROGRAM

Mr. PASSMAN. Since you are phasing down the grant military assistance program, what would be your reaction if the Congress was to completely phase out the grant military assistance program as of now, period?

General FISH. We think that would be a mistake. We think it has been a significant and useful foreign policy tool and a tool of national security policy, in that the Congress should continue to authorize and appropriate on a case-by-basis those programs it finds worthy.

Mr. PASSMAN. But, if the Congress gives you a line item military assistance program, you could live with it?

General FISH. As I testified earlier, sir, certainly that is a feasible way of operating.

THIRD COUNTRY TRANSFER

Mr. PASSMAN. General Fish, as you may well recall in the past few months, much has been written and said in the papers about the transfer of military equipment from the original country the United States sold equipment to, to a third country. In several of the articles it was indicated the F–5 jet fighters that the United States sold to Saudi Arabia flew in military exercises in Syria. Also, it was indicated that senior Egyptian Air Force officers in the F–4 fighter bombers that the United States sold to Iran.

Would you please tell the committee what safeguards the United States has to prevent the unauthorized transfer of U.S. military equipment from the original purchasing country to a third country?

General FISH. Specifically a part of every foreign sales agreement is that they will not transfer to third countries without the United States agreement.

Mr. PASSMAN. Did the United States agree to what I have just described?

General FISH. There is no violation of the agreement if the country were to maintain the equipment underneath its own control and maneuver with another country. That is within the meaning of the agree-

ment, and there is no violation. The violation would come, sir, if they were to release the control to another country without our agreement, or if they were to use them in a manner inconsistent with the purposes of the act as stated in the act.

Mr. PASSMAN. It is quite a flexible contract; isn't it?

General FISH. No, sir; I think it is a very firm contract.

Mr. PASSMAN. Saudi Arabia can provide planes for training exercises with Syria or Egypt. Is that part of the package? If they can do it during peacetime, they could also do it during wartime; couldn't they?

General FISH. That could be a violation of the agreement.

Mr. PASSMAN. Up to that point, they are not in violation.

General FISH. That is correct.

Mr. PASSMAN. If they fly in Egypt, trained in Egypt, everything is hunky-dory until a war is declared.

Mr. STERN. Excuse me; I believe if the Egyptian pilots were trained, that might well be a violation of the law. But our understanding of the situation is that they were not being trained.

Mr. OBEY. Would you repeat that? I didn't understand you.

Mr. STERN. If the Egyptian pilots were being trained in Iran on our planes, that might well be a violation of the law, depending on the situation.

Mr. PASSMAN. Did Saudi Arabians, with equipment purchased from the United States, participate in training exercises over Syrian territory?

General FISH. Some Saudi Arabian forces stationed in Syria held a training exercise. Some of the Saudi F–5's participated in that exercise. All of the aircraft remained under the Saudi control throughout the exercise and returned to the home base in Saudi Arabia immediately after the exercise. To the best of our knowledge, the exercise was entirely a Saudi one. The United States was informed in advance of the proposed exercise.

TRAINING EGYPTIAN PILOTS

Mr. PASSMAN. Senior Egyptian air force officers flew in F–4 fighter bombers that the United States sold to Iran.

General FISH. We understand that during a high-level visit to Iran, senior Egyptian air force officers were given a demonstration flight in the F–4. However, the Egyptian pilots were not receiving training in that or any other U.S.-supplied aircraft. It is not unusual for one country to show another one their inventory or present equipment. We would not normally expect the foreign governments to inform the United States of this kind of activity. It was a demonstration flight, not a training flight.

Mr. PASSMAN. What was it demonstrating?

General FISH. The equipment they had and the capability.

Mr. PASSMAN. Wouldn't you call that training? What is the difference between demonstrating and training?

General FISH. We don't think they attempted to make pilots out of these Egyptian individuals. We think they are demonstrating their capabilities.

Mr. PASSMAN. There haven't been violations of this during the past year?

General FISH. I don't know of any.

Mr. Stern, do you know of any specific violations?

Mr. STERN. No; I do not.

Mr. OBEY. Would you yield?

Mr. PASSMAN. Yes.

Mr. OBEY. Who was it who was being given the demonstration ride in those planes?

General FISH. Mr. Obey, I don't have the names.

Mr. OBEY. I understand that.

General FISH. Senior Egyptian air force officers.

Mr. OBEY. What do you mean by senior?

General FISH. Well, I am not sure in this case. My usual definition of the term would be in the grade of colonel or above: probably general officers. That I would have to check to be sure.

Mr. OBEY. I just think it would be helpful to tie this down in the most specific terms possible, because the question has been raised and it will be used on the floor in the debate on the Middle East package; so we would like to know what the story is.

General FISH. We will provide it for the record.

[The classified information was provided to the committee.]

Mr. PASSMAN. Let me ask the question this way, then. Could you please tell the committee what violations have occurred during the past 6 years of the unauthorized transfer of U.S. equipment to third countries, indicating the country that transferred the equipment and, if at all possible, the date? We want to know the receiving country and the type of equipment that was transferred.

Further, would you please also tell the committee what the United States did in reaction to these unauthorized transfers?

MISSILE SALES

Also, in the news recently there has been mention of the U.S. sales of missiles to various countries around the world. Now, could you tell the committee what sales of missiles the United States has conducted for the past 5 years, indicating the country receiving the missiles and the type of missiles sold?

General FISH. Sir, I will have to provide that for the record.

Mr. PASSMAN. Of course, I know you are going to have to put it in the record.

General FISH. We will be happy to provide it.

[The information follows:]

Following is a table listing by country all the types of missiles sold during the period fiscal year 1971 through fiscal year 1975:

Argentina—Sidewinder; Australia—Standard and Sidewinder; Belgium—Nike and Sidewinder; Canada—Sparrow; Chile—Sidewinder; China—Nike, Chapparal, Sidewinder, and Bullpup; Denmark—Redeye and Sidewinder; Ethiopia—TOW and Sidewinder; France—Standard; Germany—Redeye, Pershing, TOW, and Standard; Greece—Redeye, Hawk, ASROC, and Sparrow; Iran— ———; Israel— ———; Italy—Lance, Standard, and Terrier; Japan—Nike, Hawk, Standard, Falcon, Sidewinder, Sparrow, and Tartar; Korea—Hawk, TOW, Standard, and Sidewinder; Kuwait— ———; Lebanon— ———; Malaysia—Sidewinder; Morocco—Chapparal and Sidewinder; Netherlands—TOW and Harpoon; New Zealand—Sidewinder; Norway TOW, Rockeye, and Bullpup; Oman—TOW; Saudi Arabia— ———; Singapore—Sidewinder; Spain—Standard and Sparrow; Sweden—Falcon and Sparrow; Switzerland—

Dragon; Turkey—Rockeye, Maverick, and Harpoon; United Kingdom—Lance, Sidewinder, and Sparrow; Venezuela—Sidewinder; NAMSA—Target.

Mr. PASSMAN. Does the United States plan to sell missiles to Israel out of the 1976 grant aid or the credit sales?

General FISH. Sir, I believe you are talking about surface to surface missiles, the Lance missile?

Mr. PASSMAN. Yes.

General FISH. Yes; the case has been up here to the Congress.

Mr. PASSMAN. Would you indicate for the record the type of missile and whether it has a nuclear capability?

General FISH. Yes, sir; I would be happy to.

[The information follows:]

LANCE MISSILE FOR ISRAEL

The Lance missile system delivered to Israel does not have a nuclear warhead. The warhead provided weighs 1,000 pounds and delivers a number of small bomblets which are primarily designed to destroy light material, such as wheeled vehicles, radars, et cetera.

Mr. PASSMAN. Does the United States plan to sell Israel new missiles in the future with a nuclear capability?

General FISH. The only sale that has been approved to Israel is the Lance missile. There has been some discussions of the Pershing missile, but no decision has been reached yet as to it.

Mr. PASSMAN. Could you tell the committee, General Fish, the status of the proposed Hawk missile sales to Jordan, indicating the number of missiles that we actually finally agreed to sell to that country and how far along we are on deliveries?

General FISH. Sir, we have made no deliveries. The total number of missiles that were agreed to be sold I can supply for the record.

The initial deliveries will not begin, if I recollect correctly, until 12 months from the go-ahead, so it is sometime in the future. Deliveries would not be complete until approximately 36 months from offer acceptance. We are still very much in the preparatory stages on that sale.

[The information follows:]

HAWK SALE TO JORDAN (QUANTITY)

The terms of the sale call for ——— missiles.

ARAB COUNTRIES RECOGNIZING ISRAEL

Mr. PASSMAN. How many Arab countries have diplomatic relations with Israel?

Mr. STERN. None.

Mr. PASSMAN. Isn't this quite a predicament out there? Jordan and Israel border each other, and Syria borders Israel, and we are equipping all of them. What could we expect but fighting later? Could you tell me what kind of operation this is? How many Arab states are there?

Mr. STERN. It is about a dozen.

Mr. PASSMAN. Israel recognizes none of the Arab States, yet we are arming practically all of them.

Mr. STERN. No, sir.

Mr. PASSMAN. You are arming Jordan?

Mr. STERN. Yes, sir.

Mr. PASSMAN. Now we have a military program in Lebanon and a substantial military sales program in Saudi Arabia, do we not?

Mr. STERN. Correct.

Mr. PASSMAN. And Iran?

Mr. STERN. Iran is not an Arab state.

Mr. PASSMAN. No, but they are sympathetic to them. I read in the paper where they said if they had another war, they were going to support the Arab states.

Mr. STERN. Iran has been helpful to both Israel and the Arabs.

Mr. PASSMAN. Didn't Iran say publicly that, if there was another war, Iran would support the Arab states?

General FISH. There was a report, sir, out of a Lebanon magazine article, but the Shah of Iran later told our Ambassador that the information in that article was not accurate, and played a tape recording of the interview which confirmed his interpretation.

Mr. PASSMAN. They voted against us on the Zionism resolution, didn't they?

Mr. STERN. They voted with us.

Mr. LONG. No, they did not, I am sorry to say.

Mr. PASSMAN. Let's clear the record.

Mr. LONG. You had better get yourself some better records, Mr. Secretary.

Mr. STERN. No; you are right. I was looking at the wrong column. They voted against us.

On the other hand, Iran has said in the case of war they would continue to provide Israel with oil.

Mr. PASSMAN. Of course, Indonesia voted against us, too. India voted against us. They take our money and do whatever they please, don't they? All of them. What do you expect?

PHASEOUT OF MAP

In the justifications you state that you are trying to phase down in the countries military assistance, and increase or have the foreign military credit sales program make up the difference. However, I note that in the case of Indonesia and Jordan you are requesting an increase both in the foreign military credit sales program and in the foreign military assistance program. Could you explain, why in these two instances, you have increased both programs?

General FISH. Until this year the Suharto government in Indonesia deliberately restrained its purchases of military equipment from abroad. Its scarce resources of foreign exchange and its huge economic development needs, as well as its perception of the South Vietnamese forces as a forward defensive shield, were at the root of this decision.

The collapse of the Government of South Vietnam greatly altered Indonesia's assessment of its defense needs. Priority would still have to be given to the solution of the country's economic problems, but the deteriorating state of the Indonesian Armed Forces could no longer be treated as a future problem. Accordingly, the Suharto gov-

ernment has increased, very modestly we believe, the scale of its military purchases. We see it in the U.S. national interest to support these modest Indonesian efforts to upgrade their Defense Establishment in the post-Indochina period. We see it sufficiently in our national interest to promote stability in Southeast Asia, that we are requesting, as an exception to our general phasedown policy, that both our credit sales and grant aid programs be increased for Indonesia in fiscal year 1976. In the case of Jordan, the proposed increase in our military assistance program reflects our desire to assist the Jordanian Government in its efforts (already begun) to reorganize and modernize its armed forces over the next 4 to 5 years. In view of our special, longstanding relationship with King Hussein and his government the Jordanians have naturally turned to us for help in implementing this plan. The Army is an important element for internal stability in Jordan. To the extent that we strengthen the Jordanian Army, we strengthen Hussein's hand and contribute to the stability of his regime.

MAP IN DEVELOPED COUNTRIES

Mr. PASSMAN. Would you list for the record the developed countries which the United States is supplying grant military assistance or military credit sales to in fiscal year 1975, the reason these developed countries are receiving such assistance, and what developed countries are planned to be added or deleted to these programs or the training program in fiscal year 1976.

General FISH. In fiscal year 1975 the United States provided grant military assistance, including training, to the following countries, which are listed as developed by Executive Order 11285 of June 10, 1966: Spain ($2.6 million), Portugal ($447,000), Austria ($9,000), Finland ($15,000), and Saudi Arabia ($38,000). Grant military assistance furnished to Spain in fiscal year 1975 was provided under the 5-year agreement of friendship and cooperation of 1970. It covered logistics management and training as well as equipment. Portugal received grant military assistance to support its NATO-committed forces and in association with rights granted by Portugal for U.S. use of facilities in the Azores. The grant military assistance funds received by Austria, Finland, and Saudi Arabia were for modest training programs, including officer orientation trips to the United States.

In terms of developed countries, the proposed fiscal year 1976 grant military assistance program deletes Saudi Arabia, but requests $925,000 (including $725,000 for training) for Spain to continue prior year programs and $1.325 million (including $1.025 million for training) for Portugal to support its NATO-committed forces and to maintain professional relations with Portuguese military officials. Grant training funds totaling $25,000 for Austria and $25,000 for Finland are requested to finance officer orientation visits to the United States.

No military sales credits were furnished to developed countries in fiscal year 1975, and none have been requested for fiscal year 1976.

The designation in E.O. 11285 of countries as "economically less developed" was authorized by section 4916(b) of the Internal Revenue Code of 1954, as amended, for purposes of the interest equalization

tax (IET). As a matter of practice, we have followed such designation in connection with military assistance and foreign military sales programs. However, by virtue of IRC S4911(d), the IET ceased to be applicable after June 30, 1974. Accordingly, the list contained in E.O. 11285 has not been updated and is losing its value as a guideline for present purposes. We are currently exploring the possibility of developing new standards and criteria for treating countries as "economically less developed".

ISRAEL'S ECONOMIC CONDITION

Mr. PASSMAN. What is Israel's recent economic condition, and what is the balance of her foreign exchange account?

General FISH. The Israeli economy has worsened over the past few years. Israel's foreign exchange reserves over the past year declined by 33 percent, from some $1.8 billion to about $1.2 billion; and Israel's balance of payments deficit approached $800 million by the end of 1974, incldluing U.S. assistance. Israel's greatest economic problems is its trade and services account deficit which is currently about $4 billion. Israel's critical need is to maintain sufficient foreign exchange reserves to continue vital imports. At the same time that Israel's defense expenditures and import requirements have risen in the aftermath of the October 1973 war, the worldwide economic downturn has had a depressing effect on its exports and other sources of foreign exchange receipts.

Mr. PASSMAN. What is Israel's present total external debt?

General FISH. The latest official figures available show that, as of June 30, 1975, Israel's total foreign debt was $6,968 million.

JORDAN AND THE PLO

Mr. PASSMAN. Could you please tell the committee what the present relationships Jordan has with the other Arab nations and with the Palestine Liberation Organization?

General FISH. Jordan's relations with most other Arab nations are good. Her relationship with Syria, once strained, has improved considerably in the past year. Although King Hussein has accepted the 1974 Rabat summit conference decision recognizing the PLO as sole legitimate representative of the Palestinian people, the various Palestinian fedayeen organizations continue to be denied all physical presence and activity in Jordan.

TECHNICAL ASSISTANCE TEAMS IN IRAN

Mr. PASSMAN. According to a General Accounting Office report dated October 21, 1974, there are many military technical assistance field team personnel in Iran that have skills that are in critically short supply in U.S. military units. Could you tell the committee if this allegation is true, and if so, what is being done to correct it?

General FISH. Providing military technical assistance personnel to Iran can actually increase our overall readiness status by providing additional training for personnel who are assigned to these jobs. While serving as technical advisers, our military and civilian person-

nel gain very valuable experience in the use of U.S. equipment and also obtain firsthand knowledge of the host country military organizations. Because of the small number of military personnel assigned as technical advisers, any impact on our tactical units or training base is minimal, and any effect on our total manpower ceiling is negligible. We, therefore, do not agree with the allegation, but we are alert to the possibility that such circumstances could occur if assignments were not carefully controlled. We, therefore, review each requirement for technical assistance, and provide military personnel only if contractor personnel are not suitable to perform the task.

Mr. PASSMAN. Mr. Long?

ILLEGAL TRANSFER

Mr. LONG. When countries practice unauthorized use of military equipment that we sell them or give them, what in fact do we do in retribution?

General FISH. If they make an illegal transfer, they are no longer eligible to receive any assistance.

Mr. LONG. Have we ever imposed that penalty?

General FISH. I think a current case is Libya now. Libya is accused of making a transfer, and we have no sales——

Mr. STERN. I think the record will show if there were any violations, they were minor and have been taken care of. They really have been quite good about sticking to the letter of the contract on this issue.

Mr. LONG. That is whose finding? Is that an unchallenged——

Mr. STERN. I think so. We will provide it for the record, and you can make your judgment.

[The information follows:]

THIRD-PARTY TRANSFERS OF U.S. DEFENSE ARTICLES

Diplomatic agreements between the U.S. Government and foreign governments relating to the provision of U.S. defense articles and services under the Foreign Assistance Act of 1961, as amended, and letters of offer and acceptance for the purchase of U.S. defense articles and services pursuant to the Foreign Military Sales Act, as amended, stipulate that third-party transfers of U.S. defense articles provided under these acts shall not occur without the prior consent of the U.S. Government. Export licenses for items on the U.S. munitions list sold abroad through commercial channels are issued by the Department of State's Office of Munitions Control and contain the condition that no third-party transfer of the licensed items may be made without prior U.S. Government approval.

The Department of State is aware of only two third-party transfers made during 1975 outside of the procedures prescribed by law either in section 505(e) of the Foreign Assistance Act of 1961, as amended, or in section 3(a) of the Foreign Military Sales Act, as amended. Both cases involved transfers of equipment sold originally under the Foreign Military Sales Act.

The first case involved the transfer by the Government of Iran to the Government of Sudan of four 40-foot shallow-draft patrol boats with light machinegun armament, which had been sold under foreign military sales (FMS) contracts to Iran in 1968. In the course of the Department of State's inquiry into the matter, Iranian military officials readily admitted that the transfer had taken place and explained that this omission was the result of an inadvertent administrative oversight.

In light of the Government of Iran's explanation that its part in failing to obtain our prior consent was entirely inadvertent, and in view of the small current value of the boats, the Department of State determined that Iran's actions did not constitute a substantial violation of the FMS contract within the meaning

of section 3(c) of the Foreign Military Sales Act. Under these circumstances, the Department of State offered to approve the transaction, provided that the Government of Iran gave us their assurance that similar transfers without prior authorization of the U.S. Government would not occur again, and the Government of the Sudan gave us the customary assurance that the four boats would not be further transferred without the prior written consent of the U.S. Government. The Governments of Iran and the Sudan have now provided us with the above-described assurances.

The second case involved the transfer by the Government of Libya to the Government of Turkey of seven F–5A aircraft which Libya had purchased from the United States under FMS procedures in 1967. Libyan authorities did not request U.S. Government approval of this transfer, and there was no advance knowledge of it from any source. Accordingly, the Department of State instructed our Embassy in Tripoli to lodge a protest with the Libyan Government, pointing out that failure to conform to restrictions on the transfer of U.S.-supplied military equipment will be taken into account in our consideration of any future requests by the Libyan Government to purchase military items from within the United States. Of course, our contract with Libya could not impose any obligations on third parties, and Turkey has not breached any legal obligation in accepting aircraft from Libya.

General FISH. Mr. Stern is correct, Mr. Long. I cannot think of any particular case except the one in the case of Libya to Turkey. That is the only one I can think of, sitting here where there is a clear-cut transfer without our agreement.

As you know, our relations with Libya are very poor.

Mr. LONG. I yield to Mr. Obey.

Mr. OBEY. I think you answered it. You again reiterated "except Libya." You concurred with his judgment on Libya?

Mr. STERN. I believe there are a couple of other minor ones, but I concur on Libya. We will provide them for the record.

FMS TO ECUADOR AND MEXICO

Mr. LONG. Why are we giving $10 million in foreign military sales credit to Ecuador and $5 million to Mexico, when these two countries have recently been actively hostile to us?

General FISH. Sir, I guess I would have to answer that in the same vein; even though our interests do not coincide with another government on every issue, or on a specific issue, it doesn't mean we don't have some interest in common.

Mr. LONG. What in God's name does a country have to do to incur our displeasure, General? Declare war on us?

General FISH. I think many countries do differ from us on specific issues, and they do incur our displeasure. I guess the point is, at what point do we think it is necessary to enact some sanction?

Mr. LONG. Well, for the record, you have $8 million for ships to Ecuador, when they have often used their military fleet to harass American fishing vessels.

Mr. STERN. If I may say so, I think this is an interesting question and one on which obviously people can differ. The issue is one of tactics. Is it better to take sanctions against a government which may have taken an action inimicable to our interest, or should we try, through diplomacy in quiet ways, to change their foreign policy. I think we have had two examples recently where security assistance and sales programs were terminated because the United States was not happy with——

Mr. LONG. We have had periodic U.S. suspension of assistance to Ecuador.

Mr. STERN. I am referring to Turkey and Libya. I don't think the record would indicate that in Turkey the cutting off of assistance has been helpful to the United States. In Libya I don't know that it made much difference.

Mr. LONG. That was not the feeling of Congress.

Mr. STERN. I understand that, but I think the record, if looked at now in retrospect, would suggest perhaps we should not have cut off aid, as the administration had suggested.

Mr. LONG. I shall have to differ with you on that.

What has Ecuador done to cause us to reverse our suspensions of aid? They certainly didn't help us on the Zionist vote. They have enforced a unilaterally declared 200-mile fishing limit and impounded U.S. fishing boats.

Is this an indication that our policy of turning the other cheek has brought people around to us?

Mind you, I am asking this question because I just wonder why we should be selling arms to Ecuador, anyway. I mean, all those countries are our friends. Isn't that so?

Mr. STERN. Yes, sir; we hope so.

Mr. LONG. How on earth can we argue that we are performing an act of friendship to our friends when we arm countries against each other?

General FISH. Sir, they believe they have a requirement like——

Mr. LONG. Don't we have any right to believe? Don't we have a right to take a view of this?

CREATING REGIONAL STABILITY

General FISH. Certainly, sir, but as a sovereign nation, they will arm themselves, because they believe they have interests of their own to protect. And to the degree there is no threat and there is no present threat in the area, is an argument that the program is successful.

If we must wait until a weakness invites attack, certainly that is not a viable policy. It is important to have reasonable stability to have sufficient strength——

Mr. LONG. You have a particular way of looking at things in the military, and if you pardon me, civilians find it a little difficult to understand it.

General FISH. I hope I look at it like a citizen, sir, because that I am, also.

Mr. LONG. Are you looking at these programs through my eyes? How do you create stability among countries by arming them against each other?

General FISH. Sir, all countries——

Mr. LONG. You say that you deter by giving a lot of arms to each different country; you deter them against fighting or declaring war against each other. But that is a theory, isn't it? Don't countries occasionally use arms against each other?

General FISH. If we live in a perfect world where there would be no conflicts, I believe it would be great if we could not have any arms or armies anywhere. But the fact in the real world is that countries do have the right and have a requirement to protect themselves.

Mr. LONG. Do we have an obligation to arm them? Suppose they have a right to declare war against each other, do we have an obligation to arm them? Aren't we a sovereign country, too?

General FISH. Absolutely, and I hope our point would be to maintain a balance in the areas to deter the fight. I don't think it is true that weakness prevents war. I think that a Roman scholar said, "He who would be at peace better prepare for war."

That is a philosophical argument that reasonable people could disagree on.

Mr. LONG. I can appreciate your argument if Ecuador was a country which was aligned on our side and all the countries around them were countries which had hostile and alien ideologies, Communist countries, let's say, but they are all or most of them friendly countries, friendly to us.

General FISH. I don't think it is that black and white. Alinements change quickly and I think a prudent government would maintain some degree of armed forces to protect their interests.

FURNISHING ARMS TO LATIN AMERICA

Mr. LONG. Do we have to furnish those arms?

Mr. STERN. No, sir; but may I raise a question? What advantage would there be to us not to furnish the arms? We tried that in Latin America, as you may recall, a few years ago, where we had almost an embargo and it didn't stop the arms race at all. They went out and bought it from others.

The issue is one of maintaining a balance of power because I think history indicates where you have balance of power, you reduce the possibility of conflict.

I think the direction in which we should go, and the Secretary has said he is exploring this, is to try to find some way to minimize arms sales by all purchasers.

Mr. LONG. Have we taken any leadership in that at all?

General FISH. Yes, sir; we certainly have.

Mr. LONG. In what way have we taken any kind of leadership to scale down the level of arms sales in Latin American countries, for example?

Mr. STERN. Not Latin American, but global.

Mr. LONG. In what way have we done anything in the Middle East, for example, to scale down the level of armaments? We haven't called any arms conferences there, have we?

Mr. STERN. We have a global arms conference to which we submitted a set of principles last April. I am sorry to say the response has been practically nil. There is no interest at the moment in an arms control proposition.

Mr. LONG. Did we take that leadership in good faith?

Mr. STERN. Absolutely.

Mr. LONG. How can you argue we have taken this in good faith? How can you argue if we don't sell arms some other countries will, when we, as a matter of statistical fact, have sold more weapons to the rest of the world than all the other nations, including the Soviet Union, put together? How is this maintaining a balance? According to the Arms Control and Disarmament Agency figures and the ACDA study, "World Military Expenditures and Arms Trade 1963–73," the United

States has accounted for 51.6% of the world's total arms exports from 1969–1974. Since this is a majority of total arms exports, it is correct to state that in these years, the United States has exported more arms—in value terms—than all other arms exporters combined.

General FISH. In the first place, sir, I think the record wouldn't reveal exactly what I know you are in good faith saying. But we make the point again that arms are not synonymous with foreign military sales. As we put into the record, 40 percent of it is arms, but we provide other services, communications, spare parts, infrastructure, things that have applicability on the civil sector. It is not all arms.

Mr. LONG. We are out here arming all kinds of small countries, most of whom are friendly to us, against each other, and I submit——

General FISH. I don't think it has to be against in particular.

Mr. LONG. Aren't weapons to be used?

WEAPONS AS A DETERRENT

General FISH. The policeman on the corner is a deterrent. I believe that it is important that countries have the strength that would make it so that others would not be envious and would not attack them or create a threat. To the entent there is not a threat, we are better off.

Mr. LONG. Have you read Drew Middleton's book, "Can America Win the Next War?"

General FISH. No, sir. I would be happy to read it.

Mr. LONG. Don't you think it would be a good idea?

General FISH. I am not familiar with it, but I will take your recommendation.

Mr. LONG. It is just out. You know who he is?

General FISH. Yes, sir.

Mr. LONG. He is the military editor of the New York Times, and he points out that the United States is very likely to lose any class B or class C, action. By that he means a war in Central Europe, or even possibly a war in the Middle East, because we have now been starving our own military for some years, not providing them with adequate equipment, not providing them with adequate personnel, and here we are so intent on preserving some sort of balance of power, which I call a balance of terror, but you call a balance of power, that we neglect our own defenses.

Does that make sense to you as a military man, a man who is a citizen of the United States, who is interested in his own country's survival?

General FISH. I think the military assistance program would make a very significant contribution to our own national security survival and strength and within the overall priorities that a reasonable share proportional to our own needs should be allocated to these programs and that they are necessary, specifically for our own national security.

Mr. LONG. Well, you just keep saying that over and over again. That is your story, and you are going to stick to it. I can't get you to change it. But I think you might take a look at that book.

General FISH. I appreciate your interest, and I certainly will, sir.

Mr. LONG. I am amazed that the Defense Department has not provided its general officers with copies of that volume. Do you ever

read the studies by the Institute for Strategic Studies in Great Britain and their numbers about relative naval forces?

General FISH. Yes, sir.

Mr. LONG. You know, all of them seriously question America's capacity to defend itself in another war or meet the military obligations we have taken on around this world.

General FISH. There are many of that persuasion.

RELATIONSHIP WITH MEXICO

Mr. LONG. Mexico is another instance of a country we have not been very successful in influencing. Mexico voted against us on the Zionist issue.

Are you familiar with that?

General FISH. Yes, sir.

Mr. LONG. When I was in Mali I asked the Malian Minister of Foreign Affairs why they voted against the United States, particularly on the Puerto Rican issue, in which the United States was condemned for its policy toward Puerto Rico. He said, first, of course, that he voted that way because all the other countries in the third world did. I asked them if they didn't know that there have been repeated elections in Puerto Rico in which a party calling for independence has participated and been defeated overwhelmingly. He didn't know it and said that nobody had pointed it out in the committee considering this issue. This is the kind of friendship and influence we are getting through our policy.

General FISH. I deplore that they are as ill-informed as you point out, sir. I, of course, must retreat to the same point that I attempted to make in the past. I think in that arena in the world we are no going to get our way on every issue.

Mr. LONG. When do we get our way on any issue?

General FISH. I think we do sometimes.

Mr. LONG. Name one issue that we have gotten our way on.

General FISH. I think the best test is if you take the extent of our border with Mexico.

AMERICAN INFLUENCE IN LATIN AMERICA

Mr. LONG. That is not what you said. You said we have gotten our way on many issues. Name one issue in which we have gotten our way because of our influence with these countries.

General FISH. I would have to defer that to Mr. Stern.

Mr. STERN. I think we can submit for the record a long list of votes.

Mr. LONG. You said you could name some and then you couldn't. This reminds me of General Eisenhower who was once asked what Nixon had done as Vice President. He said, "If you give me a week, I might be able to think of something."

General FISH. I said there are a lot.

Mr. LONG. I asked you to name one.

General FISH. I am convinced that there are. It is not my normal duty, to be aware in detail.

Mr. LONG. Of course not, but General, you made an assertion that despite the irrationality of arming countries against each other, including countries that admittedly don't have any armed force or any

external enemies around them, that nevertheless it was in our interest because we gained influence. When I asked you to name a single influence that we have gained, you cannot name one.

General FISH. I can name influences. I think we have influenced the military in the various countries.

Mr. LONG. No; I didn't ask you that.

Name one instance in which this has paid off.

General FISH. Well, sir, I know the point that you are making. You are asking me to be specific in an area that we were not prepared at this discussion to get into. That does not deny that those instances do not exist. They do exist. I'm sure you are aware that they do exist.

We can provide them for the record.

[The information to be provided to the committee.]

Mr. LONG. Why are we giving $1.7 million to Honduras and $2.3 billion to El Salvador under the military assistance program when these countries' only recent military activity has been fighting each other?

Here is a case in which you have been arguing that arming countries has kept the peace. But we have given arms to these countries and they fought each other in recent years.

General FISH. You are speaking of El Salvador, sir?

Mr. LONG. That is right, El Salvador and Honduras.

General FISH. In the program to El Salvador, in providing some communications equipment——

Mr. LONG. I have aircraft here.

General FISH. Aircraft spares, primarily.

Mr. LONG. OK. I have already pointed out what it is we are giving them. Now, just tell me why we are doing it.

General FISH. Well, sir, I was trying to make the point——

Mr. LONG. Here is one instance in which your case for maintaining a balanced stability has been demonstrated to be completely counterproductive.

Why are we resuming it?

General FISH. Sir, I am trying to make the point that I do not see any weapons on the list that we are using in attempting to continue our association with El Salvador and to be able to influence it in its policies. We would hope we are successful.

We would like to use it.

Mr. LONG. Maybe my information is different from yours, but I see $2.3 million for El Salvador for aircraft. Is that true or not? Are you telling me my information is wrong?

General FISH. That is for four helicopters and the rest is aircraft spares.

The term "aircraft" would include spares and things of that nature.

Mr. LONG. Isn't that fighting equipment?

General FISH. What we have provided them in the past is transport aircraft C–118 and some trucks. UH–1 helicopters and trucks is what we have provided.

Mr. LONG. Isn't that military equipment? That enables a country to fight.

General FISH. Only in a very tertiary sense.

IMPLICATIONS OF PANAMA CANAL TREATY

Mr. LONG. What implications for in our future security assistance program for Panama do you see in the possible renegotiation and ratification of a possible Panama Canal treaty?

Mr. STERN. I really don't have an answer for that question yet, Congressman Long. I don't think the negotiations are sufficiently along to be able to answer that question.

Mr. LONG. The security assistance objectives aid justification for Panama states the following:

> Such assistance contributes to the capability of Panamanian military security units to maintain internal stability inasmuch as those functions contribute to the operation and security of the canal.
>
> Should current negotiations result in ratification of a new Panama Canal Treaty, the existing relationship with the government of Panama would be modified.
>
> This could have implications for the future of the Security Assistance Program.

Mr. STERN. I think that is all we can say at the moment because we do not know how the negotiations are going to come out.

ACCESS TO MINERAL RESOURCES

Mr. LONG. What concrete examples can you give where our Latin American security assistance has actually assured our continued access to the mineral resources of such nations as Bolivia, Brazil, Venezuela, and Ecuador as your program justification claims it does?

General FISH. Well, there is about $3 billion of U.S. private investment in Venezuela. I believe it is true that a significant part of our oil does come from Venezuela.

Mr. LONG. Will you submit for the record a list of the levels of those nations' exports to us of major strategic natural resources over each of the last 5 years?

General FISH. We will be happy to.

Mr. LONG. We would like that to be taken as a percentage of their total exports of each of these resources.

General FISH. Yes, sir.

[The information follows:]

EXPORTS OF SELECTED STRATEGIC MATERIALS FROM LATIN AMERICAN COUNTRIES, WITH PERCENTAGES EXPORTED TO THE UNITED STATES

[Thousand metric tons unless otherwise specified]

	1970	1971	1972	1973	1974
Bolivia:					
Crude petroleum	0	140	0	150	217
Percent to United States		12.7		10.0	17.2
Tin (ore, concentrate and metal)	29.4	30.3	30.4	28.4	29.4
Percent to United States	16.0	13.2	17.8	18.7	24.1
Brazil:					
Iron ore (thousand long tons)	27,501	30,530	30,800	43,000	58,000
Percent to United States	7.2	5.8	3.6	7.4	11.3
Manganese ore	1,588	1,797	1,175	788	1,493
Percent to United States	19.1	10.7	39.7	31.7	17.7
Chile:					
Copper (ore, concentrate, blister, and refined)	669.8	684.0	630.8	656.5	858.2
Percent to United States	15.6	6.8	8.6	8.1	13.9
Colombia:					
Crude petroleum	1,030	0	230	110	0
Percent to United States	24.5		11.3	8.5	

EXPORTS OF SELECTED STRATEGIC MATERIALS FROM LATIN AMERICAN COUNTRIES, WITH PERCENTAGES EXPORTED TO THE UNITED STATES—Continued

[Thousand metric tons unless otherwise specified]

	1970	1971	1972	1973	1974
Dominican Republic:					
Bauxite	1,124	1,112	1,040	1,118	1,303
Percent to United States	100	100	100	100	100
Ecuador:					
Crude petroleum			730	2,400	2,022
Percent to United States			20.9	24.1	26.0
Guyana:					
Bauxite	3,751	3,522	2,958	2,351	NA
Percent to United States	15.0	15.0	18.7	31.5	
Haiti:					
Bauxite	716	586	492	358	369
Percent to United States	100	100	100	100	100
Jamaica:					
Bauxite	9,076	9,107	8,357	7,260	7,631
Percent to United States	100	100	100	100	100
Mexico:					
Copper (blister)	5.0	9.7	17.8	13.2	8.5
Percent to United States	46.0	46.4	48.9	58.3	81.2
Lead (refined)	77.6	67.3	66.6	56.0	NA
Percent to United States	44.8	40.0	48.3	33.0	
Zinc (slab)	38.1	41.9	40.3	12.1	42.3
Percent to United States	17.6	22.0	18.9	14.0	50.4
Peru:					
Copper (ore ,concentrate, blister and refined)	201.4	187.5	200.0	206.7	235.6
Percent to United States	49.6	49.6	42.3	43.9	41.9
Lead (refined)	65.8	61.0	80.1	57.1	92.1
Percent to United States	72.3	54.1	55.8	68.0	39.4
Zinc (slab)	65.3	50.6	58.2	48.4	65.9
Percent to United States	44.4	42.9	47.8	36.2	42.8
Surinam:					
Bauxite	3,420	3,597	3,476	3,938	3,822
Percent to United States	87.5	81.9	75.1	69.3	76.1
Trinidad:					
Crude petroleum	400	770	1,310	3,080	3,290
Percent to United States	14.0	29.7	47.6	70.9	75.5
Venezuela:					
Crude petroleum	13,900	15,840	12,780	17,930	16,621
Percent to United States	10.8	13.0	11.5	16.2	17.8
Iron ore (thousand long tons)	21,089	19,162	15,300	21,000	24,000
Percent to United States	61.8	67.6	71.4	62.6	64.1

Mr. LONG. Isn't it true that our investment in a country does not necessarily assure us of access to the materials?

General FISH. That is true. It is an indication, however.

AID TO VENEZUELA

Mr. LONG. Why do we continue to subsidize Venezuela with arms credits, this year $16 million more than in fiscal 1975, when their millions of dollars in oil income, largely originating in the United States, more than allows them to make outright purchases?

General FISH. We did provide some credit sales program for Venezuela last year. She did not choose to use it. We have provided it again this year.

Mr. LONG. Well, I asked you why.

General FISH. All right.

We believe it helps us preserve a dialog with their military. As I am sure the chairman knows, the credit program would be completely self-liquidating. This would be at the cost of money. This will be at no cost to U.S. taxpayers in any regard. The primary purpose allows us to have a continuing closer relation with Venezuela.

Mr. LONG. But don't they have very substantial reserves of foreign exchange?

General FISH. I do not know about the foreign exchange position, but there is no question about it. Can she afford to pay cash? Yes.

Mr. LONG. Then why don't we let them pay cash?

General FISH. For the reasons I just stated, sir.

Mr. LONG. Have you ever found in your life that you made a friend by lending money?

General FISH. Yes, sir. I know reasonable people disagree on that, though.

Mr. LONG. You will recall Polonius' advice to his son in Hamlet, "Neither a borrower nor a lender be." It often loses both the funds and the friend. You are wiser than Shakespeare, though.

General FISH. No; I don't claim so.

AID TO ZAIRE

Mr. LONG. In what ways has Zaire furthered our interest in Africa sufficient to justify increasing our foreign military sales from $3½ million to $19 million in 1 year?

General FISH. Zaire is a particular case. Zaire has on her border the Congo, Brazzaville, with an appreciable, and we believe dangerous, buildup of Soviet arms and influence; and Uganda, similarly supplied by the Soviet Union.

Mr. LONG. What real controls do we have over the possible transfer of American arms which we give them to Angola nationalist groups?

General FISH. The same controls we have anywhere in the world.

Mr. LONG. Once we have given the weapons, we cannot get them back. We can say, "We won't give you anymore," but once we have given them the weapons, we have given them the power to do something which can be very harmful to neighbors and harmful to world stability. But there is nothing we can do to get the weapons back in any one year.

General FISH. I think that is the wrong question, sir, because the thing is that they do. They get the title and the title passes to them with the strings that we have indicated of our agreements. But a modern weapons system is dependent upon spares and continued maintenance.

One of the controls that we have is our ability to no longer provide that.

Mr. LONG. Isn't it true that you never want to use any of these disciplines? You keep saying, no, we cannot do that because if we do we cut off relations.

THIRD COUNTRY TRANSFERS

General FISH. I think we go back to the point made earlier that there have not been third country transfers with the exception of Libya. I know it is a constant concern to the Congress.

Mr. LONG. It is a constant charge and accusation.

General FISH. But the facts do not bear it out. So the record has been good. So, you know, that is the prior question.

Mr. LONG. You are not going to worry about it until the situation changes.

General FISH. We do worry about it. We watch it carefully and bring whatever pressures or sanctions necessary to prevent it.

Mr. LONG. But once it happens, there is nothing you could do about that particular instance. So all you can say is we won't give you anymore next time; true?

General FISH. We can shut off spare support. It would do violence to our relations in other areas.

POPPY RAISING IN TURKEY

Mr. LONG. How can you justify giving over $200 million of security assistance to Turkey at a time when the Turkish Government is authorizing a full-scale resumption of poppy raising which is clearly inimicable to America's domestic well-being.

Mr. STERN. I think Turkey is a complicated problem. On the poppy issue, as you know, the Turkish Government is now raising poppies in a way that will prevent the opium reaching illegal markets. They have a special growing process which inhibits the illicit sale of the poppy.

I think Turkey is a good case study of the limits and the possibilities that accrue from security assistance. We have many interests in Turkey in addition to the poppy. You have to look, I think. at the total of interests before deciding on any particular course of action. But I do not think that the poppy issue at the moment is a problem.

AID TO ARGENTINA

Mr. LONG. Why are we putting $34 million of foreign military sales credits into an extremely unstable, almost anarchic, political situation in Argentina?

General FISH. Sir, the basic rationale, again, is that we believe that it is in our interest to continue to be able to influence the course of events by maintaining this contact with Argentina rather than not doing it.

The sales credits, again, would be a matter of no expense to the U.S. taxpayers. It is a program that would be at the cost of money to the United States.

Mr. LONG. Haven't we made clear to all these countries that there really is not anything they can do that can provoke us to cut off our military or other types of aid?

General FISH. That is not true, sir. In the case of Argentina we cut it off last year.

Mr. LONG. But we are resuming it again.

General FISH. They corrected the situation.

Mr. LONG. I understand they are going after atomic weapons.

General FISH. I don't know that, sir.

Mr. LONG. I understand they are negotiating for the purchase of a nuclear reprocessing plant, a facility that would give them nuclear weapons capability. They already have a small nuclear reprocessing plant.

General FISH. I would hope not.

Mr. LONG. I would hope not, too, but you do not have much you can do to prevent it. It does seem to me that our Government is very loath to ever invoke any real sanctions against any country. It reminds me of Low, the famous British cartoonist. At the time Hitler was rampaging all over Europe there was a picture of a man saying, "Sir,

you have violated my daughter, murdered my father, you have burned my house down. But beware, sir, you may go too far."

The fact is that we are never really willing to do something that would convince them that we really mean business. In this military aid budget this year, I think you have broken some past records for rewarding bad faith. That is all I have.

Mr. Shriver?

ISRAEL REQUEST

Mr. SHRIVER. Thank you, Mr. Chairman. Of the $1.5 billion requested for Israel for military credit sales, you want to forgive interest and repayments of $750 million. You want to make that a grant; correct?

General FISH. Yes, sir. That is the proposal.

Mr. SHRIVER. Why?

General FISH. Again, we followed the formulization that the Congress provided in the 1973 supplemental. Israel's requirement stems from the fact that she does have a very serious military problem, a funding problem. She is spending in 1974, 42 percent of her gross national product on national defense. In 1975 she spent 32 percent of her GNP. It is very questionable that she would be able to pay back this $750 million. So as a national policy dedicated to the survival of Israel and to promote stability in the Middle East and as a solution to the problems that exist there, we do not feel Israel could afford to pay back this amount of money.

That is why it was recommended for forgiveness.

Mr. SHRIVER. Without arguing the point, we are going to have a tremendous deficit ourselves.

General FISH. Yes; I understand that. I know that the Congress and the administration have to take that into account in their overall economic planning, which I think transcends the considerations of military assistance. There are factors that I think Congress is considering in that regard.

Mr. SHRIVER. Well, with the $740 million requested for supporting assistance and the amount we have just talked about, the grants then would be about almost $1.5 billion for this year; is that right?

Mr. STERN. No; I believe, sir, that on the 750, if I can find the documentation——

Mr. SHRIVER. We were just talking about $750 million.

Mr. STERN. There is $750 million forgiveness under FMS. There is $500 million grant under supporting assistance. So there is a $750 million loan under FMS and $240 million loaned under supporting assistance.

Mr. SHRIVER. Cover that again.

Mr. STERN. $750 million forgiveness under FMS, $500 million under supporting assistance, $750 million loan under FMS, and $240 million loan under supporting assistance.

Mr. SHRIVER. What does it add up to?

Mr. STERN. $1,250 million grant and $990 million loan.

Mr. SHRIVER. For how long a period of time is the loan?

Mr. STERN. The supporting assistance loans are for 40 years.

Mr. SHRIVER. What is the interest?

Mr. STERN. The interest rate is 2 percent for the first 10 years and 3 percent for the next 30. Now I am talking about the supporting assistance. On the FMS the loan will be probably in the neighborhood of 20 years at cost of money to the United States.

Mr. SHRIVER. I know that payments have been made by Israel for repayments and interest payments. What is that amount for the last 6 months or the last year?

Mr. STERN. Repayments made by Israel on previous loans?

Mr. SHRIVER. Yes.

Mr. STERN. I will have to submit that for the record. I don't have it with me.

Mr. SHRIVER. There have been some. I would think people in this division would know that right off hand.

General FISH. She has met all of her FMS obligations. She is not in arears. I would have to check as to what the payments were specifically on all past loans.

Mr. SHRIVER. Their Foreign Minister was in my office a month ago and told me they had just made a payment then.

You people are in charge of this program and ought to know when these payments are made.

General FISH. We have those records, sir, but I do not have them with me.

Mr. STERN. Excuse me. There are two programs, foreign military sales and supporting assistance. They are handled in two different parts of the administration. Your question is directed to all repayments regardless of the source of the loan.

[The information follows:]

PAYMENTS APPLICABLE TO LOAN AGREEMENTS MADE BY ISRAEL TO U.S. DEPARTMENT OF DEFENSE DURING 1975

The following principal and interest payments were received from the Government of Israel by the U.S. Department of Defense during the period January 1, 1975, through December 10, 1975. All payments apply to loans made by the U.S. Department of Defense as opposed to loans made by commercial financial institutions. Each of the principal and interest payments were promptly made on the due dates specified in the repayment schedules of various loan agreements.

Fiscal year loan agreements were consummated	Payments received by DOD		
	Principal	Interest	Total
1965	$813,000.00	$50,505.00	$863,505.00
1966	7,408,911.00	518,624.00	7,927,535.00
1969	6,500,000.00	1,605,509.57	8,105,609.57
1970	3,000,000.00	854,876.71	3,854,876.71
1971	15,250,000.00	16,968,647.22	32,218,647.22
1972	3,500,000.00	4,443,698.66	7,943,698.66
1973	0	8,564,639.29	8,564,639.29
1974	0	2,748,790.78	2,748,790.78
Grand total	36,471,911.00	35,755,391.23	72,227,302.23

Mr. SHRIVER. I want to say this about this justification book. You really have to go back and forth to figure out totals for any of these programs in here. This is different from prior years.

General FISH. Page 107 summarizes it all for you. It gives you the total, the grant, training grant, FMS, IDA, and supporting assistance. Then it is summarized.

Mr. SHRIVER. Then you find commercial sales in another place.

General FISH. Commercial sales, yes, sir. That is not assistance.

Mr. SHRIVER. I know it is not assistance.

General FISH. Incidentally, those commercial sales are very difficult to get a handle on. As Dr. Long pointed out, that is a detail that we discovered that was a problem in our program in estimating this. We supplied new figures.

COMPARISON WITH FISCAL YEAR 1975

Mr. SHRIVER. The amount of money for Israel for the various categories of what you call assistance, how does that compare with that for last year?

General FISH. Israel last year was at $300 million in foreign sales credits and in 1974 it was $2,482 million. Of course, it has no military assistance program and no training program. That is the total figures for Israel.

Mr. SHRIVER. $2.4 billion?

General FISH. $2.48 billion in 1974. It was $300 million in 1975 and of course $1.5 billion this year in the foreign military sales credits.

JORDANIAN MODERNIZATION PROGRAM

Mr. SHRIVER. You say that Jordan has embarked on a major military reorganization and modernization program.

General FISH. Yes, sir.

Mr. SHRIVER. What is the target date for completion, total cost, U.S. share, and are there any other donors?

Can you give us that?

General FISH. I will have to provide it for the record. As we testified before the committee when we were on the proposed Improved Hawk sale to Jordan——

Mr. SHRIVER. What committee was that?

General FISH. It was not this committee. It was Mr. Fascell's committee. It was some $300 million dollars being provided by the Saudis. We are providing some money and we are providing credits to Jordan. Those are the only two countries I know of. Is Kuwait providing anything?

Mr. STERN. No. There are economic assistance in grants and loans to Jordan and other countries totaling about $237 million.

Mr. SHRIVER. Would you summarize then the target date for the completion, the total cost, our share and the other donors?

Mr. STERN. I don't know if I can really do that. We are not privy to the detailed modernization plans that the Jordanians are contemplating. I think I would be misleading you if I said we knew. They are modernizing their forces.

Mr. SHRIVER. This is an appropriations committee. We make recommendations on the amounts of money to be made available. If you have something in mind going beyond the year we are talking about, we ought to know about it.

General FISH. Yes, sir. If there is, we will provide it. I didn't want to mislead the Congressman to think that we have some detailed plan for the future of Jordan as far as this is concerned. I am not aware of this and I think I would be. It is a true statement that Jordan, whose forces are not very well equipped, has embarked on a major modernization program.

Mr. SHRIVER. Will you put it in the record?

General FISH. Yes, sir.

[The classified information was provided to the committee.]

Mr. OBEY. I think the gentleman from Kansas makes an excellent point. I know there are some problems with your spelling out exactly what we are going to be facing 3 or 4 years down the road. But we know that Israel is expecting to receive an amount in the magnitude that the administration is requesting this year and each year thereafter for the next 3 or 4 years at least; isn't that correct?

Mr. STERN. And longer.

General FISH. That would be her request. I hasten to say, as we testified elsewhere, Mr. Obey, that it would be a matter of how the negotiations go, whether they are successful.

Mr. OBEY. But there is an expectation. The whole purpose of the Sinai Agreement was allegedly to keep negotiations moving. It is based upon the assumption that negotiations will keep moving so if they do keep moving and we do provide that kind of aid to Israel for the next 4 years and longer then Mr. Shriver's question is quite important. I think everybody around this table knows damn well we are not going to be providing aid to Israel without providing some sugar to the guys on the other side.

I think we could get a little more direct answer to his question. If we are planning to give Israel $1.5 billion each year for the next 4 years or $2.3 for the next 4 years in toto, what then would we realistically tell our constituents that we are going to have to be providing Jordan, Syria, and the other confrontation states who are receiving aid?

General FISH. I would submit that Mr. Stern's answer was Israel expects that, and that would be her view of it. That is not necessarily our view, and I don't know if the plan has been at this time finalized to that degree. We will provide you what we have.

Mr. STERN. You recall the Secretary answered that question when he appeared before this committee by saying that he would expect the Mid East level to be roughly the same for the next 3 to 5 years for each country.

Mr. OBEY. Is it reasonable to explain over the next 4 years how much will Jordan be getting total?

Mr. STERN. We can project from what we know at the moment.

Mr. OBEY. And that figure would be what?

Mr. STERN. Roughly four times what we have requested for 1976.

Mr. OBEY. If I can impose on the gentleman further, what bothers me when all of us ask these questions is that we continue to get these nonanswers when we know damn well in terms of practicality there is at least a rough estimate which can be given without going to the usual "We will give it to you for the record" response.

We are all big fellows here, and we know that you know there is something in your mind. My God, if you are not planning more than 1 year in advance, we are all in trouble. It seems to me he deserves and the committee deserves a more direct and specific response rather than supplying everything for the record.

It doesn't just apply to this committee, but other subcommittees I am on. We get so much for the record that you leave the hearing each day not knowing what the hell you have learned, if anything. And if I detect a note of frustration on the part of the gentleman from Kansas, I share it.

General FISH. I have learned something at this hearing, too. I was giving direct answers to the extent of my knowledge as I attempt to do. The simple matter is, Mr. Obey, I have learned something, too. The Defense Department is not in receipt of any plans for any specific amount of money for these countries in the future.

Mr. OBEY. You mean you are not generally aware of the fact that it is the general administration plan to provide that aid for the next 3 or 4 years?

General FISH. I didn't know the testimony had been as Mr. Stern had indicated.

Mr. OBEY. Thank you.

Mr. SHRIVER. Thank you.

Mr. PASSMAN. I want to sympathize with the frustration of my two colleagues. It doesn't seem to me that you people have come here terribly well prepared.

ARMED FORCES IN YEMEN

Mr. SHRIVER. You mention that Yemen is struggling to modify her armed forces?

General FISH. Yes, sir.

Mr. SHRIVER. Why would they be doing that?

General FISH. In the case of Yemen the problem is fundamentally the animosities that exist between northern Yemen and southern Yemen and the buildup of equipment in southern Yemen from another supplier, the Soviet Union.

U.S. PRESENCE IN THAILAND

Mr. SHRIVER. I have read some conflicting reports as to our continued presence in Thailand militarily. Our planes are supposed to be out of there by January 15 of 1976, but we apparently will leave some personnel there. What is the story?

General FISH. Mr. Stern, do you want to take that question?

Mr. STERN. I think we are still in the process of negotiating with Thailand as to what our residual presence will be. I believe in general—I don't know about the January 15—but I think your comment was probably accurate that our fighter planes will be leaving Thailand sometime before the end of the fiscal year. But the numbers of residual personnel is yet under discussion.

RESOLUTION WITH THE PHILIPPINES

Mr. SHRIVER. Now the Philippines. Have you testified about that yet today?

General FISH. No, sir.

Mr. SHRIVER. They reportedly want total ownership and control of military bases that we use there. From a military standpoint what would be the effects of Philippine control of those bases?

General FISH. We would hope that we would be able to work out an arrangement in the Philippines that continues the present arrangement where we have base rights.

Mr. SHRIVER. What is the status now? Are we negotiating?

General FISH. Do you know, Mr. Stern, of any specific negotiations?

Mr. STERN. Negotiations haven't begun. They will probably start soon after the President's visit.

NATO MANPOWER

Mr. SHRIVER. You say that Turkey provides 37 percent of the standing manpower forces in Europe available to NATO. What does the United States provide?

General FISH. I don't know that, sir.

Mr. SHRIVER. How about France and West Germany?

General FISH. I will have to supply the specific breakdown. We do provide a significant portion, but I don't have it with me.

Mr. SHRIVER. Put that in the record, please.

General FISH. Yes, sir.

[The information follows:]

STANDING MANPOWER FORCES IN EUROPE AVAILABLE TO NATO

The total standing armed forces of the NATO Allies without the United States and France is ——. The U.S. European Command force located in Europe and available to NATO is ——— or approximately 9 percent of the NATO totals. Additionally, France has a standing force of ——— or almost 18 percent of the NATO Allies. The Federal Republic of Germany has a standing force of ——— or about 17 percent of NATO.

BASE NEGOTIATIONS IN TURKEY

Mr. SHRIVER. The Christian Science Monitor reported last week that Turkey has asked the United States for annual payments of $1½ billion for rent on our bases there. The money is supposedly to be used for cash purposes of arms from the United States and from other countries. The report states that the United States replied that such payments would be impossible under the NATO alliance. Are you familiar with this?

General FISH. Yes, sir, I am familiar with the story and with the statements that that is being requested, and I think, as we stated earlier, we don't see any way that could eventuate.

Mr. SHRIVER. It has been nearly 2 months now since Congress partially lifted the ban on arms shipments to Turkey. Have Turkey and Greece resumed negotiations on the future of Cyprus?

Mr. STERN. Yes; they have had at least one meeting I know of and perhaps even two. But I should hasten to add there hasn't been very

much progress. We will make a full report on this by the end of the week, I guess, on the status of those negotiations.

AID TO CHILE

Mr. SHRIVER. As I understand it, there are no funds in here for Chile; is that right?

Mr. STERN. That is correct.

General FISH. None.

Mr. SHRIVER. Any training funds?

Mr. STERN. I believe not, sir.

General FISH. None.

BASE NEGOTIATIONS WITH SPAIN

Mr. SHRIVER. What is the status of our base negotiations with Spain?

Mr. STERN. Those negotiations were coming along quite well, and we hoped to wrap them up by the end of last month, but Franco's death has interfered and they are in suspense at the moment. As soon as a new government is formed, I think they will be concluded very rapidly thereafter.

OFFICIAL REPRESENTATION EXPENSES

Mr. SHRIVER. In your general costs you have a request under the training category for limited official representation expenses. How much is that?

General FISH. $50,000, approximately.

Mr. SHRIVER. Is that all of the representation funds included in your request, $50,000?

General FISH. The answer is yes.

Mr. SHRIVER. That is primarily for entertainment of prospective purchasers of arms?

General FISH. No, sir.

Mr. SHRIVER. What is it?

General FISH. The MAAG's and personnel are entertained by others, and the normal social amenities demand that they return these invitations, and so we have this limited amount of money to do the social amenities and returning the social intercourse.

MAAG IN INDIA

Mr. SHRIVER. Why do you need five MAAG personnel in India?

General FISH. With India our program is a training program and then monitorship of end items provided under previous programs and to maintain our contact with the Indian military in the future.

MAAG'S IN SAUDI ARABIA AND IRAN

Mr. SHRIVER. Do Iran and Saudi Arabia reimburse the United States for the expenses of MAAG personnel?

General FISH. Not totally. In Iran we have quite a group of technical advisory field team personnel that are fully reimbursed. We have made arrangements with Iran now to begin—it started in 1976—to reimburse us, not totally, because we believe the efforts of some of the MAAG personnel are devoted to exclusively U.S. interests, and we think it would be inappropriate for Iran to pay for those things that are strictly in our interest.

Mr. SHRIVER. How about Saudi Arabia?

General FISH. Saudi Arabia, they paid for some of it, not all, and we are in negotiation for them to also pick up the tab for most of it.

Mr. SHRIVER. They can afford it.

General FISH. Absolutely.

Mr. SHRIVER. Thank you, gentlemen.

Mr. PASSMAN. Mr. Obey?

Mr. OBEY. Thank you, Mr. Chairman.

ARMS SALES WORLDWIDE SINCE 1973

General, I know that the general thrust of congressional concern has been directed at the MAP program, the grant program. It is my own feeling that that really is much less serious than the sales program, and I frankly would feel more comfortable, I think, in certain circumstances with the larger handle that I think you get with grant programs than you get if you are just selling to whoever has the bucks to buy.

Coming from that direction let me ask you a question. Mr. Stern said that we had made an effort to obtain world agreement on arms sales. What has the picture been since 1973, worldwide, in arms sales? What has been the total?

General FISH. The total number of arms sales worldwide, by all parties, I presume, is what you are asking.

Mr. OBEY. Yes.

General FISH. I can give you what we have had United States, or do you want by all suppliers, sir?

Mr. OBEY. All; everybody.

General FISH. I don't have all suppliers. Do you have that over there?

Mr. STERN. I think I have some statistics that might be helpful.

Mr. OBEY. Why don't you just put in the record what the——

General FISH. Various countries provide?

Mr. OBEY [continuing]. What the totals have been worldwide. 1973, 1974, 1975, and what your rough guesstimate is of what they are likely to be in 1976. Each year list by country who supplied approximately what amount. I am not talking about to whom supplied, but who are the major arms suppliers.

General FISH. You specifically are speaking about arms or weapons primarily that you want; not the other defense services that would not be arms?

Mr. OBEY. I am talking specifically about arms.

General FISH. OK, sir.

Mr. STERN. Can we give you this on a delivery basis? That is the only way we have the statistics.

Mr. OBEY. I would much prefer it the other way.

Mr. STERN. Well, we have great big gaps in our data on orders.

Mr. OBEY. Why don't you give me what you can on both counts?

General FISH. We have perfect knowledge of our own orders but not with what other people are doing.

Mr. OBEY. What I would like, so it is all laid out one place in the record, is what the total arms sales have been to the best of your knowledge. My understanding is that in 1973 they were around $4 billion, and are estimated to be between $11 billion and $12 billion this year.

General FISH. That is why I asked the question to make sure we get you the information you want.

Mr. OBEY. That includes everything.

General FISH. There are many things that are not arms, and I think we should make that difference for you.

Mr. OBEY. Why don't you list it both ways?

General FISH. All right, sir.

Mr. OBEY. I want to get as much information in one spot as you can give.

General FISH. I think it would be helpful. We would be glad to.

Mr. OBEY. What the total amounts have been; what our share of the take has been each year; what the other major suppliers have been.

[The information follows:]

ARMS EXPORTING COUNTRIES

The following table contains statistics on those countries exporting arms valued at $100 million or more during 1973 and 1974 and percentage of the world totals for these years exported by the United States. Neither actual figures nor estimates are available for 1975 and 1976, respectively.

Arms Exporters of $100,000,000 or More, 1973 and 1974 Current Dollars*[1]

1973:	*Millions*	1974:	*Millions*
United States	5,020	United States	4,160
U.S.S.R.	2,840	U.S.S.R.	2,810
France	571	France	322
United Kingdom	333	United Kingdom	561
PRC	233	PRC	463
Italy	115	West Germany	223
Czechoslovakia	106	Italy	132
		Canada	109
Total	9,218	Total	8,780
World Total	9,555	World total	9,230
U.S. percentage of world total	53	U.S. percentage of world total	45

[1] The data include deliveries of military equipment only and exclude the value of training, services, and POL.
Source: ACDA, January 1976.

Mr. OBEY. Now I would just like to ask you this: Mr. Maw left, but it is my understanding that he told the Foreign Relations Committee on November 11 that the U.S. Government was willing to take the lead, I think were his words, in seeking to draw arms-producing nations together in an effort to set international standards in the field of military sales.

ONE YEAR LIMIT ON AMOUNT OF ARMS SALES

Given that assumption, let me ask you this: Can you see any harm in our doing the following: in our simply announcing to the world that for a 1-year period of time we were going to limit the sales which we made available to the rest of the world to any given figure you want to name, say, it was the amount that we provided last year; that for a period of 1 year we were going to just on our own hook limit our sales to that amount.

I am not talking about including grant aid because there obviously might be cases where you would want to react rapidly to a developing situation. But can you see any harm in doing anything of that nature? I would think if you would limit it to a 1-year moratorium on growth in sales on our part, that you would, for instance, discourage other potential recipients from going to other suppliers because in most cases they prefer to buy American, anyway. At least, a lot of people I have talked to preferred to buy American. And I would think that for a 1-year period of time, there would be no great damage done to our own supply capabilities and to our own relationships with recipient countries around the world.

What would your reaction be to that, and yours, too, Mr. Stern?

General FISH. It is an interesting proposal. We certainly would want to look at it and consider it from all angles. It would be very important, of course, at what level it was set.

Mr. OBEY. Say we set it at last year's level.

General FISH. Then I would have to ask questions before I would make other than a real hip-shooting answer. Would it be on deliveries basis, or would it be on new agreements?

Mr. OBEY. New agreements. I am talking about saying that this year we will not agree to any more than the dollar amount that the United States agreed to last year.

General FISH. The reason I am asking these questions, Mr. Obey, you know the difficulty that I would see in really demonstrating that we have done it, because let me give you an example. Included in the figures that you cited, like you know, $10 billion, are agreements to sell things that will not be delivered or even put on a contract for years.

Mr. OBEY. I understand.

General FISH. Some of them will not be delivered until the eighties. So you see it would be relatively easy to stay within a limit by just limiting to incremental amounts, but I don't know if that would be a true picture. I don't know how effective and whether we wouldn't, in doing this, be accused of being somewhat misleading; that it would appear that we were doing something we weren't doing.

There is no good way to keep score on that. Those are the sort of thoughts that occur to me.

I think it would be fraught with considerable problems, as being able to demonstrate that we even said what we actually accomplished. I give you the example. Instead of signing up for 80 of some specific item, sign up for 40 because next year you can sign up for 40 more.

Up until now, we have done it in completely total frankness, and I don't say us, the United States, but a country, the ones that we are trying to supply.

I would like to go back to one comment you made, that we sell to whoever has the money. That is just not true. We turn down many, many requests.

Mr. OBEY. I understand that, but my point is simply this: If, in fact, we are really anxious to offer to the world an initiative which will gain other countries' cooperation in limiting arms sales—and we have got to do something—and with all due respect to the point you made earlier, I don't think there is a general feeling even among people right in this country in the field, that we have done anything very startling or dramatic.

I am not talking about the whole SALT agreements which are an entirely different area, but I really question what the harm would be to our national interest in making that kind of an offer with the understanding that if no agreements were reached within a year's time, that it would be back to business as usual, and at least we would have tried to demonstrate our sincerity in the area.

Mr. STERN. May I speak to that point, sir?

This is one of the possibilities that we are exploring right now. As the Secretary said, in the last couple of weeks, this whole issue of arms control is one on which he has set the Department to work. And your proposition is one that is being actively pursued. I think in the final analysis, though, if we are to be successful in arms control at all, we will have to find some incentives. The stick routine, I don't think, is going to be very satisfactory. Somehow or other, we have got to find a way whereby the buyers and the sellers see it in their own interest not to proceed with the kind of sales programs that have been going on. And that is really the clue I am looking for, and that is what my staff is looking for. But your proposition is one that——

DEALING WITH WESTERN EUROPE IN LIMITING ARMS SALES

Mr. OBEY. Well. which countries would you name as being the most difficult to deal with in terms of reaching any agreement on a limit?

Mr. STERN. I think at this moment any Western European country would be difficult because the advantages in arms sales are all in the favor of the buyer. They have to export. There is one country whose own armaments industry relies entirely on exports.

Mr. OBEY. I am talking about suppliers, among the suppliers.

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

Mr. OBEY. Who are the most difficult?

Mr. STERN. I think all Western European will be difficult, and the Soviet as well, because at the moment there is no incentive for the supplier to reduce the exports. He lives by his exports, unlike us, fortunately still. We have got to find some way to encourage a supplier to find other ways of improving the balance of payments.

Mr. LONG. Isn't it true that there are only a couple of countries that offer a vast supermarket of arms? There are countries like France that can produce good planes and good tanks, but when you want the whole range of arms that a nation needs for a major defense buildup, there are only two countries that really offer this. Consequently the United States, by virtue of the fact that it does have this tremendous range of weapons, has far greater clout than you seem to think that it has.

Mr. STERN. That is true, sir.

General FISH. I would disagree with that answer. I provided it officially for the record in another committee, and we did make a survey. The truth of the matter is—no, that is not true, Mr. Long. France, Germany, Soviet Union, just to name quickly more than just a couple, do have the capability to provide the full array of antitank weapons, tanks, ships, aircraft. There are options available to the countries to buy elsewhere.

Mr. STERN. The point I wanted to make, though——

Mr. OBEY. But they don't have the productive capacity we have.

Mr. STERN. Oh, I——

Mr. OBEY. Well, our own State Department people have told me it would be extremely difficult for NATO countries to supply great amounts of weapons above their present level.

Mr. STERN. In what time frame? We have the same problem, I might say, Mr. Congressman.

Mr. OBEY. I think we have a hell of a lot more expendable capacity than any other country you can name in the Western World. If we don't, who does?

Mr. STERN. Only the Soviet Union seems to be able to.

Mr. OBEY. Who in the Western World? We can't control what the Soviets do. What about our so-called friends?

Mr. STERN. Who have a productive capacity?

Mr. OBEY. Yes.

Mr. STERN. I think France, for example, has an excellent productive capacity.

Mr. OBEY. Expandable?

Mr. STERN. It is a matter of priority. They might be willing to reduce their own armaments in order to increase the exports.

General FISH. The truth of the matter is that they have not at this point reached a point where they would have production capacity that would overtax to the degree they would turn down sales elsewhere, if it worked in their national interest to provide them. I think that is the important point.

You are looking at this completely from the supplier standpoint, but the point is the buyers believe some proposal to limit sales to them just freezes an inequitable situation in their own area.

Mr. OBEY. I understand that. But the fact is that the sellers are the key, and as long as buyers are paranoid, they are going to buy unless sellers agree they aren't going to sell.

General FISH. And I hope we can get some sellers to stop. That is the hope, to get the sellers to agree in some way, and we made these initiatives as we pointed out——

Mr. OBEY. I don't appreciate being hammered over the head year after year by the administration as being a big spender; I find it very difficult to go back home and explain to the people why the arms race has accelerated to such a degree; why we have participated in it to such an extent. What have we done in specific and dramatic terms to try to turn it around; what imaginative initiatives have we taken in the arena of world public opinion?

We may have made some nominal efforts, but I really don't know of any great propaganda offensive, if nothing else, that we have engaged

in to try to get some handle on this affair. That is why I simply raised the suggestion I did.

It seems to me that is a minimal thing which we could do to dramatize our interest in getting an agreement.

TRANSFER OF HIGH-LEVEL TECHNOLOGY

Let me turn to a different question. What about the problem of the transfer of high-level technology? I don't pretend to know a great deal about this, but it has been suggested to me that there are—and I would like your comments on this—that there are a number of problems we face in providing increasingly sophisticated weapons around the world.

One is that we increase the level of destruction in the event of military conflict. Two is we stimulate requests by the adversaries of recipients to seek comparable weapons from, in some cases, the Soviet Union; and three, it has been suggested to me—and it sounded farfetched to me at first—that we face a danger, if we are eventually drawn into a fighting situation, where the enemy may have been either formerly a recipient of ours or they may have captured some of the more sophisticated weapons that we have supplied to the friendlies, and we may, in fact, have great difficulty in dealing with some of our own weapons—which have found themselves in enemy hands—because they are the most sophisticated in the world in a combat situation, and I would like your response to that.

General FISH. Yes, sir. We are very careful about that. Naturally, it is a concern—it is one that we watch—that our national disclosure policy is such that we do maintain an edge for our own forces. We are very careful about that.

Mr. OBEY. You maintain what?

General FISH. An edge in technology. For instance, in most of the weapons systems there are models and more advanced models. We don't release all the weaponry that we have or the most advanced for military sales. It is a conscious decision not only as to whether we will offer it to any country, but also a difference as to categories of country and each sale, those are the considerations to which you speak.

AIR-TO-AIR MISSILES

Mr. OBEY. How about air-to-air missiles?

Do we have the capability of handling any air-to-air missiles which we make available?

General FISH. I do not know what you mean when you say handling. We have the more advanced air-to-air missiles that we will not sell.

Mr. OBEY. My point is if we supply some other country sophisticated air-to-air missiles, and if through some quirk of history they fall into the hands of someone who, at a later point, would become an enemy—suppose they overran them or they turned against us—do we have in all instances the capability of handling militarily and defeating the weapons which we previously supplied to people?

General FISH. Yes, sir. The answer is yes. You asked me in all instances. You know, to go to that point, I have difficulty. There may be some instance where somebody could conjure up where we could not

completely defeat something. I cannot think of any right now. I am trying to give you a complete answer.

The answer is in the electronic measures, which is a particularly sensitive area, that we watch very, very carefully. We do have ways of taking care of our own interests in this regard to make sure that it is not compromised. I think that is the best answer.

SAVINGS TO DEFENSE THROUGH FOREIGN MILITARY SALES

Mr. OBEY. When Secretary Clements testified about credit programs, he said:

> These programs also have very useful benefits for U.S. defense programs. They help to provide lower unit costs for the items provided to the U.S. Armed Forces as well as standardization of equipment, doctrine and training.
> Maintenance of the U.S. production and training and technological base is made possible and a broader logistic support base is achieved through these programs.

I am looking for specific justifications for all of these programs. Is that in fact a significant benefit to the United States?

General FISH. Yes, sir.

Mr. OBEY. If it is, how much of a subsidy to our defense budget does our foreign aid budget provide? Can you quantify it in specific dollar terms?

General FISH. No. The foreign aid budget in subsidizing our defense budget? I am not sure I understand the question.

Mr. OBEY. It is a logical extension of my first question you responded to. If in fact our providing these weapons systems does provide us with an economy of scale then do you have a bookkeeper someplace who has figured out about what those savings have been?

If it was important enough for Mr. Clements to mention it, it must have been quantified somewhere.

General FISH. We have quantified it. Before the McClellan committee it was in the order of a specific weapons system, that the total program would probably cost us $80 million less on our own program as a result of the economies of scale. It goes beyond that.

Mr. OBEY. I am not after a specific weapons system. My point is total.

General FISH. It would take a very detailed survey to get the number that you are asking for because it has never been done. That does not mean that it doesn't exist.

Mr. OBEY. You said it is very significant. If it is very significant, you must have some rough idea of what that subsidy for the defense budget is, in fact.

General FISH. I would not agree with that at all.

Mr. OBEY. With what?

General FISH. That I would have a rough idea because it is very significant.

Mr. OBEY. You said it was significant.

General FISH. I can get that by cases, I know. Let me give you an example again. On the armored personnel carriers at one time we had no known requirement that we could foresee for the use of them ourselves and the line would have shut down. It was kept open because there were foreign military sales cases. It was consequently developed

that we needed armored personnel carriers. I know those are significant cost savings because of my experience with the program, but to give you a number, I do not have it.

Mr. OBEY. Could you supply it for the record, then?

General FISH. After a detailed survey? I can give you cases. To say "This is about what it is," I would have to make a very detailed survey, sir.

Mr. OBEY. Can you give us whatever you can give us before this record goes to print? Simply spell out to us what in fact the subsidy to the defense budget is from all the kinds of programs Secretary Clements talked about?

General FISH. I have difficulty with the word "subsidy," sir.

Mr. OBEY. That is exactly what it is. If we are saving money on our defense budget because we are benefiting from the lower unit costs as a result of our military aid program, that in fact is an indirect subsidy to the defense budget.

General FISH. Sir, I quarrel a little with the word "saving" because there is a difference.

Mr. OBEY. You call it saving and I will call it subsidy.

General FISH. It is cost avoidance. There is a difference.

Mr. OBEY. I don't care what games you play with the titles. You play yours and I will play mine. Just give me the dollar figure. I don't want to debate semantics. If you can give me a rough figure, I would like to know what it is. If we are saving money for the taxpayer, if we are reducing the amount that is listed for the defense budget by such and such an amount or reducing the amount from what would have to be listed if we were paying, fine.

General FISH. That is the question. Good. I have to ask these questions to be sure I can get you the information. We will be glad to get that to the extent that we can identify those in specific cases in the time that is available before you have to go to markup. It would not be exhaustive because I think there are so many.

Mr. OBEY. Well, my point is I simply want specifics tied down. Every year, the rationale for foreign aid changes; the language changes. The reasons expand and contract depending upon what will sell this year. My point is that this year we have this mentioned not only in Secretary Clement's statement, but I saw it in another statement as well. If it is important enough to be a theme. it seems to me it is important enough to know exactly what we are talking about; otherwise, it is just not important and it is just another throwaway item which really is not very useful to us in the Congress.

General FISH. I will be happy to provide it.

[The information follows:]

BENEFITS OF FOREIGN MILITARY SALES

While an exhaustive study of all sales of military goods and services to determine their economic benefit on U.S. defense costs has not been completed, some rough estimates do exist. For example, during fiscal years 1974 and 1975, the Department of Defense assessed recovery charges (so-called "Research and Development charges") of roughly $200 million against equipment for which purchase commitments were made by foreign governments. Looking ahead, we expect that some 1,400 of the total production of more than 2,000 F–16 aircraft will be sold to foreign countries resulting in the recoupment of nearly $700 million in R. & D. investment costs. Currently the United States recovers $207,000 per unit

for F–5F aircraft, $1.6 million per unit for F–15 aircraft, and $2.2 million per unit for the F–14 aircraft involved in foreign purchase agreements.

In addition to these direct cost recoveries, other economic benefits also result from defense orders for foreign governments. One estimate of the impact of the $12.8 billion in fiscal year 1974 government and commercial sales is that about 80 percent will be spent in the United States with about $1 billion collected by the U.S. Treasury in corporate and income taxes and about $5.7 billion will be paid in wages and salaries to about 500,000 workers in the U.S. commercial and Government sales of defense materials also broaden the production base and continue production lines beyond the immediate U.S. military needs. For example it is estimated that the sharing of production costs for the HARPOON missile will result in a reduction in costs of $80 million.

OTHER EQUIPMENT AND SUPPLIES—ISRAEL

The category of miscellaneous other support equipment and other supplies includes any of the categories of equipment shown on the attached listings. These categories in turn each include thousands of individual items of supplies and equipment. Following is general breakdown of items includes in the line item category, Other Equipment and Supplies:

Description total

Miscellaneous other support equipment, fork lift trucks, tool kits and sets, generators 30 kilowatt and larger, compressors 100 c.f.m. and larger, other supplies, POL, gases and fuels, and construction equipment.

Miscellaneous other support equipment and other supplies could include any of the categories or equipment as shown on the attached breakdown.

( )=Quantity of items or number of transactions.

Attachment.

J. SUPPORT EQUIPMENT

00. Miscellaneous Other Support Equipment:
    Includes all support equipment except complete items and sets listed under J2D thru J7S. Excludes automotive and support equipment spares.
1. Chemical Equipment:
    A. Decontaminating and Impregnating equipment—FSC 4320
2. Construction Equipment:
    A. Full track tractors—FSC 2410
    B. Wheeled tractors—FSC 2420
    C. Earthmoving and excavating equipment—FSC 3805
    D. Cranes and crane-shovels—FSC 3810
    E. Road clearing equipment—FSC 3825
    F. Military bridging—FSC 5420
    Z. Miscellaneous construction equipment—FSG 38
3. Materials Handling Equipment:
    A. Conveyors, cranes and derricks—FSC 3910, 3950
    Z. Other materials handling equipment—FSG 39
4. Photographic Equipment—FSG 67
    A. Cameras
    B. Projection equipment
    C. Developing and finishing equipment
    D. Processed film
    Z. Other photographic equipment, supplies and spare parts
5. Training Aids and Devices—FSG 69
    A. Training aids
    B. Armament training devices
    C. Operational training devices
    D. Communication training devices
    V. Books, maps, and publications
    X. Training aids and publications
    Z. Other training aids and devices, and spare parts
6. Other Equipment:
    A. Parachutes and aerial delivery equipment—FSC 1670, 1680
    B. Railway equipment—FSG 22
    D. Power transmission equipment—FSG 30

E. Woodworking machinery and equipment—FSG 32
F. Metal working machinery—FSG 34
G. Special industry machinery—FSG 36
H. Textile industry machinery—FSC 3625
K. Animal Furnishings—FSC 3770
L. POL Distribution Equipment—FSC 3835
M. Marine Safety Equipment—FSG 42
N. Safety and rescue equipment—FSC 4220, 4240
P. Steamplant and drying equipment—FSG 44
Q. Maintenance and repair shop equipment—FSC 4910, 4925, 4930, 4931, 4933, 4940
R. Power and distribution equipment—FSG 61, 62
S. Lights and Fixtures—FSC 6210, 6230
T. Instruments and laboratory equipment other than aircraft—FSG 66, (Exc 6610)
X. Industrial machines—FSG 36
Z. Other support equipment

7. Other support equipment:
A. Medical surgical equipment—FSC 6515
B. Dental equipment—FSC 6520
C. X-ray equipment—FSC 6525
D. Hospital equipment—FSC 6530, 6640
E. Chemistry/laboratory—FSC 6630, 6640
F. Laundry and dry cleaning equipment—FSC 3510
G. Shoe repair equipment—FSC 3520
H. Service and trade equipment—FSG 35 (Exc 3510, 3520)
K. Office machines—FSG 74, 75
L. Pumps and compressors—FSC 4310, 4320
M. Plumbing and heating equipment—FSG 45
N. Engines—FSG 28
P. Prefab and portable structures—FSG 54 (Exc 5420, 5440)
Q. Mine drilling equipment—FSC 3820
R. Refrigeration and aid-conditioning equipment—FSG 41
S. Firefighting equipment—FSC 4210

K. SUPPLIES

00. Other supplies:
Includes industrial and construction supplies, tools and test equipment, raw materials other than ammo, office supplies, clothing and textiles, medical supplies, machinery, and shop equipment. Excludes repair parts.

1. Clothing and textile supplies:
A. Clothing, textiles, and individual equipment—FSG 83, 84

2. Medical supplies:
A. Drugs, biologicals, and surgical dressings—FSC 6605, 6510
Z. Other medical supplies—FSG 65 (Exc 6505, 6510)

3. Subsistence:
A. Human subsistence—FSG 89

4. General supplies:
A. Hand and measuring tools—FSG 51, 52
Z. General supplies

5. Industrial supplies:
A. Industrial supplies

6. Fuels, Oils, and Chemicals
A. Jet fuel—FSC 9130
B. Aviation gasoline—FSC 9130
C. Automotive gasoline—FSC 9130
D. Diesel fuel—FSC 9140
E. Navy special fuel oil—FSC 9140
F. Chemicals—FSG 68
G. Solid fuel—FSC 9110
H. Fuel gases
Z. Other petroleum, oil, and lubricants

7. Construction supplies:
Z. Construction supplies

8. Automotive supplies
   A. Automotive supplies and equipment parts
9. Automotive Supplies and Equipment Spares:
   X. Automotive spare parts

AID FOR ISRAEL

Mr. OBEY. Now, let me turn to Israel. I have one question which pertains to the classified portion of the security assistance presentation. So I will not ask you to answer at this time, but I would appreciate a submission for the record. My question is: In the detailed breakdown of items to be supplied Israel as part of the FMS sales credit program, the figure for other equipment and supplies appears to me to be quite high both in absolute dollar terms and as a percentage of the total. It also represents, I believe, a significant increase over the same category in previous years.

I wonder if you would just for the record break down what has been included in that item for the past 2 years and what is included in the current proposal and the justification for this year's figure.

General FISH. Yes, sir.

[The classified information was provided to the committee.]

Mr. OBEY. Also on Israel, it has been stated that Secretary Kissinger has testified that it is his expectation that we would be providing aid in virtually the same amounts to Israel this year or for the next 4 or 5 years as the Congress is being requested to provide this year.

Secretary Kissinger testified in the first hearing before this committee that Israel was in fact in a somewhat stronger position militarily, vis-a-vis the Arabs, than they were before the 1973 war. If that is the case, and if we are expected to provide Israel with $1½ billion in direct military aid every year for the next 4 or 5 years, what does that imply in terms of the military balance in the Middle East?

General FISH. Sir, I think an important thing to recognize is that you cannot determine the needs of Israel in this regard strictly by just an accounting of pieces of equipment that may be arrayed against it.

Mr. OBEY. I agree you have to take into account the quality of command and control. You have to take into account the quality of officers. You have to take into account the ability to establish good logistics and a dozen other things. On almost all of those points Israel has a distinct advantage.

General FISH. Yes, sir, but the point is that Israel has it because she is technologically advanced and a well-trained organization. There is very little room for Israel to become greater trained. There is for the Arabs. The Arabs with the same amount of equipment can greatly increase their capability over the next few years.

In another assessment Israel cannot stand still. It has to improve its overall equipment and capabilities if it is going to maintain the balance.

Mr. OBEY. I already asked the Secretary to provide to the committee the intelligence estimates of the Defense Department, the State Department and the CIA on a great variety of questions in the military area including their assessment of whether or not this additional aid pledged to Israel will in the future precipitate another round in the

arms race or has in fact already precipitated another round in the arms race.

My specific question to you is: If we are expected to provide over the next 4 or 5 years a billion-and-a-half dollars a year to Israel in direct military aid and if Israel is now in a more superior position militarily to the Arabs then they were before the last war, then to what development are we responding in giving Israel additional money each year? What knowledge do we have of expected weapons delivery to Arab countries which requires us to provide this kind of money?

General FISH. All right, sir, I would like to make a couple of points in that regard to help the overall understanding of the situation.

Israel's requirements are a matter of cash for continuing expenditures in the defense area without putting an enormous strain on her budget. I don't know if you were in the room when I quoted the figures.

Mr. OBEY. I have been there. I know what the budget figures are. That, frankly, is irrelevant to me for purposes of this discussion. What I am concerned about is what this is going to do to accelerate an arms race.

But what I am asking is: If we are providing a state which we assess to be militarily superior to its likely enemies right now, and in fact more superior than they were at the time of the last war, what kind of weapons do we know of, what magnitude of weapons deliveries do we know of on the part of other nations to the Arabs which require this kind of massive infusion of sophisticated weapons to the State of Israel?

General FISH. Sir, I would like to answer your question if I may. This is a relevant answer. Some of this money is needed to pay for past orders. That is point 1. That is why her financial position is relevant, and which would not be an additional infusion of arms.

Second, we have knowledge of the rise of the level of sophisticated arms, for example Mig–23.

Mr. OBEY. In a comparable magnitude?

General FISH. Certainly. A Mig–23 and a F–15, for instance, here now you have something of a comparable nature.

Mr. OBEY. Are you suggesting that you have knowledge that the Soviets or anyone else intend to commit to the Arabs over the next 4 years arms at the level of at least one-and-a-half-billion dollars a year?

General FISH. No, I am not suggesting anything of the sort.

Mr. OBEY. What are you suggesting?

General FISH. I am saying they need to continue to modernize forces and train.

Mr. OBEY. General, you seem to be following the old political maxim "if you can't dazzle 'em with brilliance, dazzle 'em with B.S." I want specific answers.

SOVIET COMMITMENT TO THE ARABS

What are the specific requirements? What are the specific commitments that the Soviets or anybody else have made to the Arab countries which requires us to put in $1,500,000,000 for each of the next 4 years, a total of $6 billion, into the State of Israel, which is in a far superior position militarily to the Arabs in the judgment of almost anything I know?

General FISH. Two points: The intelligence data you asked for will certainly assist you in understanding what the facts are.

Mr. OBEY. I have already received the intelligence data. I have been briefed by all three departments: State Department, Defense Department and CIA. It suggests nothing of the kind.

FIVE-YEAR PROGRAM

General FISH. I am the wrong witness to try to justify a program for you 5 years out and I defer to the State Department in that regard.

Mr. STERN. There was no firm commitment. I think the Secretary was answering what he expected the levels to be over the next 3 to 5 years. At the moment, looking at his crystal ball, he suggested that they would probably continue at the same level.

Mr. OBEY. If they continue at the same level and if we make the assumption that Israel is already in a far stronger position now than they were in 1973, and they are going to continue to be in a stronger position than their Arab neighbors through the remainder of this decade, then I am asking you this. Assuming that they get everything already in the pipeline now (which a lot of people forget, then I am asking you what is the promise of delivery of an additional $1.5 billion each year for the next 4 years likely to do in the way of destabilizing the situation and leading to an arms race in the area?

General FISH. I don't think we would provide it if it would be destabilizing.

Mr. OBEY. I think we are providing it right now and it is destabilizing right now. I think there are people in the administration who agree.

General FISH. I hope you don't think I am not responsive because I don't agree. We don't think it is destabilizing. Israel is in a particular situation with a well-trained force with very little room to train more.

Mr. OBEY. You are not answering my question. Either Israel is in an inferior position and we have to bring them up to par, and obviously that is not the case, or else, if we are planning to supply $1½ billion each year, we must be doing that in order to keep them abreast of deliveries which we expect from other sources.

General FISH. No; I don't agree with that. The reason I don't agree is that it doesn't have to be a 1-for-1 delivery situation to have the Arabs become stronger. The Arabs can increase their strength by training. Israel can't because it is a well-trained force already. It has to get its edge by additional sophistication of weapons systems.

Mr. OBEY. If they are getting training, that training is provided by somebody. That is going to cost somebody. That is going to be in somebody's foreign aid budget, I presume.

What are we responding to? Are you sitting there telling me you expect Israel to be in a weaker position in 1977 than they are today if we don't supply this money in this budget this year?

General FISH. Yes, sir, very definitely. I think that you made a very good point.

Mr. OBEY. You are the first person I have heard from any department in government say yes to that question.

General FISH. If we don't provide this? I thought the question was if we don't provide it, we expected her to be in a weaker position.

Mr. OBEY. My question to you is: Are you telling me that militarily Israel will be in a worse position in 1977, vis-a-vis the Arabs, than they are today?

General FISH. If we don't provide this money?

Mr. OBEY. Yes.

General FISH. Yes, sir.

Mr. OBEY. And I am telling you you are the first person who has told me that.

General FISH. I think if Israel stopped modernizing its forces——

Mr. OBEY. Nobody is suggesting they stop modernizing their forces. They have a tremendous amount of weaponry still to be delivered under previous appropriations and authorizations.

General FISH. Yes, sir, I recognize that. My point is that we think that this money—and I can't understand how anyone, as you say, would say to the contrary, if this money is needed to maintain the balance in the area and to maintain Israel's present status vis-a-vis the Arabs, without this money it follows in logic that she would be in a worse position vis-a-vis the Arabs than she would be now without it.

Mr. OBEY. Well, I won't pursue it any further.

LATIN AMERICA

Let me ask about Latin America. You mentioned the Cuban threat a while earlier as a response to one of Mr. Koch's questions.

To what degree is Cuba still considered a threat to the security of other Latin American countries in the judgment of the U.S. Government?

General FISH. Well, I can say that Cuba has been, in the past, attempting to export revolution to other parts of the hemisphere.

Mr. OBEY. I am talking about the present.

General FISH. And in the present occasion, I point to Cuba's—you asked me for in this hemisphere?

Mr. OBEY. I am talking about the present and Latin America. I am not talking about Angola.

Mr. STERN. I am not sure you can separate the two. The fact that they are involved in Angola indicates their capability.

Mr. OBEY. I understand the capability. My question is what is your assessment of their performance and do you in fact consider them to be a threat in Latin America?

General FISH. Capabilities can be a threat. That is Mr. Stern's point. You can't deal in intention only. You have to deal with intentions and capabilities. They have the capability to export revolution. They have not only done it periodically in Latin America, but now they are transporting it across the Atlantic to another continent.

CUBAN SUPPORT FOR INSURGENCY

Mr. OBEY. I am trying to get a gage because you brought it up earlier. In Latin America specifically, what is the last instance you can think of in which Cuba was in effect exporting revolution?

General FISH. We did mention the case of Bolivia.

Mr. OBEY. When?

General FISH. In 1967. She has been, in the case of Colombia.

Mr. OBEY. When?

General FISH. I don't have the specific date.

Mr. OBEY. That doesn't answer my question. My question is what is the last occasion?

General FISH. I will have to survey the events and the literature.

Mr. OBEY. If Cuba is regarded as being a significant threat, they must have done something lately which kind of bugs you.

General FISH. I didn't know it was at issue. I thought it was a generally recognized thing, common knowledge. If the Congress questions it, I will be glad to get you information.

Mr. OBEY. I don't want you to read any implication into the question. I want to know what you base your judgment on when you decide whether you are going to make American tax dollars available in the form of military aid in Latin America.

General FISH. I will be glad to address that.

The $4.6 million we asked for for grant materiel assistance to nine countries in Latin America are primarily to maintain our military-to-military influence.

Furthermore, we hope that it will strengthen their forces to a point where it will deter any aggression from neighbors or create a system of weakness that would invite threats from other areas.

SENATOR INOUYE'S REPORT

Mr. OBEY. Let me read a paragraph from last year's Senate reports. You will understand why I bring this up. I am not opposed to military assistance. I think it has a real role to play in a real world as one of you indicated earlier.

My point is no matter what country we ask about, we get the same justification, the same words parroted back to us. That is what is so frustrating to somebody on this side of the table. Let me read from Mr. Inouye's report from last year, page 109:

> The military assistance program creates many of the same problems for the United States as the foreign military sales credit program. It may stimulate regional arms races, encourage certain regions to give undue attention to military as opposed to social humanitarian concerns and link the United States with regimes prone to practices inimical to our concepts of human decency.
>
> On the other hand, the committee recognizes in selected cases the military assistance program is a crucial step in trying to maintain some stability in the international system. What concerns the committee—

And this is what concerns me:

> Is that the bona fide rationale for the military assistance program has been applied so indiscriminately as to cause the U.S. officials to overlook the negative aspects of the program enumerated above.
>
> The committee feels this return has led to unwise decisions to enter into or continue military aid relationships that provide little in return for our investment on behalf of international peace and order.

COUNTRY BY COUNTRY THREAT ANALYSIS

That is why I am asking you to spell out for me on a country-by-country basis, because that is the way it is presented to us, what those threats are. So if my college kids or my farmers or League of Women

Voters say, "Obey, what the hell are you guys doing down in Washington, what are you providing aid to nine Latin American countries for?" I can answer.

General FISH. Sir, that is where you and I are having difficulty. You want to put it in terms of a developed threat. I am saying if a threat does not develop, the program has been successful.

Mr. OBEY. Part of my job is to develop what part of that threat has been real as opposed to theoretical.

General FISH. If we could get over this basic philosophical difference, we could get to the facts.

Mr. OBEY. The basic philosophical difference is what I am trying to bring out.

General FISH. If a threat does not develop, if we have been successful in creating an atmosphere, assisting in creating an atmosphere where a threat does not develop, where the people are sufficiently strong to deter threats but not so strong as to become threats themselves, we have a successful program.

Mr. OBEY. If you can define your case that way, that would be like saying that because there is no problem between Canada and the United States, we ought to be receiving military aid from somebody—that we ought to be receiving military aid for the United States and Canada because we have stayed away from each others borders.

The point is you might or might not be correct.

General FISH. Any argument reduced to the absurd is absurd. I realize that in logic. Military assistance in Western Europe has created a situation where they have been at peace for longer periods.

Mr. OBEY. I am not talking about Western Europe, but Latin America.

General FISH. Latin America hasn't had many eruptions. We have been the predominant influence in the area. The level of violence in the area has been fairly reduced.

Mr. OBEY. I just want to know whether you can give me specific responses. I assume that there must be somewhat differing conditions. I assume if this Congress did what I don't think it should do, if the Congress tried to take it upon itself to determine which countries should get aid, and which countries should not get aid, and if we were to say, "Look, fellows, take your druthers. You have eight countries there; which are the four most important?" I would assume that there are some reasons which are more compelling for providing aid to some of the countries in Latin America than there are for others.

I am simply trying to get some specific idea of what they are. In the case of Bolivia, or in the case of Guatemala, or El Salvador, tell me what the specific reasons are. Tell me if there is or is not any specific threats to their borders or if we are trying to——

General FISH. OK. Why military security assistance to El Salvador? Location is the first, strategic location in the area. We want to maintain favorable military-to-military relationship as a leverage to encourage restoration of normal relations with Honduras.

Assistance in the development of military forces capable of maintaining internal security——

Mr. OBEY. When was the last time war broke out between El Salvador and Honduras?

General FISH. 1969. There is a small U.S.S.R. Communist Party in El Salvador and it is a principal subversive threat. There is very little likelihood it can provide a serious challenge to the Government. We look at these things carefully. The biggest problem down there——

Mr. OBEY. You mentioned two things in the case of El Salvador, including the Communist Party which is a subversive threat. What role does our military aid play in repressing that threat?

General FISH. It doesn't.

Mr. OBEY. Why did you bring it up?

General FISH. You asked what are the threats. I say from their perception. El Salvador has had trouble with Honduras.

Mr. OBEY. What caused us to provide military aid?

General FISH. I listed four reasons, including strategic location and military-to-military relations.

Mr. OBEY. Strategic location is not a threat. I am asking for a threat.

General FISH. Sir, I thought you asked me why military assistance. That is why I am here.

Mr. LONG. He asked you what the threat was.

Mr. OBEY. I will say once more, I want to know what the threat is either domestically or internationally which leads us to supply military aid to somebody.

Honest to God, can't you give me a specific in one case in Latin America? Can't you answer my question once the way I want it answered?

Mr. LONG. Why don't you answer his question, General? Give him the specific threat instead of giving a lot of generalities, like maintaining good relations or strategic location.

General FISH. Let me see if I can understand the question. You are asking me——

Mr. LONG. We know, for example, the threat in Europe. We know the threat is the possibility that Russia will invade Western Europe, take over Berlin and possibly take over much of Europe. That is a specific threat.

Can you give us something similar to that?

Mr. OBEY. I want you to put in the record what the hell it is. I am not saying you might not have very legitimate reasons for all of these. I simply, as a Representative of the public, would like to be able to tell the people I represent what you perceive that threat to be. That is all.

I would like it to be in specific terms in the record so that I might be able to go there once in a while and look at it. I have gotten nothing but generalities from you.

General FISH. Military assistance is not to meet specific threats. You asked the question, "What is the threat—why we need the military assistance?" I say there are other reasons for military assistance besides to meet a specific threat.

Mr. OBEY. I understand that. That is not the question I am asking you. Any idiot knows that. But what I am asking you is this: In ad-

dition to the idea that we just want to maybe buy a few friends, which I happen to think can be legitimate, or maybe in the case of Panama, to keep the good will of the government, fine, I think that can be legitimate too. I want you to put in the record. What is the specific threat?

General FISH. I would be happy to.

Mr. LONG. Will the gentleman yield?

We are going to have this group back again tomorrow.

Mr. OBEY. This is my last question.

Mr. LONG. Mr. Shriver has some more questions and I am wondering whether the gentleman from Wisconsin would find it useful if we would ask these people to come back tomorrow prepared to answer on a country-by-country basis the specifics of exactly why the weapons are being sold and why the military missions are there. Perhaps, staying away from generalities like strategic locations and buying friends and so forth, they could tell us specifically what the threat is, what we are preparing these countries for and what the relation of the particular situation is to the amount of money we are giving them—why it should be twice as much in one country, for example, as it is in another country.

Could you come back tomorrow really armed with some factual information?

Mr. OBEY. The point I want to make is I am not interested in debating with you whether or not there are other reasons besides the specific threat. In addition to the basic fact—that we simply want to have some associations around the world—most specifically in Latin America—I want to be able to say very simply whether the State Department or the Defense Department or anybody else really believes there is a specific military threat in each case where we are providing money to a country to defend itself against. And I want to know whether that threat is perceived as being an across-the-border threat or whether it is perceived to be an internal threat. If it is an internal threat, what is that internal threat and what are our rational responsibilities in that area.

If you aren't prepared to answer these questions in specific terms, then you deserve to have this bill defeated, because people have the right to know what your rationale is.

They don't have to agree with you. I don't have to agree with you on everything to vote for this bill. But I have to become convinced that you have a specific rationale or at least know what it is, that you are able to differentiate between one country where an air program may be of marginal utility and another country where it might be critical. And I will be damned, if, on the basis of what I have heard here today, I can begin to tell which of these aid programs is critical, which is top priority and which would be last on your totem pole if you got cut by 30 percent and had to cut off countries.

Mr. LONG. Would you be able, General, to come back tomorrow with specifics, because I have a great many questions I would like to ask you, country by country?

General FISH. Sir, we will try to be as responsive as our data permits. I don't want to mislead the chairman. The justification for the program is heavily based upon some of the points we have been making here and they are the same country by country, because they are

of that nature, especially when you are dealing with Latin America.

And we go down and say is there a threat and say no, we know of no external threat.

Mr. OBEY. Fine; the point is if we are going to have intelligent public debate in this country about the role of foreign aid, both military and economic—and I happen to think there is a decent role for both—then, by God, you ought to lay everything on the table so it can be discussed with everybody on the same level. That is what the presentations in the two budget cycles since I have been on this committee haven't done.

We have gotten the same generalized BS and it doesn't help anybody defend anything. You are not a politician. I am. I run for reelection and the way I get reelected is by answering questions and if I can't answer questions in a specific way, I don't deserve to be here.

General FISH. We will try to provide you the answers, sir.

Mr. LONG. Dave, would you like to come back and get some specific answers to these questions tomorrow? I don't think the General has been prepared, really.

General FISH. Yes, sir, I have been.

Mr. LONG. If you are prepared today, then you won't be prepared tomorrow. Now will you be any better prepared tomorrow to satisfy this committee?

General FISH. I will hope to satisfy the committee today and tomorrow, sir.

Mr. LONG. Well, you haven't satisfied us today.

General FISH. Some of the questions you are asking there are no answers to.

Mr. LONG. Then say so.

Mr. OBEY. Say so.

General FISH. That is what we tried to say.

Mr. LONG. Let's take country A, no external threat; country B, some internal disorder; country C.

General FISH. We can do that. We would be happy to.

Mr. LONG. On a country-by-country basis, and furthermore, I would like to see you relate the size of your request to something, because in some cases you are asking for millions and in other cases you are asking for a few hundred thousand, and I would like you to be able to relate it proportionately, quanitatively.

General FISH. Yes, sir, we can do that and explain what it is for.

Mr. LONG. We will be loaded with some questions and I hope you are loaded with some answers.

Mr. OBEY. The point is that this committee is simply different from any authorizing committee. In the authorizing committee all they have to do is define policy. We have to defend the allocation of specific resources to specific areas and I would like to have some intelligent reasons presented as to why we are doing it the way we are doing it. I don't think we have gotten them for years.

Mr. LONG. The committee will recess until 1 p.m. tomorrow. We expect you back here tomorrow at 1 p.m., General, and I hope you will come with some better stuff than you had today. That is on the record.

WEDNESDAY, DECEMBER 3, 1975.

Mr. PASSMAN. The committee will come to order.

I believe that Mr. Obey was questioning the witnesses when we recessed the committee for the evening, yesterday.

MILITARY PRIORITIES

I would like to request the General to give some consideration to furnishing this committee a list of priorities on military assistance where we think at some places we have a very positive commitment, particularly in Korea. I think we all agreed that these people have spent fantastic sums with us on a cash basis and the grant is moving down while their cash purchases are moving upward.

But you make that decision. We want, if at all possible, a priority listing. I know this committee very well. It could be that they are going to write a line item bill and they may well remove many of the nations, such as Indonesia, from this bill because they have billions of dollars of surplus in their foreign exchange account and it doesn't make sense for this country to go out and borrow money at 7-percent interest to give to a country with a billion-and-a-half dollars surplus in its foreign exchange account.

Inasmuch as I am on two other subcommittees and there is more work to be done before we go to conference on them, I will ask Mr. Long to chair the committee.

I think in all probability about the most important hearings we will have during the 21 years I have had the privilege of chairing this committee will be those concerning the Sinai package. It is an important request.

Tomorrow at 1 p.m. we will consider the security supporting assistance request. We are going to get a larger committee room because there will be a tremendous amount of interest in this request which includes the economic funding for the Middle East.

MAP FOR POLICE SUPPORT

Mr. PASSMAN. Could you please tell the committee if any of the military assistance funds provided to the various countries are used to support police or prison systems in those countries?

General FISH. No; fiscal year 1976 MAP funds or FMS credits will be used in any country to support police or prison systems.

MAP TO CREDIT SALES

Mr. PASSMAN. Could you tell the committee how many countries are planning to make the transition from military grant assistance to credit sales in fiscal year 1976?

General FISH. Tunisia is making the transition from grant materiel assistance to credit sales in fiscal year 1976. The only MAP funds requested for this country are for supply operations needed to deliver materiel that was funded in prior years.

FOREIGN MILITARY SALES

Mr. PASSMAN. You plan to have a total foreign military sales program of about $10 million in fiscal year 1976, is that correct?

General FISH. The program estimate for fiscal year 1976 is $10,575,015,000 and is composed of estimated purchases under foreign military sales of $9,792,205,000 and estimated deliveries from commercial sales of $728,810,000. Both estimates are very tenuous and could vary considerably since they involve decisions not yet made by foreign governments as well as the United States.

Mr. PASSMAN. Could you tell the committee how that compares to fiscal year 1975, and fiscal year 1974?

General FISH. This compares to a fiscal year 1975 total of $10,112,612,000 and a fiscal year 1974 total of $11,308,805,000.

Mr. PASSMAN. Could you please tell the committee which countries will be the major recipients of these foreign military sales?

General FISH. The countries included in the estimate are: Argentina, Australia, Canada, China (Taiwan), Ethiopia, Germany, Greece, Iran, Israel, Italy, Japan, Jordan, Korea, Kuwait, Netherlands, Saudi Arabia, Spain, Turkey, United Kingdom.

Mr. PASSMAN. Would you please break down the total into cash sales, credit sales and commercial sales?

General FISH. Of the $10.6 billion Foreign Military Sales program estimated for fiscal year 1976, we estimate $.8 million will be commercial sales deliveries, $8.4 billion will be FMS cash sales and $1.4 billion will be credit sales (including payments waived for Israel).

FOREIGN MILITARY COMMERCIAL SALES

Mr. PASSMAN. Could you please explain how the commercial sales items operates?

General FISH. The figures shown in the table on pages 108–110 represent our best estimate of commercial deliveries for all items covered by the International Traffic in Arms Regulation (ITAR). Approval to export these items must be requested by the exporter from the Office of Munitions Control, Department of State, in accordance with the procedures stipulated in the ITAR. These requests are then subjected to an interdepartmental review by the same agencies using the same general criteria as is the case for an item being sold under the FMS program.

Mr. PASSMAN. Is the total that is projected for fiscal year 1976 for foreign military sales the highest it has ever been?

General FISH. No; the fiscal year 1974 Foreign Military Sales program exceeded the estimates for fiscal year 1976.

Mr. PASSMAN. On page 2, I note that you indicate that private financed credits will jump from $616.2 million in fiscal year 1975 to $1,455.2 million in fiscal year 1976. Do you think you will be able to obtain this large increase in privately financed credits?

General FISH. We expect to obtain all guaranteed financing required in fiscal year 1976. The primary source of financing is anticipated to be the Federal Financing Bank (FFB).

Mr. PASSMAN. The reason I ask this question is that a few years ago you indicated that you were having trouble finding private sources of credit. Is that not the case anymore?

General FISH. That is no longer the case because the Federal Financing Bank now is the primary source of funds for those loans which are guaranteed by the DOD.

Mr. PASSMAN. Do you coordinate the cash, credit, and commercial sales program in order to provide some control over the total operation?

General FISH. Overall control of cash, credit and commercial sales of military equipment and services is maintained by the Department of State. Interdepartmental approval for such sales is obtained from the appropriate U.S. Government agencies, using the same general criteria, regardless of the method whereby the sale is to be made.

Mr. PASSMAN. Does the Department of Defense review all the cash sales?

General FISH. All cash sales proposed under the Foreign Military Sales program are reviewed within the Department of Defense prior to their actually being made.

Mr. PASSMAN. How are you able to determine what commercial sales will be made in each year so this aspect of military sales can be considered when reviewing country programs?

General FISH. The estimates included in the congressional presentation document are based on our best estimates of country requirements and the likely method the country will use to procure those requirements. However, we cannot be sure what method a foreign government will choose to utilize to make their purchase, whether by direct commercial purchase, or by means of the FMS program.

Mr. PASSMAN. Does the Department of Defense get involved in any way whatsoever in the commercial sales operation?

General FISH. Commercial sales are controlled through the Office of Munitions Control in the Department of State, which obtains interdepartmental approval from the appropriate agencies. This includes the Department of Defense, which reviews such requests from the point of view of technology transfer and overall military impact.

Mr. PASSMAN. Are all the cash sales, credit sales and commercial sales required to obtain an export license for the commodities?

General FISH. Whenever an export shipment subject to international traffic in armaments regulations is made by commercial means, an export license must be obtained regardless of whether the sale is made via FMS cash or credit or as a direct commercial transaction. Only when shipment is made by the U.S. Government itself is this requirement waived.

FMCS

Mr. PASSMAN. Could you please tell the committee what outstanding balance you have presently in your military credit sales program?

Geueral FISH. The outstanding balance of unexpended foreign military credit sales funds at October 31, 1975 was $476.8 million, excluding those unexpended credit funds applicable to loans that are to be forgiven pursuant to the Emergency Security Assistance Act of 1973 and the Foreign Assistance Act of 1974. Unexpended credit funds applicable to loans that are to be forgiven totaled $119.7 million at October 31, 1975.

Mr. PASSMAN. Could you please tell the committee what the total credit sales program has amounted to on a cumulative basis since the beginning of the program?

General FISH. Cumulative foreign military sales credits as of June 30, 1975 was $5.8 billion.

CASH SALES

Mr. PASSMAN. Please also tell the committee what the total cash sales have amounted to since the inception of the cash sales program.

General FISH. The total cash sales from inception have amounted to $39.1 billion as of June 30, 1975.

FMCS

Mr. PASSMAN. When the credits are paid back to the United States, isn't this money plus interest returned to the U.S. Treasury?

General FISH. Yes; repayments of principal and interest applicable to foreign military credit sales agreements are deposited in the U.S. Treasury. Specifically, principal and interest repayments applicable to loans made during fiscal year 1969 or after are deposited to (1) Treasury Account No. 2968, "Repayment on Loans, Foreign Military Credit Sales," and (2) Treasury Account No. 1468, "Interest on Foreign Military Credit Sales." Principal and interest repayments applicable to loans made during fiscal year 1968 or prior are deposited into Treasury Account No. 4117, "Liquidation of Foreign Military Sales Fund—Executive."

Mr. PASSMAN. Have you had any bad debt experience in the credit sales program?

General FISH. The foreign military credit sales program has never had a bad debt. There has never been an instance where a loan to foreign countries for the purchase of defense articles or services was written off the records of the Department of Defense. Occasionally, certain foreign countries fall behind in their principal repayments; however, these instances are generally the result of misrouted payments, confusion over billings, or bureaucratic redtape within the foreign governments. Historically, late payments have always been recovered as well as related interest charges that are assessed on such payments.

Mr. PASSMAN. What are the average terms of the credit sales, and also the interest rates?

General FISH. The average interest rate being charged by the Department of Defense to borrowers on loans that were active during fiscal year 1975 was 5.9 percent, the average maturity of these loans was 8.9 years, and the average amount of the loans was $27.5 million. These averages apply to loans that were made as far back as 1964. More current terms applicable to foreign military sales credits made during fiscal year 1975 are: average interest rate of 7.25 percent, average loan maturity of 10 years, and average loaned amount of $11.2 million.

Mr. PASSMAN. Are any countries receiving concessionary interest rates at the present time or in the past?

General FISH. Yes, sir.

Mr. PASSMAN. If so, would you please tell the committee what countries these are, the terms, and the interest rates?

General FISH. Countries receiving concessionary interest rates applicable to loans made pursuant to the foreign military sales credit program are as follows:

Foreign country	Date of loan	Amount (millions)	Terms of loan	
			Interest rate (percent)	Maturity date
China	Aug. 18, 1972	$3.0	5.500	June 30, 1980
Do	do	10.7	6.000	June 30, 1983
Ethiopia	June 20, 1974	11.0	5.000	Jan. 1, 1984
Do	June 27, 1975	25.0	5.000	June 30, 1985
Greece	Mar. 29, 1972	35.0	4.875	Oct. 15, 1982
Do	Aug. 16, 1972	35.0	4.875	Jan. 1, 1983
Israel	Mar. 31, 1972	150.0	3.000	Mar. 31, 1982
Do	Feb. 23, 1971	350.0	3.000	Oct. 15, 1995
Do	June 13, 1974	682.7	3.000	Jan. 1, 1995
Jordan	May 18, 1972	10.0	3.000	July 1, 1982
Korea	Aug. 18, 1972	15.0	6.000	June 30, 1983
Malaysia	do	10.0	6.000	Dec. 31, 1981
Turkey	Feb. 28, 1974	75.0	4.875	July 1, 1983
Do	June 23, 1972	15.0	4.875	July 1, 1982
Do	Aug. 10, 1972	20.0	4.875	Do.
Do	Nov. 29, 1974	40.0	4.875	Jan. 1, 1984

HUMAN RIGHTS

Mr. PASSMAN. Under section 502(b) of the Foreign Assistance Act of 1961, as amended, there was a requirement that stated that except in extraordinary circumstances, security assistance should be substantially reduced or eliminated in the case of any government found to engage in a consistent pattern of gross violations of internationally recognized human rights. Could you tell the committee if any military assistance or military credit sales programs have been substantially reduced in light of the requirement of the section?

General FISH. No; however, this is a most complex problem. We must weigh a number of factors. While we must weigh the domestic performance of foreign governments in relation to their history and their development, we must also assess their performance in relation to the threats they face. In particular we need to appreciate the desires and concerns of countries who adjoin powerful, hostile, and irreconciliable totalitarian regimes. In many countries, whatever their internal problems, the people are together in seeking our help and protection against outside aggression.

We have not yet been able to develop fully satisfactory answers to these complex questions, and have learned to distrust simple solutions, in any case. The critical question is what are the most effective means for promoting respect for human rights throughout the world. There are many possibilities. We are attempting to refocus educational and cultural exchange programs to support the goal of improved attitudes toward human rights and better human rights performance. The AID program is being given a new orientation to increase its capacity as an element in our human rights strategy. We have just solicited the views of our missions in the field to help us get a better understanding of the role our AID programs have played in the past in support of human rights and what future emphasis we need to put on this valuable tool.

But bilateral diplomacy remains the basic weapon for promotion of human rights. New priorities have recently been put on the effort to persuade our bilateral partners who have human rights problems that repressive practices are short-sighted politically and unhelpful in terms of mutual understanding, cooperation and support. This requires deft diplomacy of the highest order. We have to retain contact and influence and yet try to persuade governments who feel fiercely besieged that they are following wrong and self-defeating policies to achieve the security they long for.

We have sought to utilize international action in multinational fora, where possible, to reinforce our bilateral diplomacy. We shall do most of this because it is clear that few countries wish to bear the opprobrium of international condemnation for oppressive human rights practices.

NEW STARTS IN TRANSITION PERIOD

Mr. PASSMAN. General Fish, you list transition expenses for the military assistance program, the training program, and also the foreign military credit sales program. Could you tell the committee if you plan to start any new activities or projects during the transition quarter?

General FISH. Mr. Passman, the transitional quarter request is designed simply to continue implementation of prior year programs for an additional 3-month period; no new activities, projects or initiatives are planned in this quarter. For example, no MAP funds will be used for any new procurements during the transitional quarter; only supply operations and general costs will be continued .

FMCS AND MAP PIPELINE

Mr. PASSMAN. Could you please tell the committee how old the funds are that are carried in the military assistance and the military credit sales program pipeline?

General FISH. At September 30, 1975, the military assistance pipeline was $956.5 million. This figure represents the gross unpaid obligations/reservations at that time. The schedule below shows the fiscal year during which the funds were originally obligated.

Fiscal year—	*Amount*
1970 and prior	$5.7
1971	44.4
1972	41.1
1973	100.2
1974	436.2
1975	297.3
1976	31.7
Total	956.5

It should be noted that funds appropriated for military assistance under the authority of the Foreign Assistance Act of 1961, as amended, including specified amounts of unobligated balances and funds consolidated with any such appropriation, are to be maintained in one account which shall be used for all transactions involving military assistance.

Legally, therefore, all funds earmarked for the military assistance pipeline are considered current-year funds.

As of October 30, 1975, the military credits sales pipeline was $476.8 million. This amount represents unexpended credit funds applicable to all Department of Defense loan agreements except for $119.7 million applicable to loans that are to be forgiven pursuant to the Emergency Security Assistance Act of 1973 and the Foreign Assistance Act of 1974. The schedule below shows the fiscal year during which the credit funds were originally obligated.

	Fiscal year 1970 and prior	Fiscal year— 1971	1972	1973	1974	1975	Total
Standard loans	$39.2	$28.5	$41.1	$39.7	$285.7	$42.6	$476.8
Forgiveness loans	0	0	0	0	52.0	67.7	119.7

Mr. PASSMAN. Is there any time restriction on how long these funds can be carried as an unexpended balance?

General FISH. No sir, unexpended balances of funds obligated in prior years will remain in this status until related obligations are liquidated.

COST OF R. & D.

Mr. PASSMAN. When an article of equipment is developed only for foreign use, could you tell the committee who pays for the research and development cost of this particular article?

General FISH. Normally, the Department of Defense does not develop articles for sole use by a foreign government. In those few cases where this has occurred, the foreign country is charged the full development costs as part of the sales case, or MAP funds are charged if a grant of research and development is involved.

RECOUPMENT OF R. & D. COSTS

Mr. PASSMAN. Is the research and development cost financed by the Department of Defense and then they are reimbursed by putting the R. & D. cost into the total price of the article?

General FISH. Research and development costs for weapon systems planned for U.S. forces are initially financed by the Department of Defense. If these weapon systems are sold through FMS procedures or by the manufacturer through direct commercial sales, the buyer does pay an appropriate share of R. & D. costs for each article. These R. & D. costs are included in the sales price.

Mr. PASSMAN. How much is in the Department of Defense budget to develop equipment for foreign countries for fiscal year 1976?

General FISH. Where foreign govrenments have expressed an interest in purchasing DOD weapons currently under development (for example, F–16), they are assessed a pro rata share of the R. & D. development costs and in addition contribute funds for the adaptation of the equipment for their particular needs. These funds are reflected in the "reimbursable program" portion of the Defense budget.

It is the policy of the Department of Defense to utilize research and development resources only for U.S.-related efforts. We have

participated over the years in a variety of joint efforts with other nations, such as the NATO PHM, but the DOD budget has not directly funded research and development for foreign governments.

Mr. PASSMAN. Does the Department of Defense receive reimbursement back in every instance when they develop articles for foreign use?

General FISH. Normally, the Department of Defense does not develop articles for sole use by a foreign government. However, if research and development expenditures have been made for defense equipment sold to a foreign country, appropriate recoupment charges are included in the sales case.

EQUIPMENT LOSS IN SEA

Mr. PASSMAN. Could you please tell the committee how much U.S. equipment was lost in Southeast Asia when that part of the world fell to the Communists?

General FISH. With the fall of Indochina, the Communists came into possession of a vast quantity of American supplied arms and military materiel, with an estimated acquisition cost of $6 billion. The types of equipment are arrayed below:

[The classified information was supplied to the committee.]

Mr. PASSMAN. Was most of the equipment that was lost able to be reused by the Communist forces?

General FISH. Some of the items are undoubtedly nonoperational because of battle damage, lack of parts, or other reasons. Additionally, virtually all of the equipment has undoubtedly deteriorated considerably since its seizure.

DEOBLIGATION OF FUNDS FOR SEA

Mr. PASSMAN. Could you please tell the committee how much military assistance funds and foreign military credit sales funds were deobligated due to the fall of Southeast Asia?

General FISH. As of October 31, 1975, the Department of Defense had deobligated $70,530,427 of funds provided under the "Military Assistance, South Vietnamese Forces" appropriation. There were no foreign military credit sales funds obligated for the Southeast Asia countries that fell; therefore, no credit funds were deobligated. As of November 10, 1975, $3,054,000 of military assistance funds for Cambodia and Laos had been deobligated.

Mr. PASSMAN. Are these deobligated funds returned to the U.S. Treasury?

General FISH. To date, the U.S. Treasury has withdrawn $29,053,843 of the $70,530,427 in deobligated funds applicable to the military assistance, South Vietnamese forces, appropriation. The amount withdrawn represented the balance of deobligated funds at June 30, 1975. Since June 30, 1975, we have deobligated an additional $41,476,584. MAP funds which are recouped remain available for military assistance purposes.

MAP AND FMCS PERSONNEL

Mr. PASSMAN. Could you please provide for the record a table showing the number of people assigned by country to administer the

military assistance and the foreign military credit sales programs, and indicate what the operating expenses are for each of these countries?

General FISH. Shown on the attached table are the number of U.S. personnel authorized for assignment to MAAG's and similar organizations in fiscal year 1976. Assigned personnel manage, monitor, and administer various facets of the security assistance program including military assistance, foreign military credit sales and credit guaranties, foreign military cash sales, and implementation of the foreign military training program. Shown also are estimated costs to the United States. Total costs will be reduced by approximately $4.5 million in contributed currency paid by the host countries directly to the U.S. Treasury. Cost figures do not take into account the goods, services, and facilities made available, as assistance-in-kind at no cost to the U.S. Government, by the host government. The host country contribution for this support is estimated to be $12.1 million in fiscal year 1976.

Country	Authorized U.S. personnel	Estimated operating costs (thousands)
Austria	2	$81.5
Belgium	8	552.7
Denmark	8	476.6
Ethiopia	50	3,379.9
France	7	516.3
Germany	27	1,630.6
Greece	36	1,858.0
Iran	209	3,277.2
Italy	13	839.5
Jordan	11	497.0
Kuwait	9	490.7
Liberia	9	878.1
Morocco	21	824.7
Netherlands	9	456.9
Nigeria	2	121.9
Norway	7	402.0
Portugal	14	489.9
Saudi Arabia	150	4,417.0
Spain	37	1,160.2
Tunisia	10	530.2
Turkey	135	4,835.0
United Kingdom	3	95.2
Zaire	10	746.5
Australia	3	84.1
China (Taiwan)	48	1,697.8
India	5	337.2
Indonesia	61	2,440.7
Japan	12	578.2
Korea	199	6,542.4
Malaysia	1	25.2
Pakistan	9	410.8
Philippines	48	1,911.6
Singapore	1	24.7
Thailand	173	5,158.6
Argentina	28	1,633.8
Bolivia	31	1,548.5
Brazil	33	2,945.9
Chile	15	867.8
Colombia	23	1,006.7
Costa Rica	2	119.0
Dominican Republic	8	420.5
Ecuador	9	313.3
El Salvador	10	492.6
Guatemala	15	764.8
Honduras	11	507.0
Mexico	1	24.1
Nicaragua	15	580.2
Panama	10	422.8
Paraguay	14	693.5
Peru	7	304.8
Uruguay	13	761.2
Venezuela	30	1,327.1

MAP OWNED MATERIAL

Mr. PASSMAN. In an Inspector General's report dated October 8, 1975, it was concluded that minimal attention has been given to the management of the military assistance program-owned materiel account in recent years. It states there was no central point of activity within the Defense Security Assistance Agency responsible for analyzing, controlling, and coordinating the military assistance program-owned materiel transactions. It indicated that the Defense Security Assistance Agency did not independently determine whether these assets were being properly stored, maintained, and safeguarded by the military departments, or whether there had been any unauthorized or improper use made of these assets. In fact, it indicated that the program balance of $28 million was overstated by about $8.4 million. Could you please tell the committee how this situation came about and what has been done to correct this operation?

General FISH. Military assistance program-owned materiel account has been reviewed and the account is being adjusted to record transactions made to the account. A central point has been designated within Defense Security Assistance Agency for this account. An inventory of the account has been undertaken and appropriate adjustments are being made to reflect the items stored for the Defense Security Assistance Agency by the military departments. The annual review, which had not been performed, will be directed by the Defense Security Assistance Agency to be accomplished on an annual basis.

SHIP LOAN PROGRAM

Mr. PASSMAN. Do you plan to make any ship loans to foreign countries in fiscal year 1976?

a. Could you please list for the record the country that will receive these ship loans, the type of ship that will be loaned to them, and the total cost of the ship transfer?

b. Could you please explain to the committee how the ship loan program operates?

c. According to a General Accounting Office report dated June 25, 1974, the Department of Defense has not included the total cost for repairs and overhauls, which should be paid either by the recipient country or from military assistance funds. Could you please tell the committee what costs the Department of Defense incurs on these ship loan transfers, and why they aren't reimbursed from either the military assistance program or the recipient country?

d. Could you please estimate for the committee what an annual cost would be to administer the ship loan program by the Department of Defense for which they are not reimbursed?

General FISH. Currently, there are no plans to make any ship loans to any foreign country in fiscal year 1976. In the past, the DOD has loaned or leased ships to foreign countries. Ship loans were made on a government-to-government basis either under authority of section 503 of the FAA, as amended, or under authority of special legislation if the lessor were not eligible under the FAA. Ship leases were made on a navy-to-navy basis under authority of title 10, United States

Code 2667. In keeping with a 1972 policy decision by the Departments of Defense and State, recipient countries of loaned or leased ships are being encouraged to purchase the loaned or leased vessels upon termination of the loan or lease, and all ship transfers are now conducted on a sales basis under authority of the Foreign Military Sales Act. If the ship proposed for sale is less than 20 years old or if it is over 2,000 tons, special legislation also is required to consummate the sale. All repair and overhaul costs incurred for purposes of ship sales are reimbursed by the purchaser as well as payment of the standard 2 percent charge for administrative expenses involved in the sales.

SECTION 514 OF FAA

Mr. PASSMAN. I notice in the authorization that was submitted to Congress that you are planning to revise section 514 of the Foreign Assistance Act which deals with the stockpiling of defense articles for foreign countries. Could you please tell the committee why you want to revise this section?

General FISH. The overall Defense Department war reserve planning process essentially considers hypothetical wartime scenarios defined for specific theaters where the U.S. national interest might require us to support military operations in the future. It is almost impossible to envision a situation where U.S. combat forces would be fighing alone; therefore, some of those planning scenarios assume that the United States would be providing logistic and materiel support to certain Allied forces as well as its own. The planners compute the total United States and Allied combat consumption of such items as munitions and spare parts over time and compare that consumption projection with our ability to expand production deliveries to the combat theater after war started. This process, which I have greatly simplified in my description, leads to a total United States and allied war reserve inventory objective—that is, the inventory that would have to be on hand on the day that hypothetical war started in order for us to support the combined United States and Allied combat consumption. The Defense Department then sets a target date several years in the future for attaining the inventory objectives and defines the multiyear procurement programs necessary to attain them by then. Thus, Defense war reserve procurement programs are designed to attain composite United States/allied inventory objectives within a reasonable time period. Normally no effort is made to identify a portion of a specific years' procurement as being for possible allied use as opposed to U.S. use. There are of course exceptions in the case of items that are unique to the Allies. So far, we have not included our NATO allies' war reserve requirements in U.S. defense planning, because they have adequate economic and industrial resources to buy their own war reserves. However, in the future we may wish to procure stocks for certain NATO allies in return for their assuming a larger share of some other part of the total NATO defense burden. Authority to enter into such quid pro quos with the NATO allies is essential to our attempts to rationalize and standardize the overall NATO defense posture.

Let me emphasize once more that what the administration seeks is the authority for the Defense Department to plan realistically and

to acquire and maintain war reserve inventories that would permit us to provide materiel support to an ally in the future without having to take stocks from the U.S. combat forces and thereby degrade their readiness. Congress would retain the control—through the authorizing mechanisms of the foreign military sales and military assistance legislation—over the transfer of title of any materiel from the U.S. inventory to a foreign nation.

Mr. PASSMAN. Could you please explain briefly how this operation functions?

General FISH. The mechanics of U.S. service war reserve procurement planning process are essentially these:

A target date in the future is specified both as an "as of" date for computing a war reserve inventory objective (I/O), and as the point by which funds are to be programed to attain that I/O.

A hypothetical planning scenario is postulated; this scenario in effect estimates the number, magnitudes, sequence, and timing of the combat contingency that the I/O (once attained) plus wartime production build-up capability are to be designed to support.

The total United States and Allied combat consumption rate as a function of time for each war reserve munition, equipment, or combat consumable supply item, is derived from the postulated scenario.

The maximum rate of wartime acceleration of U.S. production capability is computed or estimated for each war reserve item.

The combined United States/Allied I/O for the target date is computed as essentially the sum of:

The gap betwen the combat consumption requirement and wartime production capability through the time where production rates could expand to match consumption rates.

Stocks needed to fill a pipeline from the United States to the combat theater(s).

Other stocks which must be protected for potential use in areas assumed to remain at peace in the planning scenario—for example, NATO.

Current total United States and Allied assets of each item are computed; this includes an estimate of all Ally-owned assets, whether acquired via local manufacture, FMS, MAP, or MASF.

The difference between the I/O at the target data and total assets currently in inventory represents additions that must be made to inventory between now and the target date.

The procurement program must then be adequate to accomplish this inventory increase, plus provide assets to satisfy any anticipated consumption between now and the target date. This materiel is and will be retained under U.S. title and control; the vast majority of the materiel will be stored in the continental United States (Conus). It could be used by U.S. forces or Allied forces if necessary or desirable. Under these conditions, war reserve stocks, Allies (WRSA) would enhance U.S. force capabilities.

Mr. PASSMAN. Would you please also estimate what the annual cost would be to maintain these war reserve materiels for foreign countries?

General FISH. In general the U.S. war reserve stockpile is an integrated stockpile. We do not normally segregate or separately account for specific portions of that stockpile that might be transferred to a

foreign country in event of an emergency. Such transfer would only be taken after necessary executive department decision and with the required congressional authorization.

Mr. PASSMAN. I would assume all of these costs are born by the Department of Defense and not reimbursed from military assistance program, is that correct.

General FISH. Yes, that is correct.

MAP/FMS PROGRAM EQUIPMENT LIST

Mr. PASSMAN. Could you please list for the record the unit cost for the major items of equipment you plan to provide to foreign countries in fiscal year 1976 (such as F–5's, F–4's, F–15's, C–130's, any other major airplanes or helicopters, M–60 tanks, and any other type of major equipment)?

General FISH. Yes. Following is a list showing the unit cost of major items of equipment in the fiscal year 1976 MAP or FMS program.

Item	*Unit cost*
Aircraft fighter RF–4E	5, 705, 000
Aircraft fighter F–5B	1, 500, 000
Aircraft fighter F–5E	2, 278, 000
Aircraft fighter F–5F	3, 134, 000
Aircraft cargo C–130E	4, 273, 000
Aircraft trainer T–41D	30, 000
Helicopter OH–58	240, 500
Helicopter SH–3D	1, 081, 300
Helicopter UH–1H	449, 638
TOW missile surface attack	3, 953
TOW missile practice	3, 764
Sidewinder missile	10, 575
Mineplanter	1, 900, 000
Patrol boat, river	172, 000
Patrol boat 65 feet	900, 000
Landing craft vehicle personnel	80, 000
Carrier personnel, armored M577A1	89, 481
Carrier personnel, armored M113A1	83, 447
Howitzer SP 155MM M109A1	231, 856
Howitzer SP FT 8 In M110	278, 356
Medium tank M48	82, 015
Recovery vehicle M578	185, 074
Recovery vehicle M88	169, 410
Howitzer towed 105MM	17, 004
Teletype set AN/GRC–142	33, 996
Radio set AN/MRC–108	57, 200
Tractor, MED	58, 232
Tractor, FT	38, 161
Grader motorized 12 feet	38, 203
Loader	51, 234
Crane truck-mounted, 20 ton	80, 891
Fire truck	132, 870

These are estimated prices which are subject to change. Actual prices charged will be based on contract cost for procurement items and/or standard prices in effect at the time an inventory item is dropped from accountability.

RESUMPTION OF FMCS

Mr. PASSMAN. On page 3 I note you plan to start a foreign military credit sales program in Colombia, Ecuador, Mexico, and Venezuela

and these countries have not been part of the foreign military credit sales program for the past several years. Could you please tell the committee why you are starting a program for these countries in fiscal year 1976?

General FISH. We are not starting new foreign military credit sales programs for any of these countries. Colombia did not accept foreign military credit sales in fiscal year 1975 so that submitting Colombia for a 1976 foreign military credit sales program is merely a renewal of a program that was temporarily interrupted for internal Colombian bureaucratic reasons. Ecuador had been suspended from participation in the foreign sales program as a result of the mandatory suspension due to its seizure of U.S. fishing boats. A presidential waiver of this mandatory suspension was made in mid-1975 and as a result Ecuador has again been programed for foreign military credit sales. Mexico has always been included in the foreign military credit sales program; however, it should be noted that she has never used the credits granted and they have always been returned to the United States for use elsewhere. Venezuela has always been a participant in the foreign military sales program, but did not sign an agreement in 1975 since Caracas feels the venue clause violates Venezuelan constitutional requirements.

Mr. PASSMAN. Do you plan to request any funds in fiscal year 1976 for Chile?

General FISH. No; we do not plan to request funds for either foreign military sales nor for the military assistance program.

STUDENT COST FOR TRAINING

Mr. PASSMAN. Could you please tell the committee what the average cost is per student for training?

General FISH. For this fiscal year we have planned training for 5,856 students at a total student training cost of $21,641,000, for an average cost of $3,696 per student.

EXCESS DEFENSE ARTICLES

Mr. PASSMAN. Could you please tell the committee where the overseas excess defense articles are being supplied from?

General FISH. Excess defense articles are being supplied from excesses generated by U.S. bases located in Europe and from recovered Indochina material.

Mr. PASSMAN. Could you please tell the committee what type of equipment will be supplied from these excess defense articles in fiscal year 1976?

General FISH. The types of equipment that will be supplied from excess defense articles in fiscal year 1976 are aircraft, vehicles, barges, personnel carriers, communications equipment, ammunition, construction type equipment, truck fork lift, generators, and repair parts.

Mr. PASSMAN. In fiscal year 1976 you indicate that the excess defense articles program will amount to $281.2 million, and in fiscal year 1975 this program only totaled $29.2 million. Could you please tell the committee why you are increasing this program by such a large amount in fiscal year 1976?

General FISH. The fiscal year 1976 excess defense articles program figure of $281.2 million is based upon:

1. Possible change in fiscal year 1976 legislation to eliminate the MAP charge for excess defense articles not located abroad This would encourage the acceptance of more excess defense articles.

2. The value of all inventories of DOD excess defense articles is reported as $12.4 billion.

3. The value of known recovered Indochina equipment was $260 million. It was anticipated that many of the items would be accepted by countries when the equipment was offered as excess defense articles.

Mr. PASSMAN. You indicate that the excess defense articles are valued by acquisition cost. Could you tell the committee if this is the original acquisition cost adjusted for depreciation or how do you arrive at this cost?

General FISH. The acquisition cost is the MASL standard inventory price which is normally higher than the original cost of the equipment to the United States.

Mr. PASSMAN. Isn't it true that the acquisition cost kind of overstates the value of this equipment since the equipment could be several years old?

General FISH. Yes; the acquisition cost does overstate the value of excess equipment, since most of the items require repair/rehabilitation by the recipient country.

Mr. PASSMAN. Could you tell the committee if all the excess defense articles are used equipment, or is some of this equipment brand new?

General FISH. The vast majority of equipment declared as excess defense articles has been used. Ammunition is an example of an item that is not used.

Mr. PASSMAN. Could you please tell the committee what percentage of the excess defense articles are new and used?

General FISH. Less than 1 percent of excess defense equipment is new; the remainder is used.

Mr. PASSMAN. According to an Inspector General's report dated April 30, 1975, it was indicated that the demilitarization of excess foreign property in some instances has resulted in waste because the scrap value of certain equipment was much less than could be received by selling the equipment to a private organization for use in the United States. Do you have any estimate of how much the United States has lost because of these demilitarization requirements?

General FISH. It is estimated that about $2 million has been lost.

Mr. PASSMAN. Could you please tell the committee what has been done to modify these requirements so that the United States may recoup additional funds from the sale of these articles?

General FISH. The Defense Disposal Manual and the Defense Demilitarization Manuel change will permit the purchase of disposal equipment by U.S. nationals or U.S. entities for import into the United States.

PURCHASE OF OIL OR OIL PRODUCTS

Mr. PASSMAN. Could you tell the committee if any funds requested for military assistance or military credit sales in fiscal year 1976 will be used to purchase oil or oil products for any country. If so, please list the country and the amount to be supplied for this purpose.

General FISH. None of the military assistance funds requested for fiscal year 1976 will be used to purchase oil or oil products. Under military credit sales, only Israel may use credit in payment for specialized lubricants.

Mr. PASSMAN. Will any of the pipeline funds available be used for the same purpose?

General FISH. Petroleum, oil and lubricant products valued at $376,000 are in the pipeline for five countries—Ethiopia, Israel, Jordan, Korea, and Thailand. These are for specialized lubricants not fuel requirements.

BASE RIGHTS AND MAP/FMOS

Mr. PASSMAN. General Fish, could you please provide a table for the record showing the countries which are scheduled to receive military assistance and/or military credit sales in fiscal year 1976 with which the United States has base rights agreements or any other quid pro quo agreements or firm understandings such as agreements to provide aid for certain raw materials or natural resources indicating the name of each country with the amount of such aid estimated to be received in fiscal year 1976 and the type of agreement and understanding we have with each country.

General FISH. Mr. Passman, in response to your request, I would like to submit a table for the record:

[The table follows:]

[In thousands of dollars]

Country	MAP grant aid	MAP training	FMS credit	Basic operating type agreement or understanding
China (Taiwan)	900	500	80,000	1954 Mutual Defense Treaty (TIAS 3178).
Korea	74,000	2,700	126,000	1954 Mutual Defense Treaty (TIAS 3097).
Philippines	19,600	750	17,400	1952 Mutual Defense Treaty (TIAS 2529). 1947 military bases in the Philippines (TIAS 1775). Supplemented by numerous implementing arrangements.
Thailand	28,300	1,750	36,700	1950 Military Assistance Agreement (TIAS 2434). Facilities arrangements under negotiation.
Greece	50,000	800	110,000	1953 military facilities in Greece (TIAS 2868).
Portugal	300	1,025		1951 agreement for use of facilities in the Azores, supplementing agreements (TIAS 3087, 3950, 7254).
Spain [1]	200	725		1970 Agreement of Friendship and Cooperation (TIAS 6924). Renewal under negotiation. 1970 agreement on use of military facilities in Spain (TIAS 6977).
Turkey	75,000	1,800	130,000	1969 defense cooperation (TIAS 4191). Under renegotiation. Several related assistance agreements.

[1] The amounts for Spain reflect requirements for continuation of prior years' programs. Separate request to be submitted subsequently to reflect results of negotiations.

PARTICIPANTS IN 1973 MIDEAST HOSTILITIES

Mr. PASSMAN. Also provide a table showing the countries which participated in the October 1973 Middle East hostilities and the amounts each of these countries are estimated to receive in fiscal year 1976 in U.S. military assistance or credit sales funds:

General FISH. Those countries which participated in the October 1973 Middle East hostilities are listed below along with their fiscal year 1976 MAP and FMS credit levels:

[In thousands of dollars]

	MAP	FMS credit
		0
Algeria	0	0
Egypt	0	0
Iraq	0	[1] 1,500,000
Israel	100,000	75,000
Jordan	0	30,000
Morocco	0	0
Saudi Arabia	0	0
Sudan	0	0
Syria	[2] 200	15,000
Tunisia		

[1] $750,000,000 to be nonreimbursable financing.
[2] Supply operation costs only.

MAP AND FMCS TO OIL EXPORTING COUNTRIES

Mr. PASSMAN. Please provide for the record a table showing the countries which export petroleum and the amounts each of these countries are estimated to receive in fiscal year 1976 in U.S. military assistance or credit sales funds.

General FISH. The following is a list of petroleum-exporting countries for which grant military assistance or foreign military sales credits have been proposed for fiscal year 1976. The type of proposed assistance and amounts are shown as well:

[In millions of dollars]

	Grant MAP	Training	FMS credit
Ecuador	0	1.0	10.0
Mexico	0	.1	5.0
Venezuela	0	.8	16.0
Tunisia	[1] 0.2	.4	15.0
Indonesia	19.4	2.0	23.1
Malaysia		.3	15.0

[1] Denotes supply operations costs only.

SUSPENSION OF MILITARY ASSISTANCE

Mr. PASSMAN. Could you please provide a list for the record showing countries you have suspended military assistance to for the past 5 years and the reason for this suspension?

General FISH. During the past 5 years we have suspended military assistance to the following:

Laos, Cambodia, and Vietnam were suspended and terminated when the governments we were supporting in those countries became nonviable entities. ———.

Turkey was totally suspended over the Cyprus incident and subsequently partially restored by Public Law 94–104 dated October 6, 1975.

Ecuador, Peru, Panama, and Brazil were suspended during the period due to interdiction of U.S. commercial fishing boats operating off the coast of Central and South America. ———.

Chile was suspended during the period by section 25 of the FAA of 1974.

Sudan was suspended on a political basis after the country released convicted killers of U.S. personnel.

India and Pakistan were suspended for the shipment of lethal items during the period as result of hostilities between the two.

EXPENDITURE OF FUNDS IN UNITED STATES

Mr. PASSMAN. Are all the funds appropriated for military assistance and foreign military credit sales spent in the United States?

General FISH. Other than the following, fiscal year 1976 military assistance funds are programed for expenditure in the United States: MAAG and Mission estimated expenses of $3.5 million for rents, utilities, and local national salaries; estimated repair and support of MAP equipment—$1.5 million; and overseas training estimated at $4.5 million which includes $3.7 million for training of Latin American students in Canal Zone schools.

SHIPMENT ON U.S. CARRIERS

Mr. PASSMAN. Are all the goods that are purchased in the United States required to be shipped on U.S. carriers?

General FISH. The marine transportation policy is that all defense articles, the purchase of which is financed under FMS credits extended or guaranteed by the U.S. Government, shall be transported in vessels of U.S. registry. Countries may request waivers of up to 50 percent of that amount; the Defense Security Assistance Agency may grant such waivers after effecting coordination with the Maritime Administration. All MAP grant aid is transported by U.S. carriers. On FMS cash purchases we encourage use of U.S. carriers, but there is no mandatory requirement that U.S. carriers be used.

EXCESS DEFENSE ARTICLES

Mr. PASSMAN. Is it true that if you were denied the right to allocate excess equipment to the recipient nations around the world under the military assistance program, the equipment would have to be declared surplus and sold for scrap because you could not sell it to civilians?

General FISH. Yes. The declared surplus materiel would be transferred to the Property Disposal Office for sale, or demilitarized for sale as scrap.

TOTAL MAP COUNTRIES

Mr. PASSMAN. Are you planning to add or delete any military assistance countries in fiscal year 1976, and if so, what are those countries? What will be the total countries you will have a military assistance or military credit sales program going into in fiscal year 1976?

General FISH. No new military assistance countries will be added in fiscal year 1976. Yemen is to commence receiving a supply operations grant. As indicated previously, Tunisia will be deleted as a military grant materiel country.

During fiscal year 1976, 34 countries will be receiving either military grant materiel and/or FMS credit. There are an additional 12 countries that will receive only foreign military training.

FISCAL YEAR 1975 MILITARY COUPS

Mr. PASSMAN. Could you tell us if any countries to which we were supplying military assistance have experienced a military coup this past year?

General FISH. The only country to which the United States was supplying military assistance in 1975 and which experienced a coup was Portugal. Our fiscal year 1975 security assistance program for Portugal consisted of $100,000 in grant aid and $300,000 in military training. Our proposed program for fiscal year 1976 consists of $300,000 in grant aid and $1 million in training.

SUSPENSION OF AID DURING FISCAL YEAR 1975

Mr. PASSMAN. Has the United States suspended military or economic assistance this past year to any country, except Vietnam, Cambodia, or Laos, and if so, for what reason?

General FISH. Military aid to Turkey was suspended as the result of congressional legislation; to Mali as the result of U.S. displeasure with its stance in the United Nations; to Argentina because of conflicts between its trade with Cuba and U.S. legislative restrictions; and to Ecuador because of its seizure of U.S. fishing vessels.

SOPHISTICATED WEAPONS TO UNDERDEVELOPED COUNTRIES

Mr. PASSMAN. Have you supplied any sophisticated weapons systems to any underdeveloped countries this past year or do you plan to supply such systems in fiscal year 1976? Please list the country and indicate why that country is in need of such assistance and under what authority the sophisticated weapons were supplied.

General FISH. The following is the list of sophisticated weapon systems delivered or planned for delivery to less-developed countries during fiscal year 1975 and fiscal year 1976.

Country	Weapon	Fiscal year— 1975	1976
Ethiopia	M-60 tank	22	14
	F-5A aircraft		8
	F-5B aircraft		2
		7	29
Brazil	F-5E aircraft	6	
	F-5B aircraft	21	35
ROC (Taiwan)	F-5E aircraft	9	3
	F-5B aircraft		18
Republic of Korea	F-4D aircraft		16
	F-5B aircraft		21
	F-5E aircraft	45	600
	TOW missiles		
Malaysia	F-5B aircraft	2	
	F-5E aircraft	12	2
Jordan	F-5E aircraft	10	16
	F-5F aircraft		4
	Dragon missiles		740
	Sidewinder missiles	940	
	TOW missiles	648	1,220

Sale of these weapon systems to less developed countries is approved by the State Department. A Presidential determination is also obtained for sophisticated weapon systems to less developed countries when provided through the military assistance program—MAP—or when provided by the use of FMS credit.

The F–5 models are the most common sophisticated weapon systems approved for these countries. Each country has identified a requirement to upgrade its air force's air-to-air capability to meet a potential threat, typically from neighboring nations, which have been furnished the Soviet Mig-21. The missiles and tanks provided are also required to meet a threat from comparable equipment usually furnished by the Soviets.

Mr. PASSMAN. Would these underdeveloped countries have purchased this equipment from other sources if the United States had refused to supply them?

General FISH. If the United States had not made this equipment available, a number of other comparable foreign weapons would have been readily available for purchase.

BASE RIGHTS IN FISCAL YEAR 1975

Mr. PASSMAN. Have any countries withdrawn our base rights privileges during the past year?

General FISH. Yes. Various operating restrictions have been placed on certain of our military facilities in Turkey and in Greece.

MAP/FMS LEGISLATION

Mr. PASSMAN. Could you please provide for the record a list showing what legislative restrictions are presently applied to the military assistance program, foreign military credit sales program, the excess defense articles program, the military training program, and the cash sales program?

General FISH. Yes, sir. I would note that, legally speaking, the excess defense articles program is an integral part of the military assistance program, and that all statutory restrictions upon the grant of "defense articles" are applicable to excess as well as nonexcess defense articles. There is, however, one statutory restriction which is applicable solely to the grant of excess defense articles. Section 8 of Public Law 91–672—FMSA amendments of 1971—as amended, imposes a worldwide ceiling on the amount of foreign excess defense articles which may be granted without charge to the military assistance appropriation.

I would also note that, legally speaking, grant military training is a part of the military assistance program. Section 644(f) of the Foreign Assistance Act of 1961, as amended, includes training in the definition of "defense service," and so all statutory restrictions applicable to military assistance generally, except where it is otherwise expressly provided, are now applicable to grant military training. Section 510 of the Foreign Assistance Act of 1961, as amended, which imposes a ceiling on the number of MAP trainees in the United States in any fiscal year, is the only statutory restriction which is applicable solely to grant military training.

The following lists of major restrictions on MAP, FMS, and FMS credits are intended as summary information for purposes of handy reference and are not intended to be either exhaustive or definitive.

MAJOR RESTRICTIONS ON MAP IN FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

The following are the major restrictions and constraints on military assistance contained in the Foreign Assistance Act of 1961, as amended.

1. Section 504(a):

a. Assistance, other than training in the United States, shall not be furnished to more than 31 countries.

b. "Sophisticated weapons systems" shall not be furnished to any underdeveloped country without the President determining that it is important to the national interest to do so.

2. Section 505(b):

No defense articles shall be furnished on a grant basis to any country at a cost in excess of $3 million in any fiscal year unless the President determines:

(1) Country conforms to purpose and principle of U.N. charter.

(2) Defense articles used for own defense.

(3) Country takes all reasonable measures to develop defense capabilities.

(4) Increased ability to defend itself is important to security of United States.

3. Section 505(c):

No military assistance can be granted to a country having sufficient wealth to maintain and equip its own military forces at adequate strength without undue burden to its economy.

4. Section 505(d):

Any country which uses defense articles or services in substantial violation of the law or its agreements with the U.S. Government is immediately ineligible for further assistance.

5. Section 505(e):

Recipient country may not transfer MAP-furnished item to another country, unless: (1) prior U.S. consent preceded by congressional notification; (2) U.S. consent cannot be given if the United States itself would not transfer the item to the third country; and (3) recipient must agree to demilitarize the item prior to transfer or to obtain third country's agreement not to further transfer the item without U.S. consent.

6. Section 510:

The number of foreign military students trained in the United States in any fiscal year may not exceed the number of foreign civilians brought to the United States under the Mutual Educational and Cultural Exchange Act of 1961, in the immediately preceding fiscal year.

7. Section 604:

Requires that determination be made for procurement outside the United States that:

(1) No adverse effect on U.S. economy.

(2) Market price of commodities procured in bulk is less than United States.

8. Section 620—"Prohibitions Against Furnishing Assistance." No assistance shall be furnished:

(a)(1) To Cuba nor to any country which furnishes assistance to Cuba.

(a)(3) To a country that allows its ships and aircraft to trade with Cuba.

(b) and (f) To a Communist country.

(c) To a country which fails to pay admitted debt to U.S. citizen.

(e) To a country that has expropriated, nationalized, or seized property owned by a U.S. citizen or any business which is owned at least 50 percent by U.S. citizens.

(i) To any country which the President determines is engaging in or preparing for aggressive military efforts.

(m) To any economically developed nation capable of sustaining its own defense burden and economic growth, except (1) to fulfill firm commitments made prior to July 1, 1963, or (2) additional orientation and training expenses during each fiscal year in an amount not to exceed $500,000.

(n) To a country that trades with North Vietnam.

(q) To any country which is in default in excess of 6 months in payment to the United States of principal or interest on a loan.

(t) To a country that severed diplomatic relations with the United States.

9. Also under section 620:

(j) The President "shall consider" termination of assistance to any country which permits or fails to take adequate measures to prevent damage or destruction of U.S. property by mob action.

(o) In determining whether or not a country is to receive aid, "consideration shall be given" for excluding aid to any country which seizes or imposes a penalty against U.S. vessels fishing in international waters.

10. Section 652:

Specifies that the President shall not exercise any special authority granted to him under sections 506(a), 610(a), and 614(a) of the FAA unless notification is given to Congress prior to intended exercise.

11. Section 7, Foreign Military Sales Act Amendments of 1971

Specifies that unless the sale, grant, loan or transfer of any international Fighter Aircraft has been authorized by the Foreign Assistance Act or Foreign Military Sales Act, unless it is commercial sales transaction, such aircraft will not be provided any country except South Vietnam.

12. Section 8, Foreign Military Sales Act Amendments of 1971

Limits the granting of foreign-generated excess defense articles provided under any law by any U.S. Government agency except AID to $100 million at actual value (but not less than one-third of U.S. acquisition costs) per fiscal year. Excess defense articles granted that exceed the value specified (as well as all grants of U.S. domestic excess defense articles) requires transfer of MAP funds to the Treasury. Further, the section specifies that the President must inform the Congress on each decision to provide major excess defense articles that were not previously reported to the Congress. Also requires quarterly reports on the total value of all deliveries.

MAJOR RESTRICTIONS ON FMS AND FMS CREDITS IN THE FOREIGN MILITARY SALES ACT, AS AMENDED

The following, in summary form, are the major restrictions and constraints on foreign military sales (FMS) and foreign military sales credits contained in the Foreign Military Sales Act, as amended, impacting on miiltary exports.

Sales to be approved only when consistent with U.S. foreign policy, foreign aid purposes in FAA, extent and character of military requirements, economic and financial capability of purchaser, proper balance among sales, MAP, and economic aid, impact of sales on social and economic development programs, and impacts of sales on existing or incipient arms races (sec. 1).

Reduce the role of the USG in sales and return such transactions to commercial channels by reducing USG sales, credit sales, and guarantees of such articles and defense services as soon as, and to the maximum extent practicable (sec. 1).

Sales may be made only for purposes of internal security, legitimate self-defense, civic action, or regional or collective arrangements consistent with U.N. Charter, or requested by the U.N. (sec. 4).

Sales should not be approved to arm military dictators, who are denying growth of fundamental rights or social progress to their people (sec. 1).

Sales, credits, and guarantees cut off for 1 year if country seizes or fines U.S. fishing vessels in international waters, unless President waives cutoff as important to U.S. security (sec. 3 (b)).

No FMS credits or guarantees for less-developed countries to buy sophisticated weapons such as missiles, and jet aircraft for military purposes, except Greece, Turkey, Iran, Israel, Republic of China, Philippines, and Korea; President may waive if financing is important to U.S. national security (sec. 4).

Sales, credits, and guarantees cut off if economically less-developed country diverts economic aid, or its own resources, to military expenditures to a degree which materially interferes with its development (sec. 35).

Secretary of State responsible for determining whether there shall be a sale to any particular country and the amount of the sale (sec. 2(b)).

President must determine eligibility of purchaser on basis that sales will strengthen U.S. security and promote world peace (sec. 3(a)(1)).

Purchaser must agree not to transfer purchased items without prior U.S. consent; prior report to Congress when such consent given (sec. 3(a)(2)).

Sales and FMS credits made only for U.S. dollars (secs. 21, 22, and 23).

FMS credits must be repaid within 10 years and at a interest rate not less than cost of money to USG unless President certifies to Congress that lower rate is in the national interest.

FMS credit and guarantee standards and criteria established by President (sec. 34).

Offshore procurement with FMS credit and guarantee funds requires prior Presidential determination (sec. 42(c)).

Private financing by U.S. institutions may be guaranteed by United States upon obligation of 10 percent of principal amount of guarantee (sec. 24).

Eximbank financing of sales to economically less-developed countries prohibited (sec. 32).

Cash received from FMS and from repayments of FMS credits cannot be used for financing new credits or guarantees (sec. 37).

Africa ceiling on grant aid and sales credits and guarantees: $40 million (sec. 33).

FMS sales worth $25 million or more may not be made prior to expiration of 20 days after the terms are provided to the Congress, unless President certifies emergency requires sale in national security interests (sec. 36(b)).

Munitions control licensing requirements remain in force (sec. 36(c)).

Arms control consequences (as viewed by ACDA) must be taken into consideration when evaluating any FMS sale (sec. 42(a)(3)).

Secretary of State must advise Congress prior to coproduction (or licensed production outside United States) transactions with details as to its value and probable impact on U.S. employment and on U.S. production (sec. 42(b)).

Provisions of Atomic Energy Act and 10 U.S.C. 7307 (requiring separate legislation for ship transfers) unaffected by Foreign Military Sales Act, as amended (sec. 44).

MAP/FMCS ADMINISTRATIVE EXPENSES

Mr. PASSMAN. What portion of your fiscal year 1976 map and foreign military credit sales requests are for administrative costs? What percentage is this of the total request? And what was the percentage in fiscal years 1974 and 1975?

General FISH. Administrative expenses are estimated at $25 million for fiscal year 1976. Fiscal year 1976 administrative expenses are 0.9 percent of the total program. Administrative expenses were 1.9 percent of the total program in fiscal year 1975 and 0.7 percent in fiscal year 1974.

FMCS AND ADVANCED PAYMENTS

Mr. PASSMAN. Could you please tell the committee if any of the former developing countries that are now developed and are able to pay cash for certain assistance have made any arrangements with the United States to make advance payments on their credit obligations still outstanding? I am thinking of countries such as Iran.

General FISH. Foreign countries that were previously considered as developing but which are now considered developed, such as Iran and Saudi Arabia, have continued to repay loans in accordance with the terms of the original country-to-country credit agreements. Most of these loans were made during the 1960's and will be repaid in the near future.

Mr. PASSMAN. Has the United States received any such advance payments since the credit sales program has been in existence from any country?

General FISH. Yes, sir; the following amounts of advance repayments have been received on loans made to the countries indicated below.

Country:	*Amount of advance repayment*
Lebanon	$2,469,935
Liberia	344,187
Tunisia	244,824
Venezuela	2,421,312

REPRESENTATION EXPENSES

Mr. PASSMAN. Could you please tell the committee how much is being requested in fiscal year 1976 for representation expenses and indicate how these costs compare to fiscal year 1975?

General FISH. $56,600 is being requested for representation expenses in fiscal year 1976. In fiscal year 1975, actual representation funds expended were $69,675.

Mr. PASSMAN. Could you please tell the committee what these representation expenses are used for?

General FISH. MAP representation funds are used by MAAG's for ceremonial and commemorative events and for the nominal entertainment of foreign dignitaries at official representation functions.

MAP PERSONNEL

Mr. PASSMAN. Could you please tell the committee how many people are engaged in the various military assistance programs including the MAAG groups in countries abroad?

General FISH. There are 1,622 DOD personnel in MAAG's and similar organizations operating abroad. In addition, 11 English language advisers, paid for by foreign military training funds, are assigned at various locations overseas.

There are approximately 1,155 personnel serving abroad in connection with foreign military sales contracts. These personnel are assigned to activities such as technical assistance field teams, TAFT's, contract administration offices, technical assistance teams, TAT's, long-term training teams, and the Army Corps of Engineer program in Saudi Arabia. All costs of providing these personnel, including salary costs, are reimbursed by the foreign government involved.

TRAVEL COSTS

Mr. PASSMAN. Could you please tell the committee how much is allocated for travel costs to administer the military assistance and military credit sales programs in fiscal year 1976 and how this compares to the fiscal year 1975 costs?

General FISH. Travel costs in the MAP budget request for fiscal year 1976 are estimated at $2 million. The amount for fiscal year 1975 travel was $1.9 million. The increased requirement for fiscal year 1976 over fiscal year 1975 is principally due to increases in transportation and per diem rates. No increase in the level of travel is planned.

Mr. PASSMAN. On page 9, I note that you plan to request $20.7 million for administrative expenses during the transition quarter. Could you please tell the committee why you are requesting such a large amount for a 3-month period?

General FISH. The administrative funds requested for the transition quarter are necessary to comply with section 515 of the Foreign Assistance Act of 1961. This section requires that the cost of MAAG's, missions, and military groups be paid from the MAP appropriation beginning July 1, 1976.

Mr. PASSMAN. Are all MAAG administration costs for all countries in the world financed from the military assistance program appropriation?

General FISH. No, sir. Military departments are currently paying some costs. However, effective July 1, 1976, the military assistance program will pay all MAAG administrative costs as required by section 515 of the Foreign Assistance Act of 1961.

Mr. PASSMAN. Would you please tell the committee what MAAG administration costs are not financed by the military assistance program in fiscal year 1976 and indicate what this total will be?

General FISH. In fiscal year 1976, approximately $12 million will be paid by the Government of Iran and the military departments will pay approximately $49.7 million. The latter figure covers military personnel related expenses such as pay and allowances, medical costs, and PCS expenses. However, effective July 1, 1976, the military assistance program will pay all MAAG administrative costs including those now funded by the military departments as required by section 515 of the Foreign Assistance Act of 1961.

MILITARY ASSISTANCE ADVISORY GROUPS

Mr. PASSMAN. I note on page 11 that we have MAAG groups in Japan, Singapore, Iran, Kuwait, Saudi Arabia and many countries in Europe. Could you please tell the committee why we have any MAAG groups in these developed countries?

General FISH. There is a continuing need for the assignment of MAAG's to selected countries having "developed country" status. In these countries the MAAG's are responsible for providing appropriate military advisory services and technical assistance as well as carrying out other responsibilities of the Secretary of Defense as outlined in the Foreign Assistance Act. The MAAG's promote standardization of equipment, doctrine, and training. They also enhance professional relationships which extend U.S. influence and encourage military cooperation. While much of their effort is associated with advice related to the selection or rejection of equipment to be purchased, and to training requirements and follow-on logistics support, they have an ongoing requirement of monitoring MAP and sales items to insure proper use and eventual disposal.

We do not have a MAAG in Singapore. The Defense Attaché Office has been augmented by one position to handle security assistance matters in-country.

Mr. PASSMAN. Do these countries pick up all the costs associated with the MAAG groups located within their borders?

General FISH. Iran picks up essentially all of the costs that are incurred within their borders. This is handled through FMS procedures. Japan also pays most in-country costs, however, it is accomplished by providing assistance in kind (AIK) and contributed currency. Most European countries reimburse the U.S. Government of various in-country MAAG costs through contributed currency procedures. In the case of Saudi Arabia and Kuwait, negotiations are currently underway which should result in their paying most of the cost of the military missions located in those countries. Many other countries provide substantial amounts of assistance in kind and contributed currency. Singapore does not provide reimbursement for the relatively small cost incurred in that country.

Mr. PASSMAN. Why don't they pay all these costs?

General FISH. There are two basic resasons why the countries indicated may be picking up less than the total costs associated with the MAAG. First, country-to-country agreements which specify the costs to be paid by the host government have not been renegotiated. And, secondly, MAAG's also serve valid U.S. interests and therefore the host country should not be required to pay the full cost of operating the MAAG.

GOVERNMENT ASSISTANCE IN KIND

Mr. PASSMAN. On page 14, I note that host government assistance in kind for Iran has dropped from $6.8 million in fiscal year 1975 to $3.4 million in fiscal year 1976 and Saudi Arabia has completely eliminated host country assistance in kind in fiscal year 1976. Could you please tell the committee why these two very rich countries are decreasing their host government assistance-in-kind contributions?

General FISH. While it appears from the table that both Iran and Saudi Arabia have reduced or eliminated their contributions for fiscal year 1976, that is not the case. What has happened is that support formerly provided by Iran on an assistance-in-kind basis has in fiscal year 1976 been included in larger support packages which have been or are in the process of being sold on an FMS basis. In the case of Saudi Arabia, assistance in kind for fiscal year 1976 is estimated at $2.908 million. This was erroneously shown in the congressional presentation document as contributed currency.

REDUCTION OF MAAG'S

Mr. PASSMAN. Could you please tell the committee what is being done to reduce the MAAG groups in the various countries?

General FISH. Manning requirements for MAAG's and similar organizations are reviewed annually to determine the level necessary to support the security assistance program in each country. Factors which influence this determination include: scope of the foreign military sales and grant aid programs; magnitude of in-country and U.S.-based training programs; dependence on U.S. advisory personnel; host country modernization and force improvement objectives and related program milestones; host country reliance on U.S. assistance; improvement of host country self-reliance; and U.S. national interests. Proposed levels are reviewed and concurred in by the U.S. Ambassador in the country concerned. Proposed levels of MAAG strengths are reviewed and evaluated by the unified commander, the Joint Chiefs of Staff and approved by the Secretary of Defense. We do not review these manning requirements lightly. We are sensitive to changing requirements, and to demands to reduce MAAG personnel strengths, but we are also sensitive to their importance to the total interests of the United States.

Through this review and approval procedure, MAAG authorized strength has been reduced from 7,192 U.S. personnel in 1960 to a current level of 1,622, a reduction of 77 percent in 15 years. The fiscal year 1976 level of 1,622 is 205 spaces less than the fiscal year 1975 authorization.

FMCS DURING TRANSITION PERIOD

Mr. PASSMAN. On page 15, I note that you are requesting $9.5 million in military credit sales during the transition period and $3.5 million under the military assistance program during the transition period for materiel assistance. Could you please tell the committee why these various countries need materiel during the transition period when it seems that they can wait until the regular fiscal year 1977 appropriation is provided?

General FISH. The $3.5 million requested for countries in the East Asia and Pacific area during the transition period is for supply operations (packing, crating, handling and transportation costs) allocated to individual countries to cover shipments of MAP materiel programed in prior years.

TROOP LEVELS IN EAST ASIA PACIFIC REGION

Mr. PASSMAN. Please indicate what countries in the East Asia and Pacific region, no matter if they receive U.S. assistance or not, presently have U.S. troops stationed within their borders and the number of U.S. troops.

General FISH. The countries listed below have U.S. troops as indicated stationed within their borders as of end September 1975: Thailand, 15,000; Japan, 48,000; Philippines, 14,000; South Korea, 42,000; Taiwan, 3,000.

Mr. PASSMAN. Have there been any troop withdrawals from the countries in this region during the past year?

General FISH. Troops have been withdrawn from Thailand, Taiwan, and Japan over the past year. Withdrawals are continuing in Thailand.

MAP/FMCS PIPELINE FOR TAIWAN

Mr. PASSMAN. On page 16, in connection with the Republic of China, you indicate that $75.6 million is unexpended of the foreign military credit sales program and $17.4 million is undelivered under the MAP grant aid program. Could you please tell the committee what equipment this represents and why these unexpended balances are so large?

General FISH. Unexpended balance foreign military sales $75.6 million represents unexpended funds associated with the F–5 B/E aircraft. A total of $65.2 million in FMS credit was obligated late in fiscal year 1975 for the F–5 B/E aircraft resulting in a fairly large unexpended balance as of June 30, 1975. UH–1H helicopter program also contains unexpended balance. Both F–5 B/E and UH–1H have a long procurement leadtime.

The MAP grant aid undelivered balance of $17.4 million consists primarily of aircraft spare parts and support equipment, tractors, major construction equipment, and radar equipment.

Generally, these items are subject to requisition by the country to be delivered within 12 months. However, the radar improvement pro-

gram under Air Force Project "Peace Edge" may not be delivered for 2 years due to the complicated nature and scope of the project. Also the aircraft support equipment will not be completely delivered for possibly another year. All items are being delivered within existing priorities which are assigned to all authorized claimants on U.S. production—including requirements of U.S. forces.

MAP IN INDONESIA

Mr. PASSMAN. I note that you are requesting an increase in the Military Grant Assistance Program for Indonesia for fiscal year 1976 in light of the fact that this country had a foreign exchange balance of $1,492 million as of the end of calendar year 1974. Why would we increase the grant aid program for this country in light of her large foreign exchange balance and the fact that she is earning vast sums of money from her oil exports and various other mineral deposits?

General FISH. Indonesia's foreign exchange reserves are now believed to be less than half the December 31, 1974 figure mentioned (which covered 18 weeks of imports at the then rate), and there is no certain prospect that they will regain this level in the foreseeable future. Indeed, the present estimate is that these reserves will cover only about 5–6 weeks of imports at the current rate, when the current Indonesian fiscal year ends March 31, 1976.

While Indonesia is earning large revenues in absolute terms from its exports of oil, they must be netted against the foreign exchange outflow for certain petroleum imports and to the oil company contractors for the recovery of their costs and the remittance of their profits. This year Indonesia's net oil earnings will probably be about 10 percent over last year's earnings. However, its revenues from mineral exports and from other traditional nonoil shipments will be down, while there is a projected 30-percent or higher increase of $1.4 billion in the cost of the country's imports. There will be a large deficit in the balance of payment current accounts (well over $1 billion), which net movements in the capital accounts will probably not be able to overcome, causing Indonesia's foreign exchange reserves to be perhaps several hundred million dollars lower on March 31, 1976 than 12 months earlier. Under these circumstances, we believe a mix of military grant assistance and credit sales is still necessary. Indonesia has an enormous need to spend and borrow for economic development.

We do not see it in the U.S. national interest to reduce suddenly our military grant assistance and thus oblige the Indonesians to diminish their outlays for economic development. We are, in any event, increasing the relative proportion of military sales credits over that of grant aid.

U.S. TROOPS IN KOREA

Mr. PASSMAN. Could you please tell the committee how many U.S. troops are presently stationed in South Korea?

General FISH. At the present time, there are approximately 42,000 U.S. troops stationed in Korea.

UNDELIVERED AID TO KOREA

Mr. PASSMAN. On page 20, you indicate that there is undelivered MAP grant aid in the total of $220.1 million to the credit of South Korea. Could you please tell the committee why there is such a large undelivered amount to the credit of South Korea and indicate what equipment this represents?

General FISH. The long procurement leadtime and late passage of the fiscal year 1975 legislation account for a majority of the undelivered amount. The equipment consists of: aircraft F–5B, F–5E, A/C trainer T–37 and spare parts; minesweeper and spare parts; vehicles, weapons and spare parts; ammunition; missile support equipment; communications equipment; cranes, tool kits, generations; repair and rehabilitation of MAP equipment.

Mr. PASSMAN. Could you please tell the committee what the present undelivered balance is to the credit of South Korea?

General FISH. The unexpended FMS credit for Korea is $72.7 million.

SOUTH KOREA VERSUS NORTH KOREA

Mr. PASSMAN. According to a recent newspaper article, the majority of the equipment of South Korea is obsolete or very, very old and does not measure up to the type of equipment that is in the possession of North Korea. Could you please tell the committee if there is any substance to this allegation and indicate what the military capabilities are of South Korea as compared to North Korea?

General FISH. In general, the overall military capabilities in North and South Korea are in balance. The South has a larger ground force, but the North is stronger in armor and artillery. The North Korean Air Force has more modern fighter and bomber aircraft than the ROK Air Force. North Korea also has the advantage in the comparison of naval forces. The major vessels in the South's Navy are World War II vintage transferred from the U.S. Navy, whereas the North has more naval vessels some of which are modern Komar class craft equipped with the Styx missile. A determined effort to modernize the ROK Armed Forces equipment has been underway since 1971 and the status of equipments in the South Korean Armed Forces has improved considerably since that time.

STUDENT TRAINING

Mr. PASSMAN. On page 20, you indicate that it will require $2.7 million to train 303 students for South Korea as opposed to $1.5 million to train 1,193 students in fiscal year 1974. Could you please tell the committee why there is such a large difference between these amounts?

General FISH. Most of this difference results from the fact that 843 of the 1,193 students trained in fiscal year 1974 were provided observer type training at a U.S. Air Force base in Korea at no cost to the MAP appropriation.

REPUBIC OF SOUTH KOREA GOVERNMENT

Mr. PASSMAN. There has been much reaction to the repressive type government in South Korea. Could you please tell the committee what the present feeling of the Korean people is toward its existing government? The reason I ask that question is that the committee has received several letters expressing support for the present government and soliciting the United States to provide increased aid to South Korea in order to stem the North Korean threat. It seems that a great deal of support is mustered by the academic and religious community in South Korea. Would you please comment on this situation?

General FISH. Certain elements of Korean society, drawn principally from among the political opposition, Christians, students and intellectuals, have been critical of the Korean Government's internal policies in recent years, especially the 1972 changes in the Korean constitution which greatly increased the powers of the President. They have also criticized emergency decrees, promulgated by the Korean Government in 1974 and 1975, which imposed severe restrictions on the advocacy of constitutional reform, student political activity and other forms of political expression.

Since May of this year, Emergency Measure No. 9 has been in effect. The broad provisions of this decree inhibit political expression, including advocating consitutional revision, political activities on the part of students, and press coverage of certain major domestic political issues. The decree provides for minimum sentences of 1 year. As of December 10, 21 persons (all students) have been sentenced to prison terms of 18 months to 10 years for violating this measure.

It is important to recognize that whatever their criticisms of their government, President Park's domestic opponents and critics view the security relationship between Korea and the United States as essential. Furthermore, the Korean people are unified in their determination to resist North Korean aggression, and they view their bilateral relationship with the United States as essential to this objective.

INTERNAL SITUATION IN KOREA

Mr. PASSMAN. Could you please tell the committee what the present internal situation is in Malaysia?

General FISH. The internal situation in Malaysia continues to be stable. Malaysia is not threatened at this time by any neighboring country. However, the government has experienced in recent years an increase in terrorist incidents. These have been attributed to various communist terrorist organizations that have persisted in small bands along the northern Thai-Malaysian border since the end of the last communist insurgency in 1960. Current communist strength estimates within Malaysia remain about 2,000. However, intelligence sources indicate expanded recruiting efforts by the terrorists. As a consequence of terrorist activities and reports of increased recruiting efforts, the government of Malaysia has established restrictive emergency governmental controls over its citizens and has taken steps to improve the preparedness of its military forces.

AID TO THAILAND

Mr. PASSMAN. I note on page 27, that you are requesting $28.3 million in grant military assistance for Thailand. In light of the fact that this country had a foreign exchange balance of $1,855 billion as of the end of calendar year 1974, could you please tell the committee why you are asking for a grant aid program to this country?

General FISH. The foreign exchange reserves of the Thai Government have been slipping over the past 6 months and are now about $400 million lower than the figure you cited. This still is, however, a healthy reserve but the prognosis is for another decline in 1976. We believe that a continued grant military assistance program for Thailand is justified because the Thai Government has pressing domestic development priorities for which their reserves and other fiscal resources are programed. Diversion of these funds for military purposes would detract from the development process which is one of the prime mechanisms by which the Thai hope to promote their long-term security.

At the same time, we believe that in the not too distant future the Thai will have the financial capability to satisfy their military requirements with their own resources. The chairman has perhaps also noted that we have requested $36.7 million in FMS credits. Up to last year, when $8 million in FMS credits were accorded, the Thai security assistance program had been entirely grant aid with some few cash sales. It is our intention gradually to shift the program from grants to credits. We do not, however, want to do this abruptly because of the repercussions a sudden shift could have on the Thai economy and on our relations with Thailand.

U.S. TROOPS IN THAILAND

Mr. PASSMAN. Could you please tell the committee how many U.S. troops are presently stationed in Thailand and if there are any plans to remove U.S. troops from this country in the near future?

General FISH. As of the end of September, the number of U.S. military personnel in Thailand was approximately 15,000. Since that time, through a series of negotiations with the Royal Thai Government, we have begun the gradual phaseout of the majority of our military personnel. By the end of March 1976, all permanently based combat aircraft will be withdrawn. The noncombat residual U.S. military presence is the subject of continuing discussions between the United States and Thailand.

EQUIPMENT TRANSFER TO THAILAND

Mr. PASSMAN. According to a General Accounting Office report, dated April 7, 1975, the United States provided equipment to Thailand, but it was provided before the Thai Government could adequately use or maintain it. Would you please comment on this situation and indicate what is being done to correct it?

General FISH. The U.S. decision to turn over the property cited in the GAO report was made at a time when there were overriding

political considerations which of necessity influenced the turnover decisions. Moreover, in most cases, turnover of base facilities is the most cost-effective approach for the United States regardless of other considerations. Thai personnel have been receiving significant technical and administrative U.S. training in the operation, maintenance, and supply procedures for U.S. military equipment. This has resulted in a decided improvement in Thai base and depot support activities which demonstrates that the Royal Thai Government is capable of utilizing the current level of U.S. equipment in an efficient and effective manner.

Near East and South Asia Region

U.S. personnel in Iran and Saudi Arabia

Mr. Passman. Could you please tell the committee how many U.S. personnel are located in Iran or Saudi Arabia, no matter whether they are Government personnel, contract personnel, private personnel, and so forth?

General Fish. Our Embassy in Saudi Arabia estimates that there are now approximately 22,200 U.S. citizens in Saudi Arabia, including U.S. Government personnel, contractor employees, nonofficial personnel, and dependents. And our Embassy in Tehran estimates that there are now approximately 22,000 U.S. citizens in Iran, including U.S. Government and private personnel and their dependents.

Vinnell contract

Mr. Passman. In a newspaper article, it was indicated that several hundred former members of the U.S. Special Forces and other Vietnam war veterans were being recruited by a private American contractor to train Saudi Arabian troops to protect oilfields. I believe the corporation involved in this contract was the Vinnell Corp. Could you please tell the committee if this contract was a cash transaction?

General Fish. You are correct in that the Vinnell Corp. is the corporation involved in training Saudi Arabian National Guard troops. The contract between the U.S. Government and the Saudi Arabia Government is a cash transaction. The SAG formally agreed to pay the U.S. Government such amounts at such times as may be specified by the U.S. Government in order to meet the payments required by the contract. The U.S. Army requests funds from SAG based upon requirements for advances and progress payments to the contractor. The contract between the U.S. Army and Vinnell Corp. is a cost-plus-award fee not to exceed a fixed ceiling.

Mr. Passman. Was the contract actually signed, and is this training being conducted at the present time?

General Fish. The contract was signed on January 7, 1975, with the first contractor personnel arriving in country during February 1975. Training began in April 1975.

Mr. Passman. Why did the Saudis feel that it was necessary to train a group to protect the oilfields, and who are they protecting the oilfields from?

General Fish. The Saudi Arabian National Guard has long had the internal security mission of protecting all airfields, powerplants, radio

and television stations, oil pipelines, and other critical facilities. In times of war, the National Guard would augment the Regular Saudi Arabian Armed Forces. Saudi Arabia has expressed its fears of threat from radical Arab neighbors (Iraq and South Yemen) who have been supplied with significant equipment from the Soviet Union.

SOVIET EQUIPMENT TO EGYPT

Mr. PASSMAN. According to an article in a magazine, Pentagon intelligence said that Soviet ships with military hardware began arriving in Alexandria and other Egyptian ports in the first days of November. Could you please tell the committee if this is a true account, and what type of equipment have the Russians been shipping to Egypt?

[The classified information was provided to the committee.]

Mr. PASSMAN. Could you please put a dollar value on the total military equipment that has been shipped to Egypt from Russia since the Sinai agreement was agreed to?

[The classified information was provided to the committee.]

RECOUPMENT OF IRANIAN FMS COSTS

Mr. PASSMAN. A recent GAO report, dated October 21, 1974, says that the United States is conducting its arms sales program to Iran at considerable cost to the United States. It indicates that unrecovered costs include at least $10.5 million in administrative costs and $24.2 million in unrecovered interest costs on Export-Import Bank loans. Could you please tell the committee if these figures are correct, and indicate what is being done to have Iran pick up all costs related to our arms sales?

General FISH. To insure that FMS prices adequately include all pertinent costs, including administrative time of MAAG's and any other personnel not normally considered part of the logistics system. DOD has combined Iran MAAG and support operations into TAFT sales cases beginning with fiscal year 1976. In response to the interest costs, in July 1974 Office of Management and Budget informed the GAO that the Export-Import Bank would fix its rates on a loan-by-loan basis to assure recovery of interest commensurate with the cost of money to the U.S. Government.

IRANIAN PAST DUE DEBTS

Mr. PASSMAN. What is being done to have Iran accelerate her payments on past due debts to the United States?

General FISH. Although the Government of Iran is behind on payments applicable to a few foreign military sales cases, this is a deceptive situation because Iran is currently in an overpaid position on many other cases. Iran has made advance payments totaling millions of dollars that are on deposit in Department of Defense trust fund accounts. However, these advance payments are earmarked for specific sales cases and cannot always be allocated to meet cash requirements of other sales cases. As a result, a few sales cases occasionally have temporary past due balances even though Iran is substantially overpaid on their foreign military sales program as a whole.

The military department billing offices for foreign military sales usually request Iran to make advance payments into the trust fund accounts for all cash requirements that are expected to come due during the forthcoming 90-day period. These forecasted cash requirements include progress payments to U.S. contractors for long-leadtime items. As of September 30, 1975, the Department of Defense had delivered about $2.1 billion worth of materiel and services to Iran; however, we had collected about $3.4 billion in cash payments. The $1.3 billion difference represents progress payments to contractors plus advance payments that have not yet been disbursed. In short, past-due debts owed by Iran applicable to foreign military sales are not a problem. When collection deficiencies do arise on a few isolated sales cases, we request the U.S. military assistance advisory group or the U.S. Department of Defense representative in Iran to take the problem up with their Iranian counterparts.

ISRAEL'S MILITARY CAPABILITY

Mr. PASSMAN. Could you please tell the committee how Israel's military capabilities compare to the Arab countries that are likely to be engaged in a future conflict or have been engaged in past conflicts?

[The classified information was provided to the committee.]

FMCS UNEXPENDED ISRAELI BALANCE

Mr. PASSMAN. What is the present unexpended balance credited to Israel?

General FISH. The balance of unexpended military sales credit funds available to the Government of Israel from loans made directly by the Department of Defense as well as loans guaranteed by the Department of Defense, as of December 31, 1975, was $393.6 million.

FMCS TO MOROCCO

Mr. PASSMAN. I note you plan to increase the foreign military sales credit to Morocco from $3 million in 1974 to $30 million in fiscal year 1976. Could you please explain to the committee why you are proposing such a large increase?

General FISH. Beginning in 1974, King Hassan II of Morocco embarked upon a moderate program of U.S. arms purchases to help modernize the Moroccan army. To assist the Government of Morocco in attaining this objective, the United States increased its FMS credits to Morocco from $3 million in fiscal year 1974 to $14 million in fiscal year 1975, and to $30 million in fiscal year 1976. ———. The United States has no desire to build up Morocco's armed forces to the point at which the regional balance of power is altered. However, within the existing regional context it is in the U.S. interest to support the development of a legitimate Moroccan defense force. Morocco, which controls one side of the strategic Strait of Gibraltar, provides us with separate communications facilities ———. It also supports our Middle East peace efforts. King Hassan perceives an expanded United States-Moroccan security relationship as evidence of continuing U.S. interest

in Moroccan well-being and a positive factor in the recent improvement in our overall relations.

F–5E AIRCRAFT TO MOROCCO

Mr. PASSMAN. Could you please tell the committee why Morocco needs F–5E aircraft?

General FISH. Morocco needs the F–5E to modernize and upgrade its Air Force and to meet what it perceives as a potential threat from Algeria. Morocco currently relies on the older and less capable F–5A for air defense while Algeria has 35 MIG–21's which were provided by the Soviet Union. The 24 F–5E's which Morocco plans to acquire will help offset the air capability of Algeria.

THIRD-COUNTRY ASSISTANCE TO MOROCCO

Mr. PASSMAN. What other countries provide military assistance to Morocco and in what amounts?

General FISH. Since January 1974, Morocco has concluded military assistance agreements with France ——— West Germany ——— and the USSR ———.

FMCS TO TUNISIA

Mr. PASSMAN. Could you please explain the need for the large increase in the military credit sales program to Tunisia?

General FISH. Tunisia, a moderate Arab State has had close and friendly relations with the United States since its independence in 1956. Tunisia is the only country on the entire North African littoral of the Mediterranean which regularly welcomes 6th Fleet ship visits. Tunisia has no territorial aspirations and its military interests are solely defensive. As in the past, Tunisia continues to devote most of its resources to development programs, using only about 7 percent of its budget for military expenditures, which include internal security activities. The $15 million recommended in this year's program is needed to assist Tunisia's current efforts to modernize its forces and improve its defensive capabilities. Since grant military assistance to Tunisia was terminated in fiscal year 1975, FMS credits permit the United States to continue its military cooperation with Tunisia, which we believe contributes significantly to North African stability.

M–60 VERSUS M–48 TANKS

Mr. PASSMAN. I notice you plan to provide Tunisia with M–60 tanks. Could you please tell the committee why we are providing them with M–60 tanks instead of the smaller U.S. tanks?

General FISH. The proposed purchase of M–60 tanks through the foreign military sales credit program is illustrative of the anticipated utilization of the proposed credits by Tunisia, which still is considering priorities for purchases under its military modernization program. If tanks ultimately are selected, it is possible that the M–48 series tank could be offered instead of the M–60. The purchase of M–48 series tanks may be attractive to Tunisia in view of the modernization of

these tanks with diesel engines and 105mm main gun. Nothing smaller than the M–48 series is available from the United States.

Mr. PASSMAN. Is the M–60 tank still considered the U.S. main battle tank?

General FISH. The M–60 tank is the U.S. Army main battle tank.

Mr. PASSMAN. Are we now supplying all foreign countries with M–60 tanks instead of the smaller U.S. tanks.

General FISH. The determination of which series tank (M–48 or M–60) is made on a case-by-case basis and takes into consideration the preferences expressed by the foreign government and all factors that influence the U.S. Government determination of whether the U.S. Government is willing to provide the equipment. It is our policy to encourage the least sophisticated equipment required to perform the mission. Thus M–48 tanks would be appropriate in some circumstances. Both M–48 and M–60 series tanks have been sold (via FMS) in the recent past.

YEMEN DEFENSE EXPENDITURES

Mr. PASSMAN. Could you please tell the committee why Yemen is spending 4.4 percent of her GNP for defense when this country is an extremely poor country?

General FISH. The statistic that Yemen spent 4.4 percent of GNP for defense in 1973 is a very deceptive one for several reasons. The more primitive the economy—such as Yemen's—the less meaning can be attached to GNP figures. Government expenditures, based on this 1973 GNP figure of $500 million, amounted to 14.5 percent—of which the 4.4 percent military expenditure is a part. This is characteristic of LDC's with centrally directed planning and managed economies. Military expenditures in North Yemen included funds devoted to nation-building programs and projects such as public works, social actions, road building, and health services. Other inputs to GNP and Government expenditures were made by Saudi Arabia and the U.S.S.R. Finally, the YAR Armed Forces were preoccupied with two important tasks. The first is to maintain internal security against political forces of the right and left in an effort to reestablish centralized authority which has been largely lacking since the outbreak of the Civil War in 1962. The second is to maintain a degree of preparedness against attack by the hostile PDRY regime on its southern border. This potential enemy is better armed and equipped than the YAR, with military assistance coming to PDRY from the U.S.S.R. So, north Yemeni defense requirements respond to internal military, economic, and social problems—as well as to valid external threat from the PDRY.

AID TO SRI LANKA

Mr. PASSMAN. On page 42 you indicate that Sri Lanka is scheduled to receive $15,000 in fiscal year 1976 for training, but there are no students indicated to be trained. Could you please explain this situation?

General FISH. Exact details of the training program and number of students involved have not been identified, since the Defense Attaché in Sri Lanka requires additional assistance and time to definitize the training program. All training will be conducted in the United States, and will be primarily in maintenance and professional areas.

Europe Region

RELATIONS WITH SPAIN

Mr. Passman. No request has been submitted for Spain. Could you please tell the committee when a request will be submitted for Spain, and approximately how much it will be?

General Fish. Although Secretary Kissinger and Foreign Minister Cortina were able to announce agreement on October 4 regarding the framework of the new arrangements for bilateral cooperation, we have not yet completed work on the supplementary agreements needed to put these arrangements into effect. Given the natural preoccupation of Spanish decisionmakers with Franco's death and the succession, we have had to wait until the Spanish are ready before resuming negotiations on these supplemental texts. We intend to present the entire package, including the assistance request, for congressional consideration as soon as it is completed, and we hope that this can be accomplished in the near future. The amount of assistance has not yet been pinned down, but the largest amount by far will be in the form of credit guarantees for the purchase of U.S. equipment.

Mr. Passman. Will the current change in government in Spain have any effect on our use of bases or any other effect?

General Fish. The new Spanish Government has indicated that it wishes to maintain close cooperation with the United States, and we see no reason why it would seek to change the nature of the new bilateral relationship which has been defined by the framework agreement already negotiated. Changes in our use of the bases under that new agreement would therefore reflect decisions reached during negotiations with the Franco government, rather than the new government under King Juan Carlos. While we anticipate no direct effects on our bilateral relations from the change in the Spanish Government, we are optimistic that subsequent developments in that country will lead toward closer association with Western Europe and eventual membership in NATO, which has long been a U.S. goal.

EUROPEAN PRODUCTION OF MILITARY EQUIPMENT

Mr. Passman. Could you please tell the committee what countries in Europe now produce their own military equipment, and are making sales to third countries in competition with U.S. sales?

General Fish. The main European producers of military equipment, including sales to third countries, are France, the United Kingdom, West Germany, and Italy.

AID TO GREECE

Mr. Passman. According to data on page 103, the fiscal year 1976 military assistance grant program for Greece will be made up of 40 percent in investment, while Turkey will be made up of 72.1 percent in investment. According to your definition, investment includes equipment and supplies that will increase the recipient country's forces capability. Could you please tell the committee why you are weighting so much increase in force capability in favor of Turkey instead of Greece?

General FISH. The data to which you refer on page 103 are original submissions from the unified commander which have recently been revised. The investment category for Greece actually totals $45.8 million which will be 92 percent of the total MAP proposed for that country. There is no intention or requirement to weight force improvements in favor of either Greece or Turkey.

Mr. PASSMAN. Has there been any success in getting Greece to reinstate its military forces in NATO?

General FISH. There has been progress toward achieving a satisfactory redefinition of Greece's role in NATO. Negotiations are underway. At the present time, however, Greek forces have not been recommitted to the NATO military structure.

Mr. PASSMAN. What other countries have provided aid or will provide aid to Greece in military assistance and in what amounts?

General FISH. During the period January 1974-mid 1975, only West Germany agreed to provide grant aid to Greece. It was valued at an estimated ———. However, Belgium, Franch, West Germany, and Italy have concluded long-term credit sales contracts with Greece valued at ———.

Mr. PASSMAN. You indicate on page 44 that Greece is scheduled to purchase large amounts of military equipment. Could you please tell the committee in what volume they plan to purchase military equipment and why they are making these large purchases?

General FISH. The bulk of both FMS credit and grant aid for Greece will be applied against the acquisition of replacement aircraft to modernize their air force. Included in the equipment are 60 A–7 attack aircraft; 38 F–4E fighters; 12 C–130 cargo transports; and 40 T–2 trainer aircraft, as well as 30 UH–1 helicopters; 6 SH–3 helicopters; and 3 RF–4E reconnaissance aircraft.

The force structure and levels which FMS credit will support have been established to permit Greece to fulfill NATO obligations.

Mr. PASSMAN. You also indicate on page 44 that $46 million is requested in foreign military credit sales for the transition period, which only consists of three months. Could you please tell the committee why you are requesting such a large amount for Greece in only a 3-month period.

General FISH. These funds are required for incremental payments for A–7, T–2 and C–130 aircraft purchases which are anticipated to fall due during the transition quarter. The aircraft orders were placed prior to fiscal year 1976.

Mr. PASSMAN. You indicated on page 45 that Greece is purchasing a great deal of various kinds of aircraft. Could you please tell the committee why there is so much emphasis on aircraft purchases?

General FISH. U.S. manufactured aircraft in the Greek inventory include C–47's, F–84's, RF–84F's, T–33's, F–5A's, RF–5A's, F–5B5's F–102A's, F–104G's, T–41's, T–37's, and F–4ES's. With the exception of the F–4E's, all Greek Air Force aircraft are generally well over 10 years old and are not considered first line advanced fighter, cargo or trainer aircraft. The Greek Government is determined to take action to modernize the Hellenic Air Force. The Greeks have decided to purchase 60 A–7's, 40 T–2's, and 12 C–130H's and are considering the purchase of 8 RF–4E's. We consider this required for force modernization.

RELATIONS WITH PORTUGAL

Mr. PASSMAN. Could you please tell the committee if the U.S. is continuing to deliver arms or is providing new military assistance to Portugal in light of her current internal situation?

General FISH. The United States maintains a small grant security assistance program for Portugal. Total funding for the fiscal year 1975 program was $447,000, $110,000 of this amount being for supply operations for delivery of previously programed materiel and the remainder for grant training. For fiscal year 1976 we have requested $300,000 for grant materiel and $1,025,000 for grant training. We are reassured by the apparent moves toward moderation by the present Government of Portugal.

Mr. PASSMAN. What effect has the present internal situation in Portugal had on U.S. base rights and U.S. access to the various ports in Portugal?

General FISH. None. U.S. peacetime use of the Lajes base in the Azores is covered by a bilateral agreement with the Portuguese Government. This agreement was last renewed in 1971 and expired in February 1974. Negotiations for its extension have not yet been completed, but by mutual consent, the provisions of the expired agreement still govern our use of the base. U.S. access to Portuguese ports has not been changed in any way by the Portuguese Government. U.S. wartime access to Portuguese military bases is covered by the NATO Treaty and is also unchanged.

Mr. PASSMAN. Could you please tell the committee just what government entity the United States is presently conducting negotiations with on future aid levels or base rights agreements in Portugal?

General FISH. Economic assistance is not related to the renegotiation of the Azores Base agreement. On economic assistance matters, we are dealing with the Foreign Ministry's special economic commission on aid levels and with the various Ministries and special offices re the implementation of specific projects. Base negotiations with Portugal have been conducted in Washington; the Portuguese Ambassador to Washington is their designated negotiator.

ARMS EMBARGO ON TURKEY

Mr. PASSMAN. Could you please tell the committee whether the arms embargo to Turkey has been completely lifted or is there still a partial embargo in effect?

General FISH. There remains embargoed a significant portion of the program although Public Law 94–104 dated October 6, 1975 provided authority for a partial release of the previous total embargo.

Mr. PASSMAN. Could you please tell the committee in detail what kind of embargo is still in existence, if any?

General FISH. MAP grant aid for Turkey remains totally suspended. No new FMS orders are being accepted. Public Law 94–104, dated October 6, 1975 permits the resumption of deliveries of the FMS pipeline provided such deliveries are in support of firm orders executed prior to February 5, 1975. Additionally, new commercial orders may be placed by the Turks with U.S. commercial suppliers.

Mr. PASSMAN. On page 48, you state that the proposed security assistance program for Turkey is predicated on a lifting of current legislative restrictions on such aid. Could you please list for the record what legislative restrictions you are referring to?

General FISH. The restrictions are contained in section 620(x) of the FAA of 1961, as amended ,and in Public Law 94–104, October 6, 1975, and prohibit MAP and FMS to the government of Turkey—both cash sales and sales financed by FMS credits or guaranteed loans—under the existing circumstances, but permit U.S. commercial sales to that government as well as the delivery of the FMS pipeline of sales agreed to on or before February 5, 1975.

U.S. BASES IN TURKEY

Mr. PASSMAN. Could you please tell the committee how the negotiations are progressing concerning the return of U.S. control over various bases within Turkey?

General FISH. We are continuing negotiations with the Turkish Government in an effort to establish a new basis for our bilateral defense cooperation and resume as soon as possible suspended U.S. activities. Since the last formal negotiating session November 24, working groups of military and civilian experts have been meeting almost daily. We expect the negotiations to be difficult and complex in view of the issues involved, but believe that the Turkish Government, recognizing the benefits derived from its association with the United States and NATO, will agree to a new mutually satisfactory defense cooperation agreement, allowing us to reopen our facilities and to begin the process of rebuilding our previous close security relationship.

NEGOTIATIONS ON CYPRUS

Mr. PASSMAN. Has there been any progress regarding the negotiations on Cyprus concerning Turkey and Greece?

General FISH. The President recently submitted a report to Congress on Cyprus negotiations. The report noted that there had been no breakthrough in the efforts to achieve progress on this issue, but that prospects for a negotiated settlement had been advanced by recent diplomatic activity—both by the United States and by our European Allies. It is our judgment that the parties will soon be able to agree to the resumption of the intercommunal negotiations on a framework which will, for the first time, allow full discussion of all key substantive issues.

TRAINING PROGRAM IN AUSTRIA AND FINLAND

Mr. PASSMAN. Could you please tell the committee why the United States is still conducting a $25,000 training program to Austria and Finland?

General FISH. Within the limitations defined by the Austrian State Treaty and Austria's Constitutional Law on Neutrality, both of which preclude military alliances or foreign military bases on Austrian territory, the United States seeks to maintain the independence and to develop further the free world orientation of that strategically located

country. We are encouraging Austria to maintain sufficient armed strength to provide for its own internal security ———. We also seek to insure that Austria does not become dependent on Warsaw Pact sources for the supply of military material.

The specific objectives of the small military training program for Austria are: (1) To create skills needed for the effective operation and maintenance of equipment acquired from the United States; (2) to assist Austria in developing the expertise and systems needed for the effective management of its defense establishment; (3) to promote better understanding of the United States, including its people, political system, and other institutions; (4) to foster development by Austria of its own indigenous training capability; and (5) to promote rapport between the armed forces of Austria and those of the United States.

In the case of Finland, much of this same reasoning applies. We believe that the maintenance of the traditionally pro-Western orientation of the Finnish military is an important U.S. security program objective. This small grant program, under which two Finnish officers are trained annually in the United States, is the chief means of influencing Finnish military thinking in pursuit of that objective. Despite its modest size, the program is the most practical vehicle available to help counterbalance massive and persistent Soviet attempts to influence Finnish military personnel and policy.

Africa Region

U.S. facilities in Africa

Mr. Passman. Could you please tell the committee in which countries in Africa the United States presently has U.S. bases or facilities located, and indicate just what type of base or facility it is?

General Fish. The United States has two military facilities in Africa, our naval communications stations in Morocco and Ethiopia. Our Moroccan facility ——— controls and coordinates communications to and from the Sixth Fleet and other U.S. naval forces in the area. The U.S. Naval Station, Kagnew, at Asmara, Ethiopia, supports fleet operations in the Arabian Sea/Persian Gulf area, Mystic Star—Presidential inflight communications—and provides a contingency entry capability for use of U.S. forces that might be deployed in Africa, the Middle East, the Persian Gulf, or South Asia.

Other U.S. facilities in Africa include an Omega low-frequency navigational aid station in Liberia ———.

Internal problems in Africa

Mr. Passman. Would you also list for the record which countries in Africa are presently having internal problems and indicate what type of problems these are?

General Fish. African countries with internal problems are:

Angola.—A civil war is currently raging between the Soviet-backed Marxist-Popular Movement for the Liberation of Angola—MPLA—and a pro-Western coalition of the Front for the Liberation of Angola—FNLA—and the National Union for the Liberation of Angola—UNITA.

Burundi.—This small central African country is inherently unstable since the minority—15 percent—Tutsi Tribe rules the majority—85 percent—Hutu Tribe. In spring 1972, Tutsi oppression of Hutus bordered upon genocide as many of the Hutu intellectuals were systematically hunted down and slaughtered by Tutsis. Now, however, the Government of Burundi has adopted a conciliatory policy toward integrating Hutus into national life and only minor tensions remain over the events of 1972.

Chad.—The internal security of Chad is threatened by the continuation of the 6-year-old rebellion of the Front for the National Liberation of Chad—FROLINAT—against the Government of Chad.

Congo.—The Marxist-governed People's Republic of the Congo is a country deeply divided by ideological and tribal differences which threaten the ability of the government.

Dahomey.—This small west African country has undergone more successful coups and abortive coups than any in Africa. The most recent abortive coup plot was announced by the government on October 18. Ideological, tribal, regional, and religious differences deeply divide Dahomey which recently changed its name to the People's Republic of Benin.

Equatorial Guinea.—This former Spanish colony in west Africa is a police state governed by a dictator, Macias Nguema, who is even more oppressive towards his people than Idi Amin in Uganda.

Ethiopia.—The internal security of Ethiopia is endangered by the rebellion of the Eritrean Liberation Front—ELF—which seeks independence for the Ethiopian province of Eritrea. There are also other ethnic groups fighting the central government.

Guinea.—Although the Marxist regime governing Guinea is relatively stable and has been in power since independence from France in 1958, many exile moderate Guineans oppose the Toure Government. Consequently, Guinea is run like a police state.

Rhodesia.—The Ian Smith Government which unilaterally declared Rhodesia independent from the United Kingdom faces opposition to its white minority rule from African liberation groups.

Spanish Sahara.—Following Spain's withdrawal as the administrating colonial power, this Spanish colony will be in the process of transition which could see it partitioned between Mauritania and Morocco.

Sudan.—Although this large eastern African country is currently peaceful, there is a potential for internal problems in Sudan given the tribal, racial, and regional differences dividing its people.

STARVATION IN ETHIOPIA

Mr. PASSMAN. In light of the fact that Ethiopia has many people that starve to death within her borders each year, could you please explain why in the world we are providing them with military assistance instead of food?

General FISH. There have been very few deaths from starvation since 1974 when the full extent of the preceding year's drought became fully known within Ethiopia and throughout the world. Efforts by the Ethiopian Government and external donors have largely made up for the food shortages caused by the drought and the Ethiopian Gov-

ernment is now equipped to deal with further drought-caused shortages with its own resources. The United States and other donor countries and organizations continue to assist with drought relief and rehabilitation projects to overcome the longterm effects of the drought and prevent its recurrence.

The Ethiopian Government has asked us for food aid for fiscal year 1976. While this request was based on the assumption of further drought-caused needs we feel that a bigger problem for Ethiopia during the coming year will be disruptions in the food distribution patterns caused by the Government's nationalization earlier this year of all rural lands. We are therefore planning to provide Public Law 480, Title I, food aid in grain to Ethiopia according to our perception of their needs, the availability of food from other donors, and congressional appropriations.

Our military assistance to Ethiopia continues in tandem with food and economic aid according to the figures in the submitted table.

The Ethiopian desire to upgrade its military establishment originated when neighboring Somalia, which publicly claims large parts of Ethiopian territory inhabited by ethnic Somalis, began to receive, in late 1972, increasing quantities of sophisticated Soviet weapons. This led to increased demands for U.S. arms by the Ethiopian Government. Because of the strategic importance of this region, known as the Horn of Africa, which is close to the Middle East oil supplies and the Indian Ocean oil routes and located on the Red Sea passage to the Mediterranean, we considered that it was in the national interest to maintain stability in the area and a cooperative relationship with the Ethiopian Government. We concluded that increased arms supplies to counter the perceived threat from Somalia would contribute to both these objectives. We also wish to maintain our residual but still important U.S. Navy communications facility in Asmara and our hitherto almost unlimited access to Ethiopian ports and airfields, and to deny the latter to unfriendly powers.

COUNTRY: ETHIOPIA; SECURITY ASSISTANCE PROGRAM

[Fiscal year 1974–76 in millions of dollars]

	Fiscal year 1974 (actual)	Fiscal year 1975 (actual)	Fiscal year 1976 (CPD)
MAP	[1] 12.4	12.5	12.6
Grant material	10.5	9.4	9.8
Supply operations	1.0	2.3	1.9
Training	.8	.8	.9
FMS credits	11.0	25.0	10.0

[1] Discrepancy due to rounding.

Mr. PASSMAN. How can Ethiopia afford to buy military equipment in light of the fact that people are starving in her country?

General FISH. International donors have largely made up for Ethiopia's dought-caused food deficiencies in the last 2 years and it is estimated that such needs will soon cease, rendering Ethiopia once again self-sufficient in food. Ethiopia has a strong position in foreign exchange and can afford the expenditures presently being made for arms.

RIGHTS AND FACILITIES IN LIBERIA

Mr. PASSMAN. On page 56, you indicate that Liberia is willing to provide the United States with certain operating rights and facilities which contribute to regional stability. Could you please tell the committee what operating rights and facilities are provided to the United States?

General FISH. ———. Liberia also has permitted the location of U.S. facilities on Liberian soil; examples are the Voice of America regional transmitter, Regional Diplomatic Telecommunications facility, and an Omega navigation station.

AID TO ZAIRE

Mr. PASSMAN. I note that you plan to provide a greatly increased foreign military credit sales program to Zaire in fiscal year 1976. Also it is noted on page 109 that cash sales to this same country will also be greatly increased. Could you tell the committee if there is a true need for this increased military assistance, or is this just a concession to tone down their feelings toward the United States and to reinstate the U.S. Ambassador there?

General FISH. Our increased assistance is designed to help Zaire modernize its forces, strengthen its defensive capacity, and maintain internal security at a time when external threats to its security have increased. We are aware of no planned cash sales of any great magnitude. The figures on page 109 combine FMS cash orders and orders on credit.

Mr. PASSMAN. Could you please tell the committee what internal problems Zaire has and what external threats exist against her?

General FISH. Zaire has a very large land area, equivalent to the United States east of the Mississippi, with difficult terrain and poor transportation facilities. Following independence in 1960, which was unplanned and for which no preparation was made, Zaire experienced several years of rebellion and attempted secessions. Since then, internal security has been reestablished with assistance in the form of materiel and training from the United States and other countries. However, maintenance of internal security throughout its vast territory remains an important concern of the Zairian Government. Bands of former rebels continue to operate and victimize the civilian population in the inaccessible mountainous areas of the country bordering Lake Tanganyika. It was one of these which kidnapped three American students and one Dutch student from a research center on the Tanzanian side of the lake last spring.

Zaire is surrounded by nine countries and the enclave of Cabinda. The threat to Zaire's security has grown with the recent introduction of Soviet arms, including MIG aircraft, tanks, and sophisticated artillery, into three of these countries. In Angola, the Soviet Union has provided large quantities of arms and Cuba several thousand military personnel to help the MPLA, a group which is hostile to Zaire, achieve dominance over rival national groups.

Mr. PASSMAN. Is Zaire involved in any way whatsoever in the Angola conflict?

General FISH. Concerned about its security, Zaire, we understand, has provided assistance to the groups which are seeking to prevent a military takeover by the Soviet/Cuba-supported MPLA.

CATHOLICS IN ZAIRE

Mr. PASSMAN. Has there been any persecution against the Catholics in Zaire, and what is the present situation in this regard?

General FISH. There has been conflict, reflected in public utterances, between the Catholic Church and the government. The church schools have been nationalized, and religious instruction has been banned from the classroom. Restrictions have also been placed on the public display of pictures other than that of President Mobutu. Christmas and Easter are no longer public holidays.

Freedom of worship is guaranteed in the constitution. The Catholic Church and others continue to perform their pastoral functions, and no churches have been closed.

TRAINING PROGRAM IN SENEGAL

Mr. PASSMAN. On page 60 I note that you are requesting $35,000 in fiscal year 1976 for a training program in Senegal. However, I note that no students are scheduled to be trained. Could you please explain this situation?

General FISH. The training program of $35,000 proposed for Senegal in fiscal year 1976 is for an English language instructor in Senegal to provide intensive English language training. No student training in the United States is planned.

LATIN AMERICA REGION

CHILE

Mr. PASSMAN. I note that you do not plan to request any funds in fiscal year 1976 for Chile. If I remember correctly, last year you told us that it was important for the United States to have some sort of aid program so that the military organizations of our two countries would maintain good relations. Could you please tell the committee what has changed you attitude in this respect?

General FISH. This decision on Chile was taken with regret following lengthy consideration of long-standing and close relations with the Chilean military. Our decision was made only after careful study of U.S. interest and priorities in Chile and was intended to underline our broad concerns. We regret the singularity of its offect on Chile.

HAITI

Mr. PASSMAN. Could you please tell the committee why you are requesting $200,000 to provide military training to Haiti in fiscal year 1976?

General FISH. This training is designed to increase the search and rescue capability of the Haitian Armed Forces, principally the Navy. Small boats are arriving in Haitian waters in increasing numbers. In

the event of an emergency the U.S. Coast Guard has normally been called to their assistance because the Haitian Armed Forces, which has responsibility in this area, lacks the training in search and rescue, navigation, and general maintenance of small vessels necessary to carry out this mission. The courses offered under this program are an introductry level and in every case the students undergo an English language training course. The grant training program would substantially assist the Haitian Government to assume a greater share of search and rescue operations thereby reducing the requirements placed on our own Coast Guard.

COUPS IN LATIN AMERICA

Mr. PASSMAN. Could you tell us if any countries in Latin America have experienced a coup this past year, and if so, has the United States suspended military aid to these countries?

General FISH. None really; only Peru and Honduras experienced changes of government in 1975. There were coups only in the strictest sense of the word in that the President in each case was ousted. In the case of Peru it was an ailing President succeeded by the next in line but neither case was U.S. military aid to these countries suspended.

MILITARY GOVERNMENTS IN LATIN AMERICA

Mr. PASSMAN. How many Latin American countries are now being ruled by governments which took power by force?

General FISH. At present there are eight governments that took power through force. They are Bolivia, Brazil, Chile, Cuba, Ecuador, Honduras, Panama, and Peru.

RESTRICTIONS ON MILITARY AID TO LATIN AMERICA

Mr. PASSMAN. Could you please tell the committee what restrictions are presently on military aid to Latin America?

General FISH. There are presently no such restrictions. Military assistance and foreign military sales to countries in the Western Hemisphere are governed by statutory authorities and limitations of general applicability only.

DEFENSE ASSISTANCE TO LATIN AMERICA

Mr. PASSMAN. Which nations are presently supplying the major volume of defense assistance to Latin America?

[The classified information was provided to the committee.]

SUSPENSION OF AID TO LATIN AMERICA

Mr. PASSMAN. Has the United States suspended any military or economic aid to Latin America in the past year, or is there any aid suspension in effect at the present time?

General FISH. After the passage of section 25 of the Foreign Assistance Act of 1974, no new military assistance programs, credit sales, or foreign military sales letters of offer for cash sales were provided to the Government of Chile. Deliveries were suspended for materiel

ordered under foreign military sales letters of offer which were signed during fiscal year 1975, but prior to passage of the Foreign Assistance Act of 1974. No grant training was extended to Chilean personnel under the Foreign Assistance Act unless invitational travel orders had been issued prior to the passage of section 25 of the Foreign Assistance Act of 1974. No funds have been requested for grant aid or foreign military sales credits during fiscal year 1976. Economic assistance for Chile was not suspended, and was continued within the $25 million ceiling established in section 25 of the Foreign Assistance Act of 1974. [Deleted.]

ARGENTINA

Mr. PASSMAN. Could you please tell the committee what the present internal situation is in Argentina?

General FISH. On October 16, Mrs. Peron resumed the presidential powers which she had turned over to Senate President Luder prior to her departure for a vacation at a military rest camp 5 weeks earlier. Her return was a disappointment to those who question her ability to govern. She has suffered defeat in several battles with organized labor and the military. As a result, many felt that she no longer possesses effective political power or can cope with worsening political fragmentation and deep-rooted social and economic problems. Mrs. Peron is also facing judicial and congressional inquiries about alleged mishandling of public funds. At least one of her former ministers has been arrested in connection with the inquiries. There has been discussion in Argentina about possible military intervention, but it is generally believed that the armed services would intervene only to prevent a total breakdown of government authority and only if there is public support for the move. The military, with government approval, has now taken charge of the critical antiterrorist effort, and in this respect its influence has been expanded.

Mr. PASSMAN. Could you please tell the committee what other countries are providing military assistance to Argentina, and in what amounts?

General FISH. For the period January 1974 to mid 1975, Italy, the Netherlands, and United Kingdom concluded military assistance agreements with Argentina valued at [deleted].

BOLIVIA

Mr. PASSMAN. I note that Bolivia has increased its defense spending from 2 percent of GNP in 1973 to 2.4 percent of GNP in 1974. Could you please tell the committee why they are increasing their defense spending?

General FISH. Bolivia is currently engaged in a transition away from its former dependence upon U.S. grant military assistance. The first in a planned series of foreign military sales credits to Bolivia was authorized for fiscal year 1974, in the amount of $4 million. The purpose of such foreign military sales credits is to permit an orderly phaseout of our MAP grant aid to Bolivia, while continuing to meet Bolivia's expressed desire to obtain modern military and civic action equipment. Bolivia utilized its first foreign military sales credit to purchase three transport aircraft and a Lear jet modified for aerial photographic mapping.

Mr. PASSMAN. I note on page 65 that in fiscal year 1976 Bolivia plans to purchase one Convair 580 aircraft. Could you please tell the committee what type of aircraft this is, and why Bolivia needs it?

General FISH. The Convair 580 is a 2-engine turboprop aircraft manufactured in 1966. It was designed for commercial passenger use and has 35 seats. The aircraft is no longer in production, so a used aircraft will be purchased. Bolivia desires the aircraft for cargo and passenger use as it is particularly well suited for operation into and out of high altitude airfields which are common in Bolivia.

BRAZIL

Mr. PASSMAN. Could you please tell the committee why you plan to have a $60 million foreign military sales credit program to Brazil when it seems this country should be able to afford to pay cash for their military equipment?

General FISH. Brazil continues to face balance-of-payment difficulties. The trade deficit is likely to exceed the Government's target figure, and official reserves are expected to fall again this year. Moreover, budgetary limitations on arms procurement, which are part of current efforts to improve this situation, reinforce the desirability of maintaining a military sales credit program. Given the favorable longer term prospects for the Brazilian economy, the repayment obligation resulting from such a program should not impose a serious burden on foreign exchange resources in coming years, or otherwise interfere with economic and social development.

Additionally, the foreign military credit sales program allows U.S. suppliers to compete favorably with third country suppliers, who operate with the support of their respective governments.

FMCS TO COLOMBIA

Mr. PASSMAN. I note that you plan to start a $16 million foreign military credit sales program to Colombia in fiscal year 1976. Could you please tell the committee why the United States is starting another foreign military credit sales program to this country since they have not had such a program for the past several years?

General FISH. Colombia has been eligible for FMS credits for many years. For example, $15 million was programed for that country in fiscal year 1974 and $17 million in fiscal year 1975; $10 million in FMS credit was extended to Colombia in fiscal year 1973. Because of the Colombian Government's internal administrative procedures and the delayed date in passage of the fiscal year 1975 FMS appropriations bill, it was impossible for the Colombian Government to sign an agreement prior to the end of our fiscal year on June 30. This year, we are hopeful that the "problems will be overcome and that the Colombian Government will be able to utilize the credit.

FMCS EQUIPMENT TO ISRAEL

Mr. PASSMAN. Could you please tell the committee what type of equipment will be supplied to Israel under the fiscal year 1976 foreign military credit sales request?

General FISH. Items such as F4E, F–15 and E2C aircraft, Chaparral and Lance missiles and vehicles of many types will be supplied under fiscal year 1976 foreign military credit sales.

Mr. PASSMAN. Will any of the equipment that is scheduled to be supplied to Israel in fiscal year 1976 from current year appropriation requests or past requests be supplied from U.S. stocks?

General FISH. If the equipment can be supplied to Israel without an impact on service readiness it will be supplied from service stock.

Mr. PASSMAN. Will any of this drawdown of U.S. stock have any adverse effect on U.S. combat efficiency?

General FISH. No, it will not.

Mr. PASSMAN. Have past drawdowns on U.S. stocks had an adverse effect on U.S. combat efficiency?

General FISH. As a result of the October 1973 war in the Middle East, we selected some items of equipment primarily from U.S. Reserve forces inventories and prepositioned NATO war reserve stocks in Europe and provided them to Israel under foreign military sales agreements on an emergency basis.

This drawdown did have an effect on U.S. combat efficiency; however, it was in the overall U.S. interest to maintain and restore stability to the area.

ISRAEL DEBT REPAYMENTS

Mr. PASSMAN. Is Israel current in all her debt repayments to the United States?

General FISH. Yes.

TERMS AND INTEREST ON CREDIT SALES TO ISRAEL

Mr. PASSMAN. What is the interest rate and the terms of the credit sales supplied to Israel for the past 5 years and what are the proposed interest rates and terms of the credit sales requested in fiscal year 1976?

General FISH. The interest rates and terms of credit extended to Israel during the past 5 years are shown below.

[The information follows:]

Type of loan	Date of loan	Amount of loan	Interest rate	Date of final principal repayment
DOD direct	Feb. 23, 1971	$350,000,000	3.000	Oct. 15, 1995
Do	do	150,000,000	6.125	Jan. 15, 1981
Do	June 30, 1971	25,000,000	6.250	June 15, 1981
DOD guaranteed	do	20,000,000	(1)	June 15, 1976
DOD direct	Mar. 31, 1972	150,000,000	3.000	Mar. 31, 1982
DOD guaranteed	do	150,000,000	(1)	Mar. 31, 1979
DOD direct	Feb. 15, 1973	100,000,000	6.250	July 31, 1983
DOD guaranteed	do	100,000,000	6.250	July 31, 1978
DOD direct	Apr. 19, 1973	50,000,000	6.750	Oct. 31, 1983
DOD guaranteed	May 11, 1973	50,000,000	6.750	Oct. 31, 1978
To be forgiven	Apr. 23, 1974	1,000,000,000	(2)	(2)
Do	June 3, 1974	500,000,000	(2)	(2)
DOD guaranteed	do	300,000,000	9.750	June 30, 1994
DOD direct	June 13, 1974	682,663,800	3.000	Jan. 1, 1996
To be forgiven	June 24, 1975	100,000,000	(2)	(2)
DOD guaranteed	June 26, 1975	200,000,000	(3)	June 10, 1985

1 ⅛ percent over prime rate.
2 Not applicable.
3 Cost of money to U.S. Government.

The proposed terms of credit and related interest rates of potential fiscal year 1976 loans to Israel for the purchase of defense articles and services are as follows:

Type/source of loan	Amount (millions)	Interest rate	Repayment period
To be forgiven	$750	Not applicable	Not applicable.
Federal financing bank	750	Cost of money to U.S. Government (plus administrative charges) at time of drawdown.	Still being negotiated.

FMCS TO JORDAN

Mr. PASSMAN. You are requesting large increases in the foreign military credit sales program to Jordan in fiscal year 1976, and also in the military grant assistance program. Could you please tell the committee why you are requesting such large increases in these two programs, especially in light of the statement that you are trying to scale down the grant aid and shift more to the credit sales programs?

General FISH. Our fiscal year 1976 request for $100 million in MAP grant assistance to Jordan reflects the same level requested for last year and thus is not an increase. Our request for $75 million in FMS credit is an increase over last year's request for $30 million. This FMS increase is modest relative to the amounts requested for Israel and reflects the increased amount of credit the Jordanians will need as the prices for military equipment constantly rise. We are confident that the Jordanians can absorb this increased assistance in the on-going effort to modernize their armed forces over the next few years.

Mr. PASSMAN. Jordan is scheduled to receive a large increase in cash sales for military equipment. What is this reason for her large buildup in military assistance requests?

General FISH. Historically Jordan has had difficulty raising the required funds to modernize their armed forces. We understand that in recent months significant third country financial support has been offered. The fiscal year 1976 projection of foreign military sales orders on page 109 of the congressional presentation document includes significant amounts for acquisition of a new air defense system. Previously, smaller third country assistance was provided to acquire wheeled and tracked vehicles to modernize Jordanian ground forces. Deliveries, and their payments, for many of these items will take pace in fiscal year 1976.

MILITARY ASSISTANCE TO JORDAN

Mr. PASSMAN. In light of Lebanon's current internal situation, has the United States suspended all deliveries and all new assistance in military aid to this country?

General FISH. We have not suspended deliveries.

U.S.-SUPPLIED ARMS TO LEBANON

Mr. PASSMAN. With no MAAG contingent in Lebanon, who is monitoring the final disposition of U.S.-supplied arms?

General FISH. In the absence of a MAAG, the U.S. Defense Attaché's Office has the responsibility for monitoring the disposition of U.S.-supplied arms.

ECUADOR

Mr. PASSMAN. On page 72, you indicate that Ecuador has natural gas reserves and significant petroleum production. Does the United States receive sizable quantities of these products from Ecuador?

General FISH. Since entering into production in 1972, Ecuador has become a fairly significant exporter of crude oil. Figures made available by the Federal Energy Administration indicate that total production by Ecuador in 1974 averaged 160,000 barrels per day and of that 40.6 percent was sent to the United States. Recent figures prepared by the Government of Ecuador indicate that average export production in 1975—first 10 months—was approximately 139,000 barrels per day, with 44 percent being shipped to the continental United States and Puerto Rico.

Ecuador is not yet a producer of natural gas for export. However, exploration and development rights to gas deposits in the Gulf of Guayaquil, which are believed to be of some significance, were accorded in December 1974 to a large U.S. gas pipeline company.

Mr. PASSMAN. Could you please tell the committee why we are starting a $10 million foreign military credit sales program in fiscal year 1976 for Ecuador?

General FISH. Following the Presidential determination of January 1974 which restored Ecuador to eligibility for foreign military sales and credits after an absence of about 4 years, it was determined to be in the national interest to allocate certain FMS credits to Ecuador in an effort to reestablish a meaningful military relationship with that country's military leadership and to help in refurbishing Ecuador's military services which have been traditionally supplied from U.S. sources. However, due to the lack of time to establish a procurement schedule, no funds allocated to FMS credits to Ecuador in fiscal year 1974 could be used. Funds allocated for fiscal year 1975 were not available prior to the seizure of U.S. tuna clippers by Ecuador in early 1975. The subsequent Presidential determination to restore Ecuador's eligibility for FMS sales and credit facilities came on June 30, 1975, too late for the allocation of fiscal year 1975 funds. It is only with that background that an understanding of the decision to finally initiate a fiscal year 1976 FMS sales program for Ecuador can be explained. Despite the seizures which took place in early 1975, we believe that the Government of Ecuador is deeply interested in negotiating an end to the 24-year-old tuna fisheries dispute within the context of an overall LOS treaty, and we believe that our willingness to enter into a productive FMS relationship has served a useful purpose to that same goal.

Mr. PASSMAN. Has Ecuador seized any U.S. fishing vessels in the past year?

General FISH. Yes: Ecuador seized seven U.S.-flag tuna clippers between January 25 and February 1, 1975.

EL SALVADOR-HONDURAS BORDER SITUATIONS

Mr. PASSMAN. Has El Salvador and Honduras had any border problems during the past year?

General FISH. The Honduras-El Salvador dispute remains unresolved but there have been no serious border incidents during the past year.

GUATEMALAN TROOPS IN BELIZE

Mr. PASSMAN. Could you please tell the committee if Guatemala has sent any troops across the border into Belize?

General FISH. To the best of our knowledge they have not.

Mr. PASSMAN. Could you please tell the committee what the present situation is with regard to the Guatemala-Belize situation?

General FISH. As a result of the visit to Guatemala of a high-level British Emissary, the United Kingdom and Guatemala have now agreed to resume negotiations on Belize early next year (possibly February). This agreement has greatly reduced the threat of an outbreak of violence in the area. We are hopeful that a compromise solution will be found that all parties can agree to.

Mr. PASSMAN. Has the United States suspended military equipment deliveries or new military aid to Guatemala in light of this situation?

General FISH. The United States has not suspended the delivery of military equipment or the provision of new military aid to Guatemala. We have made it abundantly clear, however, to the Guatemalan Government that we are firmly opposed to any use of force in the Belize dispute. The Guatemalan Government understands that a resort to armed force on its part carries a high risk of evoking legislative sanctions under section 505(d) and 620(i) of the 1961 Foreign Assistance Act, as amended, and section 3(c) of the Foreign Military Sales Act, as amended.

NICARAGUA

Mr. PASSMAN. I note that Nicaragua plans to increase its defense expenditures from 1.5 percent of GNP in 1973 to 2 percent of GNP in 1974. Could you please tell the committee why they are increasing their defense expenditures by this rather substantial amount?

General FISH. Nicaragua's actual defense expenditures, in dollar terms, are rather small. The budget figure for their fiscal year 1975, for example, is the equivalent of only $17.3 million, or only 1.1 percent of the estimated 1975 gross domestic product of the country. The percentage figure for 1974 was similar, to the best of my knowledge. Moreover, the Ministry of Defense is responsible for maintenance and operation of Nicaragua's civil aviation facilities, for the customs and immigration services, for the weather service, and for the country's radio and telecommunications systems. All of these would be handled by civil agencies or commercial firms in other countries, and they serve to inflate the "defense" budget. The National Guard has also been directly involved in the efforts to reconstruct Managua since the 1972 earthquake and to carry out other public works projects in the country.

MAP IN NICARAGUA

Mr. PASSMAN. Why does the United States bother to provide $200,000 in military grant aid to Nicaragua in fiscal year 1976?

General FISH. The $200,000 programed for fiscal year 1976 consists largely of spare parts and maintenance services for vehicles and

equipment provided in prior years. Some $40,000 of the total is to cover supply operation costs. The largest single component of the program is for vehicles to equip the National Guard's engineering battalion, which has an important role in various reconstruction and development projects in the country. This limited, and decreasing, element in the security assistance program in Nicaragua has contributed to the maintenance of a traditionally close and cooperative relationship with Nicaragua. The program is now being phased out, however, as we move the Nicaragua Government from dependence on grant aid to a more mature relationship where our military program is focused largely on FMS credits.

PANAMA

Mr. PASSMAN. Is Panama presently having an internal stability problem?

General FISH. Panama's present head of government, General Torrijos, has been in power since the fall of 1968. His government appears to enjoy broad support among the Panamanians.

PANAMA CANAL NEGOTIATIONS

Mr. PASSMAN. Could you please tell the committee how the Panama Canal negotiations are progressing?

General FISH. The negotiations on a new treaty to replace the 1903 treaty are proceeding with all deliberate speed. Secretary Kissinger and Foreign Minister Tack signed a statement of principles to guide the negotiators in February 1974. Substantive negotiations commenced in June 1974 and have focused on the development of conceptual agreements on the major issues. Tentative agreement in principle has been reached on jurisdiction, defense of the canal and operation of the canal. Issues which must still be resolved include duration, the lands and waters which will be retained for the operation and defense of the canal, compensation to Panama and possible expansion of the canal facility either by the construction of a third lane of locks or of a sea-level canal. Because of the complexity of the issues under negotiation, however, it is not possible to estimate when a treaty will be completed.

PERU

Mr. PASSMAN. On page 88 the justifications indicate that Peru has the potential of export of various resources that might be useful to the United States. Could you please tell the committee what these resources would be?

General FISH. Peru is an important producer and exporter of minerals, especially nonferrous metals such as copper, zinc, lead, and silver.

Mr. PASSMAN. Could you please tell the committee how much military assistance is being received by Peru from the Soviet Union?

General FISH. Since January 1973, the Soviet Union has agreed to provide to Peru—under long-term sales contracts—military equipment valued at ———.

Mr. PASSMAN. Could you please tell the committee why Peru needs F–5E aircraft, and who else in South America has those type of aircraft?

General FISH. The Congressional Presentation Document (CPD) lists three F–5E's as proposed for purchase with FMS credit financing to reflect what appeared earlier to be an active interest on the part of the Peruvian Air Force in acquiring this aircraft. However, the Peruvians at this time have not followed up on this matter and we assume that their plans may have either changed or are being reassessed. As you may know, the Peruvian Air Force was the first South American country to purchase French high performance Mirage aircraft in the late 1960's when the United States initially demurred on the sale of F–5 aircraft in the Latin American region. Modern fighter aircraft are required to meet Peru's force modernization goals. Other countries in South America that have purchased the F–5E aircraft are Chile and Brazil.

INTERNAL SITUATION IN URUGUAY

Mr. PASSMAN. Could you please tell the committee what the present internal situation is in Uruguay?

General FISH. The military-backed Bordaberry administration is seeking to come to grips with Uruguay's serious economic problems, which have been compounded by the rise in petroleum prices and the closing of the European Economic Community to beef imports, Uruguay's main export.

The Uruguayan Armed Forces, which emerged from a historically passive role, have since 1973 assumed a dominant political role. The military-civilian leadership is charged with taking action to reverse 20 years of economic decay. A major reform effort is underway to reduce state intervention in the economy, stimulate productivity and exports, and increase efficiency in public entities. Policy reforms are planned or already underway covering foreign exchange controls, price controls, taxation, the civil service system, and the banking system. An economic stabilization program is also underway to cut the rate of inflation.

The problem of insurgency and terrorism by the Tupamaro guerrillas has been contained. Since assuming responsibility for internal security in 1971, the Armed Forces have broken the organized Tupamaro apparatus and its capacity to carry out major operations, although there is a continuing danger of sporadic terrorist incidents. Most of the Tupamaro leadership is in prison or has fled to exile, and most of its membership have been tried or are still being processed by military courts.

Reports on the number of terrorists arrested at the height of the Tupamaro activity have varied from 1,000 to 3,000. Most if not all have been arrested for specific criminal acts including kidnappings, assassinations, bombings, and robberies. The Government's stated policy is to prosecute individuals only for illegal activities and not for political beliefs.

While no official announcement has been made that regularly scheduled elections will not be held in 1976, various Government and military officials have indicated that a return to Uruguay's former political system is highly unlikely.

MAP IN URUGUAY

Mr. PASSMAN. When will Uruguay no longer need military grant assistance?

General FISH. The levels to Uruguay are way down and plans are to phase out the program over the next several years.

FMCS TO VENEZUELA

Mr. PASSMAN. I note that we are planning to start again a foreign military credit sales program in Venezuela in fiscal year 1976. Could you please tell the committee why we are starting the program again and why Venezuela could not afford to pay cash for this equipment?

General FISH. The fiscal year 1976 FMS credit program for Venezuela is a continuation of recent past years (fiscal year 1975—$17 million; fiscal year 1974—$7.5 million, et cetera) rather than any new start. The Venezuelan Government did not sign a fiscal year 1975 loan agreement, however, because it considered the Federal Financing Bank clause on litigation venue (that is, the U.S. courts) in direct conflict with the Venezuelan Constitution.

We believe that FMS credits to Venezuela should be phased out over the next few years. A reduction or cutoff now of FMS credits to Venezuela would needlessly jeopardize relations with that country at a time when we are actively seeking to improve the quality of our relationship with the Government of Venezuela. Budgetary constraints and priorities have also made it impossible for the Venezuelan military to make certain purchases from the United States, such as $5.6 million worth of communications equipment, without these credits. Furthermore, a cutoff or reduction now could give the Venezuelan Government an unintended signal of U.S. Government displeasure with the current petroleum nationalization, add to that Government's incentive increasingly to shift its growing military purchases to Europe if it cannot obtain satisfactory credit terms from the United States, and give rise to charges to U.S. favoritism toward Colombia after years of a U.S. Government evenhandedness policy of comparable levels of MAP training and military sales credits, to both countries.

VENEZUELA

Mr. PASSMAN. Could you please tell the committee why it is necessary to increase Venezuela's internal security capability?

General FISH. It is not intended to increase Venezuela's internal security capabilities. Rather, the security assistance program is projected for normal force modernization which, in turn, will assist Venezuela to improve the quality and effectiveness of her existing internal security capability.

JUSTIFICATIONS

Mr. PASSMAN. Could you please explain the footnote appearing on page 110 in connection with the foreign military sales and commercial sales which says that credit available for FMS and/or commercial sales in fiscal year 1974 and fiscal year 1975 and proposed for fiscal year 1976 and for fiscal year 1976 transition?

General FISH. The footnote to the table providing the levels of foreign military sales orders and commercial sales (deliveries) identifies those countries that now have or are proposed to have FMS credit available for application to purchases.

Mr. PASSMAN. Are all the sales listed in the foreign military sales orders column cash sales from the United States?

General FISH. No; the sales listed in the foreign military sales orders column are the total commitments to purchase for the fiscal year involved. Those purchase commitments may be financed under cash terms or, for eligible countries, with FMS credits.

FMS TO INTERNATIONAL ORGANIZATIONS

Mr. PASSMAN. Could you please tell the committee what international organizations placed cash sales orders in fiscal year 1974 and fiscal year 1975?

General FISH. The information follows:

	Fiscal year 1974	Fiscal year 1975
International organizations total	18,159	30,694
NATO missile firing installation (NAMFI)	988	1,562
NAMSA F-104 Procurement Center (NAMSA)	9,165	17,282
NATO headquarters and agencies (NATO Hq)	(1)	
NATO weapons production program (NATO WPP)	5,033	11,623
Supreme Headquarters Allied Powers, Europe (SHAPE)	2,721	8
North Atlantic Treaty Organization (NATO projects)	252	220

[1] Less than $500.
Note: Totals may not add due to rounding.

Mr. PASSMAN. Could you please tell the committee why these international organizations are not listed for foreign military sales orders in fiscal year 1976.

General FISH. This was simply an oversight on our part. We do estimate FMS of $20 million and $5 million in fiscal year 1976 and fiscal year 197T respectively to International Organizations. We expect these sales to be primarily sales of spare parts to the NATO Maintenance and Support Activity (NMSSA). We also estimate commercial deliveries to International Organizations of $1.5 million in fiscal year 1975, $1.7 million in fiscal year 1976 and $.5 million in fiscal year 197T.

Mr. PASSMAN. Mr. Long?

Mr. LONG. Thank you, Mr. Chairman.

Mr. Obey?

Mr. OBEY. General, let me, in light of our conversation yesterday, repeat once again what I am trying to get at before I ask these questions. Let me explain by going back to the day I first set foot in this Congress.

If anybody had told me in April of 1969 when I first came here that I would be voting against foreign aid, I would have said they were nuts because I had come to this Congress convinced that foreign aid was essential, both military and economic, that you could make rational cases for both and that much of the opposition to aid around the country was based either upon personal selfishness or a lack of understanding of our proper relationship with the rest of the world.

I changed my mind for one simple reason. I have the funny feeling that if you can't explain something yourself, then you have no business voting for it. I frankly cannot explain—to myself or to the people I represent—why I would vote for the foreign aid bill over past years because of so many questions which had been raised about it.

I simply want you to put on the record everything that you can that is favorable, unfavorable, or neutral in terms of the whole aid package, economic and military.

As I said yesterday, I recognize that beyond the question of whether or not there is a specific defense requirement for any country which receives military aid, there are other considerations which are legitimate.

Are we doing it simply to maintain a military-to-military relationship with another country? That is legitimate. Are we doing it to try to buy a few friends? In some cases that may be legitimate, too.

But the fact is I simply want on the record answers to very specific questions concerning specific countries so that we have some way of differentiating between aid which is provided to meet a general purpose and aid which is provided to, in addition to meeting a general purpose, also to meet a specific purpose.

ASSESSMENT OF MILITARY THREAT IN LATIN AMERICA

So, having said that, I would like to renew the questions which I was asking yesterday about Latin America. I would like to ask, for each of the nine countries for which we are providing grant assistance, Bolivia, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay and Uruguay, for each of those countries I want to ask the following questions. I would like answers as specific as you can provide.

In the case of Bolivia, for instance, is there, in addition to any general considerations which I have already granted may exist for any country, is there a specific military threat, in our eyes—not in their eyes but in our eyes. Do we believe that there is a specific military threat to Bolivia?

General FISH. Yes, sir.

Mr. OBEY. Let me explain where I am going ahead of time.

For each of the countries I want to know if, in our eyes, there is specific military threat to that country and if so, what is it? Then, if there is not, is there one which may or may not exist in their eyes? If so, will you describe it? If there is not, then, is it an internal threat of some kind which we are attempting to respond to? Is it a real internal threat in our eyes? If not, is it a real internal threat in their eyes? And if so, what is the nature of that threat, what is the source of the threat, and what judgments have been made that lead us to conclude that it is appropriate that we respond in some way to that threat?

Now, those are the specific questions to which I would like answers, for each of the countries in Latin America to whom we are providing grant assistance.

Mr. LONG. Will you yield?

Mr. OBEY. I will be happy to yield.

Mr. LONG. As I said yesterday in closing the hearing, I want to broaden this request to all the countries for which there are military assistance programs and foreign military sales. I would want you to put in the record the comparison and I will also interrogate you with respect to particular countries. I am talking about the worldwide program—the total military request, the external threat, and in addition, and I think this may reinforce Mr. Obey's request, any intelligence estimates independent of the Department of Defense as to what these external threats or internal threats are. If these are classified, they should be submitted to the committee.

REQUEST FOR ESTIMATE OF THREAT WORLEWIDE

I will have a number of other questions on various countries. Mr. Obey will have some and I will not cover the ground he covers. I want you to know that I don't think you were prepared yesterday. I hope you did come prepared today to talk specifics because I agree wholeheartedly with Mr. Obey on these matters.

Mr. OBEY. Do you want to start with Bolivia?

General FISH. Sir, as a result of our discussions yesterday, and I am conscious of the chairman's charge, I did contact the Defense Intelligence Agency and requested that they prepare an estimate of the specific military threat, country by country, in Latin America. I will enlarge that immediately, sir, to the worldwide request that the chairman has made.

It will outline the threat as perceived by those countries and also our own estimate of the threat. I will add to that, sir, any independent estimates external to the Department of Defense. They are preparing that right now. We will cover each one of these points that you raise, that is the nature, source, and our judgment of the response.

It is true, and I did check it to the degree that it can be discussed in open session without doing any violence to our classification or to our relations with some of these countries—the material is classified, sir, and I expect it to be available to the committee in written form and detailed and summarized succinctly by the first of the week.

Also, I again reviewed my basic rationale and as I understand it, the basic rationale for the Latin American military assistance program.

[The classified information was provided to the committee.]

Mr. OBEY. I don't want to talk about Latin America. I don't want to talk about a general area. I want to know what you can tell us now on specific countries in response to the specific requests which I have raised. I don't want to talk about the general Latin American threat, the general Latin American rationale. We can get that any time and we always do. I simply want to know before I determine whether or not I can vote for this bill, what is the specific rationale for every country for which we provide military aid beyond the general statements which we spent all afternoon yesterday rehashing.

I understand that some of this is classified. But there certainly is a good amount of it which is not classified. I can't believe that you can't respond in some fashion to the question of whether or not any of these countries have specific across-the-border threats to them in either our mind or in the minds of the recipient countries.

General FISH. I have been informed that is classified, sir.

Mr. OBEY. All of it?

General FISH. The threat information is classified.

Mr. OBEY. You can't say a word? Do you mean you cannot say a word in open session about what kinds of threats there exist to specific countries in Latin America?

CROSS-COUNTRY THREATS IN LATIN AMERICAN

General FISH. We don't perceive many specific cross-country threats generally throughout Latin America. I could repeat that for each country.

Mr. OBEY. So you said you do not perceive any cross-border threat to any country in Latin America?

General FISH. No; we don't perceive any appreciable threat cross-country. This is not necessarily the perception of all the countries in South America in their own perceptions. I would like to provide details for you, sir, in a document.

Mr. OBEY. Fine, I want those details. My point is that I have a hell of a lot more to do than to look 3 months later at what somebody managed to provide to the committee. These hearings are useless if we cannot get some information, mouth to mouth, nose to nose. Supply all you want for the record. I am interested in all of it. But I am also interested in knowing now as much as you can tell us directly about the specific questions which I have raised.

Now, you have said that you don't believe that there is any, or that our Government generally doesn't believe, that there is a military threat to any Latin American country cross-border?

BASIC RATIONALE FOR LATIN AMERICAN PROGRAM

General FISH. That is my perception, yes, sir. As much as I could ascertain it. My problem is, and I am really trying to be responsive, but the problem is that the basic rationale for the Latin American program is not based on threat information. So that is why I am not prepared to address detailed threats.

Mr. OBEY. I understand that. We got into all that yesterday. I read to you the language in the Senate committee report last year. Let me read it again because some of the members who are here now weren't here yesterday. That is what I am trying to get at. The report of the Senate committee of last year said this:

> The military assistance program creates many of the same problems for the United States as the foreign military sales credit program. It may stimulate regional arms races, encourage certain regions to give undue attention to military as opposed to social humanitarian concerns and link the United States with regions prone to practices inimical to our concepts of human decency.
>
> On the other hand, the committee recognizes that in selected cases the military assistance program is a crucial aspect of United States attempts to maintain some semblance of stability in the international system. What concerns the committee is that this bona fide rationale for the military assistance program has been applied so indiscriminately as to cause the U.S. officials to overlook the negative aspects of the program enumerated above.
>
> The committee believes that this in turn has led to unwise decisions to enter into or continue military aid relationships that provide little in return for our investment on behalf of international peace and order.

As I indicated to you, recognizing that there are general policy reasons for providing aid in many areas, I just want to grant that and simply go on beyond that and say: "In addition to all of those, what are any additional specific reasons?" The specific reasons can be only certain kinds. They can either be wanting to make friends, wanting to keep a military relationship or something of that nature. They can be either because there is a specific military threat to which a country is entitled to have a defense, which is seen either by them or by us, or there is an internal threat which evidentally we think is of sufficient seriousness and is related in at least a significant way to our own national interest which causes us to intervene. I simply want to know what those specifics are.

General FISH. I will go through it to the extent I can and I have information I can discuss with the caveats I indicated.

Mr. OBEY. I recognize that sometimes you are not dealing with reality, but you are dealing with people's perceptions of reality. I grant that, too. But the point is that you say that in our Government's mind there is no specific military threat to any country receiving grant aid in Latin America.

General FISH. Yes, sir, that is my testimony.

Mr. OBEY. Now, if that is the case, then, is there an internal threat in any of those countries which we see which is in some way related to the specific dollar amounts requested for any one of those eight countries in Latin America?

U.S. INTERESTS IN BOLIVIA

Mr. WILLIAMS. I am Albert Williams, Office of Policy Planning and Coordination in the Inter-American Bureau in the State Department, Assistant Director of that Office for Politico-Military Affairs.

I would like to address the question of the threat in Bolivia. Our largest MAP materiel program in the hemisphere—and it has been for the last 4 years—is Bolivia. That involves about 50 percent of our total hemispheric MAP materiel programs.

This came about as a result of a change in Government in 1971 when a leftist military regime, the Torres regime was overthrown by the Banzer regime which was currently in power. A decision was made at that time to strengthen the internal security forces of Bolivia based on several factors.

One was a concern about development in neighboring Chile, under Allende. One was concerned about the deteriorating political situation in Argentina at the time before Peron's return. One was a concern about the direction of the post-1968 revolutionary government in Peru. The thinking at that time was that we could not afford to have an unstable Bolivia in the Southern region of Latin America in addition to the other three which I have mentioned.

At that time in 1971 we made a commitment to the Bolivian Government to form and equip five mobile regiments.

Mr. LONG. What was that year?

Mr. WILLIAMS. In 1971, the bulk of our MAP materiel program in Bolivia since then has been for the purpose of equipping those five regiments. We have completed one to the tune of about 96 percent. We have equipped the fifth to the tune of about 15 percent. We feel that over the next 2 years we will reach 100 percent in all 5 regiments.

Mr. OBEY. So the internal threat to the Bolivian Government comes presently from where?

Mr. WILLIAMS. Bolivia has a very unstable political history with about 150 governments over the last 150 years. The threat against which we were strengthening the internal security forces of the country came as a result of the overthrow of a leftist government in 1971 and the possibility of a reemergence of that same or a similiar leftist government.

Mr. OBEY. What would the reemergence of that leftist government mean to the U.S. national interests?

Mr. WILLIAMS. In terms of tin and oil, those are the two major items that Bolivia exports. It has been a major supplier of tin and a minor supplier of oil. Our principal economic interest in that country has been tin.

Mr. OBEY. So it is your assumption that if the leftist regime took over, that we would not have access to those two commodities?

Mr. WILLIAMS. We obviously would like to maintain our access to strategic minerals.

Mr. OBEY. That doesn't answer the question. Is that your assumption or is it just a possibility?

Mr. WILLIAMS. That is a possibility. We can't say that an unfriendly regime would definitely cut off our supply of raw materials.

Mr. OBEY. You said there were 150 governments in Bolivia over the last 150 years.

Mr. WILLIAMS. Yes, sir, that is approximate.

Mr. OBEY. And we are somehow going to appreciably change the whole chaotic history of that area with our military aid program?

Mr. WILLIAMS. The present regime has lasted since 1971.

Mr. OBEY. What kind of a regime is it? Is it a democratic regime or what is it?

Mr. WILLIAMS. You can't call it a democratic regime. It is a conservative military regime.

Mr. OBEY. Is it a repressive regime in our judgment or not? Do they hold political prisoners?

Mr. WILLIAMS. It certainly, by Latin American standards, is not in the top, if you have to make a list.

Mr. OBEY. Does it hold political prisoners?

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

Mr. LONG. Would the gentleman yield?

Mr. OBEY. Sure.

Mr. LONG. Were you aware that the GAO has issued a report on the U.S. military presence and programs in Bolivia? I quote from the GAO report:

> Our review of U.S. military revealed that the Departments of State and Defense should consider making substantial reductions in the program because of, one, Bolivia's purchase of unneeded military equipment at the apparent expense of economic development and, two, the interest in military support being provided by its neighbors for stability and security in the area.

Were you aware of that GAO report?

Mr. WILLIAMS. Yes, sir.

Mr. OBEY. You say you don't know whether they hold political prisoners or not.

Mr. WILLIAMS. No.

Mr. OBEY. I noticed that Mr. Moynihan was quite interested in the United Nations—and I commend his interest—in the question of political prisoners. If we are that heavily interested in it as a country, don't you think that is one of the answers we ought to know on this committee? Why don't you supply it for the record.

[The information follows:]

110 POLITICAL PRISONERS ARE BEING HELD IN BOLIVIA

In an amnesty on December 19, the Government of Bolivia freed 71 political prisoners. It was estimated that this left some 85 political prisoners in Bolivia.

Mr. WILLIAMS. Yes.

Mr. OBEY. You say we may lose tin and what else?

Mr. WILLIAMS. Oil is the other major resource.

Mr. OBEY. What percentage of our oil do we now get from Bolivia?

Mr. WILLIAMS. I can't answer that. It is infinitesimal, if any.

Mr. OBEY. What percentage of our tin do we now get from Bolivia?

Mr. WILLIAMS. I am not the Bolivian expert. I can't answer these questions specifically. I am political and military.

Mr. OBEY. These are the kinds of questions which ought to be taken into consideration in determining whether aid is given to any country. If we are not going to do more than simply look through these budget justifications and then justify everything on the basis of the general rationale for the program, we might as well hang up shop and let somebody else do our work. These are all hard-working men on this committee. I think they have a right to know what the specific rationale is for each aid program.

Mr. ROUSH. Would my colleague yield at that point?

Mr. OBEY. Surely.

Mr. ROUSH. Do you know how much oil we received from Bolivia?

Mr. WILLIAMS. No.

Mr. ROUSH. Do you know how much tin?

Mr. WILLIAMS. No.

Mr. ROUSH. You are the expert on the military; right?

Mr. WILLIAMS. Yes.

Mr. ROUSH. I gather we are basing our military assistance to Bolivia partially on the fact that there is an economic reliance.

Mr. WILLIAMS. That is a generalized statement. I think we would apply that to most countries in Latin America.

Mr. ROUSH. In that event I would think you would know the extent to which we are relying on Bolivia for oil and tin.

Thank you.

[The information follows:]

U.S. imports of tin for 1974: 1,135 long tons of refined tin (metal), 5,877 long tons of tin concentrate (ore) for a total of 15.4 percent of U.S. total imports, making Bolivia only second to Malaysia as a U.S. supplier.

Mr. OBEY. I want to make something else clear to the gentleman at that end of the table. I don't regard this as a partisan problem at all. Back when I was in college I used to read, at that time, Senator Fulbright's committee reports. I don't think that the Congress got any better specific information from Democratic administrations than we are getting from Republican administrations. This has nothing whatsoever to do with any party label problem. I want to make that clear as well.

I think we have to understand more of the specifics before we decide to toss money around the world given the fact that we are $70 billion short this year.

How many other countries supply us with tin? Do you know?

General FISH. I might be helpful here. First of all, it is my general knowledge and not specific by work that the two largest suppliers of tin are Bolivia and Malaysia. The amount of tin is over half. I think it is in the order of 70 or 80 percent that comes from Bolivia.

Mr. OBEY. That is the kind of stuff that we want in the record. I don't care whether the information justifies the aid. My point here is not that there should not be aid to Bolivia. I honestly don't know. I am simply trying to find out what the specific rationale is so that I can explain to people back home.

So you say that we do get what percentage of our tin?

General FISH. Just by accident I did my master's thesis on Bolivia many years ago. It has not appreciably changed, I don't think. It is on the order of 70 or 80 percent.

Mr. OBEY. Seventy or 80 percent of what?

General FISH. Of our requirements. I would be surprised if that has changed drastically. I qualify myself as an expert in this regard very reluctantly, but I thought it might be helpful.

Mr. OBEY. So, in other words, in your judgment the major reason for our providing aid to Bolivia is to protect our tin supply?

General FISH. No, sir, I would not reach that understanding. One of the reasons is political stability.

Mr. OBEY. That is beyond the other reasons.

General FISH. I think the primary reason for the programs are the general reasons which I know you don't want to go into in detail. If you ask what is the primary reason, I have to go back to the fact that the primary reasons are the general reasons.

Mr. OBEY. Then, the primary specific reason.

General FISH. We are getting close.

Mr. OBEY. Can you answer the same kinds of questions for some of the other countries? What about Guatemala?

GENERAL STATEMENT ON LATIN AMERICAN PROGRAMS

Mr. WILLIAMS. May I make a general statement about MAP material programs in Latin America? I think the sentiment, I can certainly speak for the Bureau and maybe others in the Department would like to speak in a broader sense, but certainly in the Latin American Bureau several years ago, 6 or 7 or 8 years ago we were gradually coming to a realization that a MAP materiel program in the region has outlived its usefulness. We felt then and continue to feel that it is an anachronistic program. It is a carryover from a paternalistic age. It continues to perpetuate a relationship not of equals which is what we are trying to foster now. I don't think it wins us many friends in Latin America and I am only speaking of Latin America.

As a consequence of this generalized sentiment, the decision was made in 1968 to phase out MAP materiel programs in the larger countries in the Western Hemisphere, which indeed was done, with the

thought being that in several years hence, perhaps in the 1971 and 1972 time frame we would phase out the remaining countries.

For a variety of reasons, however, this was not done.

Mr. OBEY. Why don't you expand that for the record. I don't want to take everybody else's time. I am not asking these questions because I have any specific objection to MAP. As a matter of fact, I am not so certain that MAP is all that illegitimate. In some circumstances I think I would feel more comfortable with MAP than I would with large amounts of sales, whether credit or otherwise.

I am just asking these questions on the MAP countries because there are fewer countries that you have in the other column. We ought to have that same kind of specific information for all the countries, not just for MAP but for every country.

I don't want to take any more time of the committee. I have a couple of questions on other matters, but I would simply like to say that it is this kind of a specific question which I think we need the answer to for virtually every country. I hope you will try to provide as much in detail for the record as you can.

I do want to move on to another question.

General FISH. May I respond just on that one point?

Mr. OBEY. Yes.

General FISH. We will undertake to do that. We will get it to you personally and to any other committee members in advance of the published record so that you have an opportunity to review it in your deliberations and in as succinct form as can be manageable. I undertakes that as a personal obligation and assure you it will be done.

[The classified information was provided to the committee.]

Mr. OBEY. I have three other questions on Latin America and one on Africa.

INTERNAL THREATS TO LATIN AMERICAN COUNTRIES

On Uruguay and Honduras, can you tell me what the internal threats are that you see there which require our involvement, if any?

General FISH. The specific reasons for security assistance in Uruguay are the general reasons and to sustain counterinsurgency capabilities.

Mr. OBEY. Against whom?

General FISH. There has been some extreme leftist terrorism.

Mr. OBEY. Indigenous or induced by Cuba or somebody else?

Mr. WILLIAMS. Those are largely, but not exclusively indigenous, the Tupomaros we heard so much about just a few years ago.

Mr. OBEY. Why is it our business to get involved in that?

Mr. WILLIAMS. It is a question of providing support to Uruguay. That country has traditionally been considered the Switzerland of South America, if you will. The Uruguayans have a long history of democratic governments. It has been our practice to support friendly governments, particularly when faced with a very serious security problem.

Mr. OBEY. So your point is that in Uruguay you are helping to stabilize a democratic government against a nondemocratic, leftist, terrorism organization; is that right?

Mr. WILLIAMS. I would not call the current one that.

Mr. OBEY. You indicated their long history of democratic governments.

Mr. WILLIAMS. Part of the movement away from the democratic government, which is a relatively recent vintage—in the last 3 or 4 years and particularly the last 2 years—has been precipitated by a Government response to a major urban terrorist threat. The Government has felt constrained to crack down, to do away with many of the traditional liberties because of perceived security threats.

Mr. OBEY. What about Honduras?

General FISH. Of course, Honduras is important to us because of its strategic location on the Central American isthmus.

Again, our reasons are basically regional stability and the general reasons of military-to-military relations as we discussed.

Mr. OBEY. Is there a specific internal threat?

General FISH. We want to encourage the restoration of normal relations with El Salvador with which they have had difficulty. In this case, as I believe I indicated yesterday, they were in a fight with El Salvador in 1969.

Mr. OBEY. So you would make an exception to your statement?

General FISH. No, I stick by what I said. I said that was the last time they were in a fight. We would encourage the continuation of normalization of their relations with El Salvador. There is a difference in saying there is a specific threat there than that everything is not real happy. I would make that difference.

SUPPORT OF NONDEMOCRATIC REGIMES

Mr. OBEY. The reason I asked those questions—and this is my last point on Latin America before my question on Africa—I just wonder, and I feel the same way about both continents—I see us supporting regimes in those two areas of the world which are not democratic. That doesn't necessarily mean that we shouldn't support them, but I think we ought to take it into account.

General FISH. Absolutely.

Mr. OBEY. They are not democratic. They may, in fact, in the future be deposed by other regimes. I think all too often—and it happened in the Arab world and it has happened in Africa and I think it has happened in Latin America—we have been identified with regimes which have been viewed as being repressive. We have then seen an overthrow of the government in those areas and new governments which come into their place are unhappy because of our past association with the old regime. We wind up not having friends 10 or 15 years into the future that we might have had had we not been identified with the most repressive, the most undemocratic forces in a particular country.

I wonder how much weight we give to that kind of consideration when we decide whether we are going to protect our supplies of any given commodity over the short run and how well we balance it off against what is likely to happen to us in the long run.

General FISH. I have a thought on that. I think you have to look at what are the alternatives in any situation and would the fact that we did not participate and have interchange with them through

these aid programs, modest ones, has that encouraged them to be less repressive? What would have been the outcome had we not? I think that is a tough thing that has to be weighed on a case-by-case basis. I think it is weighed.

Mr. OBEY. That is a different question. That implies we have an obligation to encourage countries to be less repressive. We may or may not have that obligation. I am trying to look at it strictly from the standpoint of our national interest.

General FISH. I think we do have a national interest in seeing regional stability in the area.

Mr. OBEY. It is how you define stability that is the essential question. You really don't have a stable situation if you have a pressure cooker situation where you are imposing, as we did to a partial extent at least in Chile, a regime of our own liking and then wind up with the situation eventually exploding and our losing not only control but friendly associations as well.

That seems to me to be the consideration which has not been getting very much attention on the part of our Government for a good long time. It is the difference between heart surgery now and death later. You might have to endure some pretty unpleasant things for a while but eventually you might wind up with a much better situation. I just don't get the impression that we give much consideration to long-term contingencies like that.

Mr. SHRIVER. Will you yield at that point?

Mr. OBEY. Surely.

U.S. IMPORTS FROM LATIN AMERICA

Mr. SHRIVER. A little while ago you were inquiring about the amount of tin that we receive. Earlier this year, when we had Mr. Klein before our committee, I asked a question relative to U.S. imports from South America and Latin America.

His answer to the question was this:

> The question of access to raw materials and food is indeed a very important one and I think a consideration in terms of whether we should or should not have assistance programs. Based on data that we have for 1973, from Bolivia, for example, the United States received 99.4 percent of its total tin imports. It received 5 percent of its total antimony imports, 20.6 percent of its total tungsten imports.
>
> From Brazil, 17 percent of the iron imports, 42 percent of the manganese imports, 72 percent of molybdenum; from Chile, 28 percent of its copper and 28 percent of antimony.
>
> From the Dominican Republic, 9 percent of copper and 20 percent of bauxite.

Mr. LONG. What was the figure on tin?

Mr. SHRIVER. It was 99.4 percent for total tin imports.

Mr. LONG. Apparently they have not gotten together. I have a reply from Mr. Kissinger to a question I asked. "Please list the major minerals that the United States imports from various countries."

I have a table from the fiscal year 1975 foreign operations hearings on strategic minerals, U.S. imports of such materials, and foreign suppliers of these minerals with the percent of U.S. consumption they provide. In tin, we have Malaysia, 52 percent; Thailand, 14 percent; Indonesia, 5 percent, Australia, 4 percent and China, 3 percent.

Mr. CONTE. Is that the percent of the country's export?

Mr. LONG. This is of U.S. consumption?

Mr. SHRIVER. On page 598 of part 3 of our hearings, there is a table showing these imports from Latin America AID-recipient countries. It shows Brazil, Chile, Costa Rica, the Dominican Republic. I don't know what Kissinger testified to.

Mr. LONG. Well, there is a terrific conflict. Even when you give the administration a chance to get its figures together, it doesn't do it. There is no way you can reconcile the kinds of figures you folks have given Mr. Shriver and what we have in this table given by Mr. Kissinger to me. There is no single supplier of any material that provides more than 52 percent of U.S. consumption of any type of raw material. I have gone through the whole list here.

The biggest one is Malaysia for tin. When I go to the biggest figures, it is Australia, 21 percent of alumnia; Jamaica, 41 percent for bauxite; South Africa, 22 percent for chromite; Zaire, 78 percent for cobalt; Brazil, 26 percent for columbium; Canada, 5 percent for copper. That is the biggest supplier. Fluorspar, Mexico, 66 percent; Canada, 16 percent for iron ore.

Mr. CONTE. If you will yield, I think you better take this back to the shop. I think where the confusion lies is that the figures the Governor gave you here, 99.4 percent for tin, that is the amount that we import from them. Now they may import another 15 percent from whatever country you gave there.

General FISH. The key word is consumption. We import a lot of things that we process and reexport. It would not be consumption.

Mr. CONTE. I think the confusion comes in words.

General FISH. We are a major exporter of tin products, finished tin products. That would not be consumption.

Mr. LONG. This table gives imports as a percentage of U.S. consumption; 82 percent of tin is imported and Malaysia gives 52 percent of U.S. consumption of tin, Thailand gives 14 percent, Indonesia gives 5 percent, Australia gives 4 percent, and China gives 3 percent. There is no way in which you can reconcile these data.

Mr. CONTE. I think you can. That is consumption as opposed to total imports.

Mr. LONG. I gave the total percentage for the import. We produce quite a bit ourselves. So the point I am making is that according to these figures for very few commodities are we really very much at the mercy of any particular country.

Mr. OBEY. I am not certain that this is right, but I am wondering—that is not right, either.

Mr. CONTE. $17 million is not a hell of a lot of money.

Mr. OBEY. This chart I am looking at on page 598 may simply mean that 99.4 percent of the imports we get from Latin American aid countries is from Bolivia. That is what I think that says.

Mr. SHRIVER. I think you better clear it up.

Mr. CONTE. I think you are right. You look through the other ones and you don't find tin. You are right, Mr. Obey.

Mr. LONG. The report I am reading from is from our fiscal year 1975 hearings, part 2, page 95. It is a very useful table given in response to our questions. That table in general shows that we really are not at the mercy of very many countries for a particular mineral. Con-

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sequently, when you talk about having to rely on these countries for our mineral supplies, you had better weigh your words very carefully.

[The information to be provided.]

Mr. OBEY. Let me just say, General, that all I am trying to point out by this is that if we are going to have a foreign aid program 10 years from now, it is going to have to be sold to the country in a much better manner than it has been sold by administrations for the last 20 years. It is also going to have to be the kind of foreign aid program which can be defended by guys like me or anybody else on this side of the table who has to run for reelection. We also have to be able to defend it in our own minds.

We cannot do that unless we have more specific information on each of the countries. That is the only purpose of this exercise, to simply try to elicit from you much more specific information rather than the generalized stuff which we have all come to accept as given over the last 20 years.

PROGRAM FOR ZAIRE

Let me just go to Africa for one question. What are we asking for Zaire?

General FISH. For Zaire we have a request for a total of $42 million, of which $400,000 is a training grant, $19 million is for FMS credits, and supporting assistance totals $22,750,000.

Mr. OBEY. So the total for those two items is what?

General FISH. Total for supporting assistance, FMS credit and training grant, is $42,150,000.

Mr. OBEY. Last year it was what?

General FISH. In 1975 the foreign military sales credit was $3.5 million. The military assistance program was $299,000. The training program in Zaire was the $299,000. That is all I have. That was included in the MAP.

Mr. OBEY. So the total for 1975 was what?

General FISH. $3.8 million for MAP and FMS credit.

Mr. OBEY. As opposed to $42 million?

General FISH. I do not have supporting assistance in there. I do not have that figure for the last year because that is not a program we administered, sir.

Mr. OBEY. The increase is for what reason?

General FISH. In the case of Zaire, sir, it is a very unstable situation in Central Africa there now. Let me get my notes to see how specific I can get. We do have a problem of a buildup of Soviet supported forces in the case of Congo Brazzaville and Uganda and of course the hot war going on in Angola, again Soviet and Cuban supported.

ANGOLA

Mr. OBEY. Can you tell this committee that any military aid which is given to Zaire will not wind up in Angola?

General FISH. The aid should not. You asked me yesterday to say "will not." It should not end up in Angola, period.

Mr. STERN. Without our concurrence.

Mr. OBEY. That is a key question. There is a lot of worry around this Congress and around this town about our activities in Angola.

I think there is some concern that this package for Zaire may be somewhat related to the assistance for Angola and in fact that it might be one of the reasons why you have an aid package of that magnitude going to Zaire.

OBJECTIVES OF PROGRAM FOR ZAIRE

General FISH. I can assure you that that is not true. The purpose of the program was specifically to build up Zaire's own capabilities. Even before the Angola situation became as tense and as violent as it is now we made a survey at the request of the President of Zaire. It was conducted to see how we could improve his capabilities. He thought it was badly needed. This program, which is primarily military credit sales you will notice, is designed to make a beginning in improving his forces in accordance with the survey that we made.

Mr. OBEY. So you think you can tell this committee with confidence that a year from now if we asked whether any of the money provided in this bill for Zaire, if we asked whether any of that military aid in fact wound up in Angola, that the answer will be no? 1

General FISH. That would be my expectation. What we are actually furnishing is some spare parts for their aircraft, some armored personnel carriers, trucks and jeeps, and some radios and support equipment.

Mr. OBEY. Do you have personal familiarity with our activities in these areas?

Are you plugged into what in fact we may or may not be doing in an area like Angola?

General FISH. I do not really know. In a general way I have to cover the whole world, so, you know. as far as detailed knowledge, I don't know how to answer your question. I do have some knowledge of the area. We have no foreign military sales program or no military aid program with Angola. None of the funds associated with this requirement are associated with Angola. I can assure you that I am plugged in to that degree that I know these funds that are being requested are for Zaire.

Mr. CONTE. Will the gentleman yield?

Mr. OBEY. Sure.

ANGOLA

Mr. CONTE. The President of Zaire, Mobuto, is a relative of one of the factions in Angola, is he not?

General FISH. I understand he is a brother-in-law of Mr. Holden Roberto.

Mr. CONTE. Exactly right. Isn't it so that the Communists are in there feeding the revolutionists in Angola with all kinds of armaments? I understand they flew in Mig-21's with Cuban pilots. If Zaire wants to go in and stabilize that situation, what is wrong with that? Are we going to let the Communists take the whole world over? We are not in Angola at all, are we?

Mr. OBEY. Is the gentleman suggesting that this country should have no objection if Zaire takes military equipment that we provide and uses it in Angola?

Mr. CONTE. I do not believe we should automatically reject it if its against the Communists, and I want that as part of the record.

Mr. OBEY. I want it as part of the record that I don't think it is a justification. Let me ask you about Angola. I notice Mr. Moynihan said last night or the night before that the Russians were trying to colonize portions of Africa. They have not been notoriously successful in their dealings in Africa, or many other places recently, for that matter.

What direct effect would there be on the United States if the Communist faction did win in Angola, if we are to think the unthinkable thought?

General FISH. One, I don't think it is unthinkable. I think we are very concerned about the Soviet buildup in Angola. The evidence looks like it is appreciable.

Mr. OBEY. My point is, without implying it is good or bad, I am simply asking a dumb question. The question is: So what? What is the effect if the Russians take Angola?

General FISH. There could be several possible effects. One, given the Soviet announced doctrine of wars of liberation and the way they define them, it would give the Soviets a base to do an enormous amount of mischief in destabilizing the area. Second, it would give bases of operations on a very strategic waterway that is of great interest to us in the ocean area of the South Atlantic, which they do not have now.

If this became an operating area for the Soviets, it would surely shift the overall balance of power in the subcontinent.

Mr. OBEY. If the Russians are appearing to win in Angola, are we going to find increasing requests for military aid on our part in Angola or for Zaire or any other neighboring country?

General FISH. I would not presume to make that judgment or speculate on it, sir.

Mr. OBEY. But it is the kind of judgment we ought to be trying to make on our own because it is the kind of question we should have been asking at other times in other places.

General FISH. I think it is a relevant question but I think I would be irresponsible to make any speculative pronouncement on that. I think we have to wait and see how those things develop.

Mr. CONTE. Will the gentleman yield?

Mr. OBEY. Sure.

Mr. CONTE. Believe me, I am familiar with Mobuto. I was there at an African American conference and they didn't like my white paper. But the aid you are giving doesn't amount to one plane in one squadron that the Soviets are giving to Angola, right?

General FISH. It would be a little higher. I am not sure it has been confirmed, but the Mig–21's moved in there. I have seen reports to that effect. I would say those things probably price out at about $4 million or $5 million a copy. It is $3 million, $4 million, or $5 million a copy.

Mr. STERN. May I bring to your attention an article written by Drew Middleton that Dr. Long referred to yesterday? To answer the question of both Angola and other Soviet accessions:

> The principal goal of the Soviet Union in Angola is to gain air and sea bases on the South Atlantic, rather than Angola's oil and mineral resources, according to military analysts here and at North Atlantic Treaty Organization headquarters in Brussels.
>
> Obviously, if, or rather when, they succeed in establishing a client state in Angola, the Russians will be able to deny these products to the West, a London-

based analyst said, but this is not the primary objective. A strategic position and political influence flowing from it are what they are after.

The sources believe that the Soviet Union has two countries in mind in expanding its military and political power in Africa. One is Angola. The other is Somalia where, according to the highest authorities, the Russians have now three air-naval establishments.

These moves reflect Soviet recognition of the fact that seaborne supplies, primarily oil but also minerals, are vital to the industrial countries of Europe and North America.

The military establishments in Somalia, the sources said, are intended to supply the Soviet Union's Indian Ocean squadron with munitions, principally guided missiles for cruisers, destroyers, and submarines, and to provide bases for naval aircraft supporting any naval aircraft supporting any naval blockades of the Strait of Hormuz, the exit from the Persian Gulf, and the entrance to the Red Sea and the Suez Canal.

In Angola, a victory by the Popular Movement for the Liberation of Angola would give the Russians, in return for their assistance, deep-water ports at Lobito and Luanda and the use of airports there and inland at Henrique de Carvalho.

So I think this is a serious question.

Mr. OBEY. I don't deny it may be a serious problem. My point is that in a developing case like this, if there is a problem in Angola which we should be involved in, then, by God, Congress should be told about it directly. We shouldn't have to worry about the fact that aid given to one country may by CIA or anybody else slip undercover to another country around the world.

General FISH. I think my testimony is unequivocable. This is definitely for Zaire; there is no legal way it can be handed over to Angola.

Mr. OBEY. Without our approval. But those words are fairly important.

General FISH. Yes, sir, the first thing that the President would have to do is make a determination that Angola was eligible for foreign military sales, for assistance, and that would have to be published in the Federal Register. That would have to happen before the transfer could be made.

Mr. STERN. That is correct.

Mr. SILBER. The point is the Congress has already enacted limitation on the executive branch's ability to consent to transfers to third countries. This is a subject dealt with by the authorizing legislation.

Mr. OBEY. I simply want it in the record so a year from now when we look back, we have something there. You are simply saying there is no way that a year from now any of that could have gone over to Angola.

Mr. STERN. Without our consent. I have to add that on because I think it is the only fair way to present it.

Mr. OBEY. The point I make on Angola is that it seems to me we have to ask the question: "Is it a serious problem? Is it serious enough to warrant our getting involved in? At what risk do we get involved in it; at what potential cost do we get involved, or at what potential cost do we not get involved? I don't want to find our backing into another problem in another area which is not directly related to our own national interests.

That is all, Mr. Chairman. I apologize for taking so much time.

Mr. LONG. Thank you, Mr. Obey.

Mr. Conte?

EXCESS DEFENSE ARTICLES TO INDONESIA

Mr. CONTE. What type of excess defense articles are we giving to Indonesia and are they all left over from South Vietnam?

General FISH. The type of excess defense articles given to Indonesia during fiscal year 1975 and as of December for fiscal year 1976 were trucks, aircraft engines and repair parts. They are not "left over" from South Vietnam.

ANGOLA

Mr. CONTE. It was reported last week that up to 400 Soviet pilots and tank crews arrived in Angola in addition to the 2,500 Cuban soldiers estimated to be there already. What is the most recent information you have on this situation? What is the role of the United States?

General FISH. The Soviets have provided large amounts of military equipment in recent weeks to the marxist-oriented Popular Movement for the Liberation of Angola (MPLA). While we have no precise figures, we are fairly certain that some hundreds of Soviet and thousands of Cuban military personnel have arrived in Angola. Some of the Cubans are reported to be manning the MPLA's Soviet-supplied weapons.

We have recognized the independence of the "peoples of Angola," called on all three factions to negotiate an end to the civil conflict and to establish a viable coalition government, and deplored the intervention of non-African powers who "do not wish Africa well."

Mr. CONTE. From the breakdown chart on page 59 it appears that our aid to Zaire is concentrating on troop movement and support capability. Does this have any relation to the happenings in Angola?

General FISH. Credit sales envisioned for Zaire support that country's military modernization program which is being undertaken as the result of a request from that country for assistance from the United States, and, in part, as a follow-on to a military survey made a year ago. Communications and transport are keys to adequate internal security and defense of Zaire's some 4,000 miles of border. We have provided to Zaire, since its independence in 1962, a variety of trucks, jeeps, communications equipment, and, since 1973, have provided limited FMS credit to assist in the purchase of C–130 cargo transport aircraft to facilitate the movement of troops and their logistical support over the vast areas of this central African Republic. The continuing supply of FMS credit is designed to respond to Zaire's legitimate requirements and is not related to the recent happenings in Angola.

Mr. CONTE. What is Zaire's role in the civil struggle in Angola? Is any previously sold American equipment involved?

General FISH. For some years Zaire aided the National Front for the Liberation of Angola (FNLA) in its struggle against the Portuguese. More recently, Kinshasa has given assistance to the FNLA in Angola's civil struggle, and there are reports that troops of the armed forces of Zaire (FAZ) are operating with the FNLA in northern Angola. The FAZ is equipped from a variety of sources and we have no knowledge that previously sold U.S. weapons have been used in Angola.

Mr. CONTE. Will any of this money for Zaire or any other country be used to counteract the Soviet and Cuban presence in Angola?

General FISH. None of the money requested relates to the civil conflict in Angola. Our proposed credit sales for Zaire are in support of that nation's multiyear military modernization program which we have agreed to support.

SMALL ARMS TO THAILAND

Mr. CONTE. On page 27 of the justification under the chart for military assistance to Thailand you show an increased request for carbines, rifles, and machine guns of 27,714 as compared to 3,000 in 1975. Why is this large increase in small arms necessary?

General FISH. These proposed weapons are required to fill table of organization and equipment (TOE) shortages and standardization/modernization of the Thai force structure and the Volunteer Defense Corps.

TOW MISSILES TO LEBANON

Mr. CONTE. Are any TOW missiles included in this year's request for Lebanon? How many have been provided previously?

[The classified information was provided to the committee.]

SOVIET/CHINESE MAP IN LATIN AMERICA

Mr. CONTE. What is the level of Soviet or Chinese military assistance to Latin American countries?

General FISH. For the period January 1974–mid 1975, the USSR supplied military equipment to only Cuba and Peru valued at ——— respectively. The Chinese have not provided military assistance to any Latin American country.

BRAZIL DEFENSE BUDGET

Mr. CONTE. The estimated defense budget of Brazil for fiscal year 1975 was $1.46 billion. What is the need for such a large budget and the 60 million you request on page 61 of the justification?

General FISH. The budget of 1.46 billion is not, in fact, that excessive for a country of 107 million people and a GNP of 85 billion for calendar year 1974. Their defense expenditures in 1974 amounted to only 1.8 percent of the GNP which is certainly modest when compared with similar statistics worldwide. FMS credits for fiscal year 1974 were $51 million. Their defense expenditures, including the FMS credits, are destined for force modernization which is the U.S. interest in the event of their future participation in an international contingency operation as they have so willingly done in the past. Fifty-five million of the 60 million requested is the final increment of credit for the multiyear funding of the F–5/C–130 purchase initiated in fiscal year 1974.

NICARAGUA

Mr. CONTE. What is current level of activity of the National Sandinist Liberation Front in Nicaragua? Can the National Guard there control groups like these?

General FISH. The current level of activity of the National Sandinist Liberation Front is low. While small groups still have a capability

for isolated acts of terrorism, the alert National Guard should be able to control the situation.

SOVIET AID TO SYRIA

Mr. CONTE. What amounts of aid is Syria receiving from the Soviet Union? What types of equipment?

[The classified information was provided to the committee.]

Mr. CONTE. Does this represent an imbalance in the comparative arms levels in the Middle East?

[The classified information was provided to the committee.]

AID TO ISRAEL

Mr. CONTE. On page 1 of the detailed breakdown of your request for Israel, I noticed $150 million for ship, including spares. Yet beneath that chart I see no breakout of what is being obtained. Is all of this going toward spares?

General FISH. At the time this data was prepared, Israel was contemplating the purchase of the NATO hydrofoil. This proposed purchase has not developed and Israel is now investigating the purchase of commercial hydrofoil ships from one of two U.S. manufacturers.

Mr. CONTE. How do the missiles we are selling to Israel compare with the SCUD and other missiles in the Arab arsenal?

General FISH. There are two different surface-to-surface missile systems in the Arab arsenal; the FROG 7 and the SCUD B. Both systems are mobile and were designed to utilize either a nuclear or conventional warhead, although it is virtually certain that none of the missiles in the Arab inventory have other than high-explosive warheads. ——— The surface-to-surface missile that we propose to sell Israel, the LANCE, is also mobile and was also designed to utilize either a nuclear or conventional warhead. We, of course, will provide only for the latter configuration. The missile is inertially guided.

———

JORDAN'S ROLE IN MIDEAST

Mr. CONTE. Are the TOW and DRAGON missiles requested on page 3 of the detail breakdown really necessary for Jordan's role in the Middle East or is this just an element of the King's military reorganization effort?

General FISH. Jordan, a moderate prowestern Arab State occupies a key geographic position in the Middle East. It is in U.S. interests that Jordan retain a moderate political stance as well as insuring the stability of that country, positioned as it is adjacent to Israel and Syria and between Israel and Iraq. ———

AID TO INDONESIA

Mr. CONTE. If the chart on page 7 of the classified document relating to foreign military force objectives, states that 54 coastal patrol boats are the 1980 objective and that there are presently 54 in being, why are we providing $6 million for two new patrol boats?

General FISH. We are planning to provide $6 million in FMS credit for two new patrol boats to replace old units that are well beyond

economical repair. For example, six coastal minesweepers (MSC's) were declared by the country as beyond economical repair in July 1975. The objective force levels of 54 for 1980 will not be exceeded if the two new patrol craft buy materializes.

AID TO MALAYSIA

Mr. CONTE. How many UH–1H helicopters make one squadron?

General FISH. The number of helicopters in a squadron will vary from country to country.

[The classified examples were provided to the committee.]

Mr. CONTE. Why if 20 squadrons are the 1980 objectives and 20 are in being we are providing 20 more UH–1H helicopters to Malaysia?

General FISH. There are ——— not 20 squadrons, in the Malaysia force objectives. These helicopters are required to equip those squadrons.

MAP TO INDONESIA

Mr. CONTE. It is estimated that Indonesia should have $4 billion in oil revenues in 1975, yet you are proposing a $4-million increase in military assistance (MAP) and $18.1-million increase in sales credits. Why shouldn't they pay in cash or oil for these supplies? How long will it be before grant aid is phased out?

General FISH. We presently estimate that Indonesia's earnings from oil exports, net of certain petroleum imports and of cost recoveries and profits owed to the foreign oil company contractors, will total about $2.9 billion in the current Indonesian fiscal year, which ends March 31, 1975. Although this amount is about a 10-percent increase over the previous fiscal year, it is less than the sum initially projected. Meanwhile, earnings from Indonesia's traditional nonoil exports are down and the cost of its imports have risen by a third. Thus, there will likely be a large deficit—well over $1 billion—in the balance-of-payments current accounts, which net movements in the capital accounts will probably not be able to overcome, causing Indonesia's foreign exchange reserves to be perhaps several hundred million dollars lower on March 31, 1976 than 12 months earlier. The projected reserves on this date would probably cover only about 5 to 6 weeks of imports at the current rate. Large revenues from oil exports in absolute terms have not, therefore, solved Indonesia's balance-of-payments problems.

With Indonesia's foreign exchange position still uncertain, we see the need to continue a mix of military assistance—MAP grants—and sales credits. In addition, we are obliged to take account of the great sums which Indonesia must spend or borrow into the indefinite future to meet its huge economic development needs. Requiring Indonesia to pay for its military equipment imports with cash or oil would diminish such vitally necessary outlays and borrowing. We are, in any event, increasing the relative proportion of sales credits over that of grant aid.

Mr. CONTE. It certainly appears that we are giving Indonesia the best end of the deal by far. What favors have they done us with their oil and gas? The report that was furnished by Mr. Vest last time didn't really show much.

General Fish. We believe our national interests would be served by an increase in military grant assistance and credit sales in fiscal year 1976. It is in our interest to promote stability in Southeast Asia. Indonesia believes it must make a modest increase in its military equipment purchases from abroad to upgrade its defense establishment in the post-Indochina period. As I noted in an earlier response, Indonesia will very likely run a balance-of-payments deficit this year, causing its foreign exchange reserves to reach a level of only 5 to 6 weeks of import cover. In this situation we do not wish to oblige Indonesia to curtail its economic development expenditures by being unresponsive to its suddenly increased defense needs.

During the Arab oil embargo of 1973–74 Indonesia increased its exports of crude oil to the United States. During the 6 months in which the embargo was most severely felt—December 1973–May 1974—our imports of Indonesian crude oil averaged 262,662 barrels a day. This was 18 percent higher than the 221,880 barrels a day average of crude oil imports from Indonesia recorded in the immediately preceding 6 months—June–November 1973—and 43 percent higher than the 183,145 barrels per day average in the comparable December 1972–May 1973 period.

Indonesia is giving increased attention to the marketing of its crude oil and refined products and its pricing policy shows this. Within the constraints imposed by OPEC membership, it recently authorized by far the smallest price increase of all OPEC countries. Indonesia eschewed the 10-percent price increase which OPSC mandated beginning October 1, 1975. Instead, it raised the price of its main crude type—Sumatra Light, or Minas—by only $0.20, or 1.6 percent. Some crude types were reduced $0.20 in price. However, so that on a weighted basis the price increase was something less than 1.6 percent.

For the indefinite future the United States will be seeking to maximize its access to non-Arab sources of petroleum and gas. Indonesia is already playing an important role in this effort. During the first half of 1975 we imported an average of 340,000 barrels per day from Indonesia, in July 486,000 barrels per day, and in August 501,000 barrels per day. The July and August amounts represented over 11 percent of our total imports for those months. In late October the Southern California Edison Co. signed a contract with the Indonesian state oil enterprise (Pertamina) to purchase an estimated $1 billion worth of low-sulfur fuel oil over a 10-year period. And on December 16 the Federal Power Commission is slated to begin hearings on the application of the Pacific Lighting Corp., to import about 200 billion cubic feet of liquefied natural gas annually over a two decade period, beginning 1979. This amount would meet about 20 percent of southern California's gas needs in 1980.

Mr. Long. Thank you, Mr. Conte. The committee will come to order. Until Mr. Shriver comes in, I will ask some questions of my own.

GAO RECOMMENDED CUT IN PROGRAM FOR BOLIVIA

One is in connection with Bolivia. I want to ask what your response is to the General Accounting Office's recommendation that State and Defense should consider making substantial cuts in the military program in Bolivia because they have been buying a lot of unneeded

equipment at the apparent expense of economic development and because of the interest and military support being provided by its neighbors for stability and security in the area?

Here we have a government agency that advises Congress on matters of fact. It has recommended definitely against a substantial military aid program. What is your response to that?

General FISH. I would refer to the State Department on that. I have not seen the report. I know it was issued, and we will have an opportunity to comment on it.

Mr. LONG. Let's hear from State.

Mr. WILLIAMS. I saw that report about 2½ months ago, I believe. We in the Inter-American Affairs Bureau would not quarrel with most of the contents of that report. Indeed, we feel that the MAP program, which is what we are talking about now, in that country should be phased down and ultimately terminated.

Mr. LONG. Why shouldn't the Congress act right now on this recommendation?

U.S. COMMITMENTS TO BOLIVIA

General FISH. Our only problem in the case of Bolivia, sir, is that we have a commitment which we made in late 1971 to the incumbent government to equip five mobile regiments, and we hoped to be able to complete that commitment over the next 2 years.

Mr. LONG. According to this, the Bolivian Air Force has not relied totally on the United States. They have acquired large numbers of aircraft from third countries which U.S. officials believe are not needed for internal stability. I gather from your responses that you don't have strong feelings on this question of Bolivia.

General FISH. On the commitment, yes, sir, that is the official——

Mr. LONG. Our commitment was made a long time ago. Don't we review our commitments from time to time?

Mr. WILLIAMS. Yes, sir; we do every year.

Mr. LONG. And, of course, Congress is not bound by any preceding Congress; isn't that so?

Mr. WILLIAMS. We have told the Bolivians that subject to congressional appropriations we will fulfill our commitment; that is correct.

Mr. LONG. You have no right to bind the Congress of the United States?

Mr. WILLIAMS. Yes, sir.

Mr. LONG. On the matter of the supposed dependence of the United States on various countries for various strategic selected minerals, don't we pay for these supplies when we buy them?

Mr. WILLIAMS. Yes, sir.

Mr. LONG. We pay for them when we buy them?

Mr. WILLIAMS. Yes.

Mr. LONG. Don't the countries need our money? Many of them have exchange problems and payment difficulties. Don't they need our money?

Mr. WILLIAMS. We are living in a resource-hungry world.

Mr. LONG. Aren't we also living in a money-hungry world?

Mr. WILLIAMS. I am not sure you can divorce the two.

Mr. LONG. Later, I am going to ask you to assess for each individual country, just why it is that you feel that these countries wouldn't sell

us these materials, notwithstanding any military aid. We have to, in other words, pay extra for them in order to get them and, in fact, wouldn't it be cheaper possibly to offer them premium prices rather than go in with a couple of million dollars or $15 million, as the case may be, of military equipment, and see that added on to the price of the product.

Mr. Shriver has some questions.

Mr. SHRIVER. Thank you, Mr. Chairman.

U.S. AND THIRD COUNTRY ASSISTANCE TO TAIWAN

The book shows a sales credit and grant aid pipeline amount of $93 million for Taiwan. What does that consist of?

General FISH. I will get that page right away, sir, and give you what is in the pipeline. It includes in prior years purchases of aircraft, including F–5's and aircraft spares, some air-to-air missiles, the communications equipment, also the repair and rehabilitation of items, consumables, some ship missiles, surface missiles associated with ships, and that is it generally.

I have one other category, other equipment and supplies.

Mr. SHRIVER. OK. From what source will Taiwan receive the amount of third country military assistance shown in the book? Is that confidential?

General FISH. Yes, sir.

Mr. SHRIVER. The originating countries are classified?

General FISH. Do we have that listed? I do not have the specific third country that it is expected to receive from.

Mr. SHRIVER. Why would that be classified?

Mr. STACK. That is DIA information, and it is classified. But we will be glad to provide it for the record.

Mr. SHRIVER. You couldn't put it in the record if it is classified.

Mr. LONG. Would the gentleman yield?

Mr. SHRIVER. Yes.

Mr. LONG. Perhaps you could supply that to the committee.

General FISH. Yes, sir; we most certainly will.

[The classified information was supplied to the committee.]

OFFSHORE PROCUREMENT OF VEHICLES

Mr. SHRIVER. Again, we see a large number of trucks that are being requested for recipient countries. What is the total number of trucks for the current year, the last 2 years? And the dollar amounts?

I have always asked this question in behalf of some of our own truck manufacturers, not in my district, but my colleagues'.

General FISH. We do have this on the computers. Maybe Mr. Stack, my statistician, can give you the information.

Mr. SHRIVER. You can just put it in the record, if you want to.

[The information follows:]

The total number of trucks worldwide in fiscal year 1974, fiscal year 1975, and fiscal year 1976 is as follows:

Total trucks:

Fiscal year 1974	6,262
Fiscal year 1975	2,122
Fiscal year 1976	2,751

Mr. SHRIVER. Are they all U.S.-manufactured trucks?

General FISH. Yes sir. On occasion, we make offshore procurement authorizations on a special circumstance. I cannot recall having signed any for trucks in the last year.

Mr. STACK. I could give you the figures: ¼-ton trucks, 161; ¾-ton trucks, 502; 1-ton trucks, 3; 2½-ton trucks, 1,670; 5-ton trucks, 408.

General FISH. These are items, not dollars.

Mr. SHRIVER. Then you can give the dollar amounts, too?

General FISH. Yes, sir.

Mr. SHRIVER. Put that in the record.

[The information follows:]

The quantities and dollar values for trucks in the fiscal year 1976 military assistance program are listed below:

WORLDWIDE

	Quantity		Dollar value in thousands
Trucks ¼ ton, all types	(91)	502	852
Trucks ¾ ton, all types	(3)	3	
Trucks 2½ ton, all types	(1,273)	1,670	7,115
Trucks 5 ton, all types	(280)	408	1,247
Other trucks	(132)	163	725
Commercial trucks	(2)	5	31
Total	(1,781)	2,751	9,970

Note: ( ) indicate excess defense articles included in quantity figures above.

THIRD COUNTRY MILITARY AID TO INDONESIA

Mr. SHRIVER. What other countries send military aid to Indonesia?

General FISH. I am afraid I am up against the same problem, but we will provide it.

I know that they have gotten some assistance from Holland, and I would have to confirm that. I am reasonably sure that Holland—I know it is a supplier of some equipment to Indonesia.

[The classified information was supplied to the committee.]

KOREAN PIPELINE AND MODERNIZATION PLAN

Mr. SHRIVER. You show $293 million in the pipeline for Korea. What is that?

General FISH. Again, it is aircraft, including spares, and the type of aircraft are F–5's, F–5B's, and E's; some T–37 and O–2 aircraft; some antitank missiles; some vehicles; including, of course, spares; some ships; some communication gear; air-to-air missiles; and the repair and rehabilitation of equipment. We also have a cooperative logistic arrangement where they buy into our supply line of spares and consumables for equipment that is of our origin.

Mr. SHRIVER. What are TOW missiles?

General FISH. TOW is an antitank missile guided by wire.

Mr. SHRIVER. Many of these countries are receiving those?

General FISH. Yes, sir. It is a very effective weapon.

Mr. SHRIVER. The book says the Korean Government has announced a new force improvement. How does that compare with the old 5-year modernization plan?

General FISH. Sir, the plan that we have had in the past—where we undertook the commitment to provide a specific amount over time, subject, of course, to congressional concurrence—is still running on because of the fact that we have not been able to provide the amount of money that we had originally envisioned. We expect that to be completed about 1977. The Koreans have revised their planning for further modernization on out into the future to meet the threat. We have taken the position that we are willing to work with them on a year-by-year basis and examine their requirements and meet their requirements to the degree we think appropriate and to the degree that the Congress concurs.

CLASSIFICATION OF THIRD COUNTRY ASSISTANCE DATA

Mr. SHRIVER. If I were to ask you about military assistance from other countries to the Philippines, would the answer be the same as you said a while ago, that you can't divulge it?

General FISH. My problem is worse than that. I don't think I have it with me. I can get it, I know.

Mr. SHRIVER. Is that classified?

General FISH. Maybe I can characterize it in an unclassified way. I have it as to what they are receiving but not who they are receiving from. But I can provide it because I know this data exists, and I have seen it in other forms, and I will make it a point to bring it with me the next time I come over.

[The classified response was provided to the committee.]

Mr. SHRIVER. Anything that you get in the way of information from our intelligence community is classified; is that right?

General FISH. That is a pretty good generalization, although sometimes we can give some specifics from it, some of the information, in a way that would not be classified. Sometimes we can characterize it without getting too specific, and it would be unclassified, but intelligence data by its nature is classified.

The primary reason, of course, often is we may compromise sources by doing it.

Mr. LONG. Like Time Magazine?

General FISH. Well, sir, I think, Dr. Long, that there is a problem here that it is one thing if a news media puts out information and another if we confirm it.

INSURGENCY IN THAILAND

Mr. SHRIVER. What is the situation with regard to the insurgents in Thailand? Perhaps Mr. Stern would want to answer that.

Mr. STERN. There are still some indications of activity in the north, northwest, and southern parts of Thailand. I am not sure it is a major issue today. These rise and fall, as you may know, sir. And at the moment, I think the situation is relatively stable, although there are continuing conflicts.

Mr. SHRIVER. Is it correct to say none of these funds are directed toward that threat?

Mr. STERN. I think that is probably generally true. I think the equipment that is listed would indicate that most of it is not directed toward insurgency.

Mr. SHRIVER. Thailand is getting third-country aid, also; isn't it?

General FISH. Yes, sir. It is a small amount. But there is some.

Mr. SHRIVER. Do we have information as to the amount of military assistance coming from the Soviet Union to, say, Syria?

General FISH. We have information on deliveries of specific equipment and it has been appreciable, and we can supply that, and that is sensitive, more than just classified.

[The classified information was provided to the Committee.]

Mr. SHRIVER. Maybe we should have some of that information since we are going to have to make a determination on the Middle East military assistance package.

General FISH. We would be happy to provide it.

Mr. SHRIVER. Maybe we should have a closed session for an intelligence briefing.

General FISH. That would be very helpful. And particularly in the Middle East area and we can provide—since we have addressed this question elsewhere, we have it in an easily available format that we can get it to the committee, at least on the Middle East situation. We have done it for other committees.

HAWK MISSILES IN PIPELINE FOR JORDAN

Mr. SHRIVER. What is involved in the $142 million in the pipeline for Jordan?

General FISH. That is classified again.

[The classified information was provided to the committee.]

Mr. SHRIVER. I am asking all the wrong questions.

General FISH. And of course some of it is of public knowledge, for instance, the improved Hawk missiles. The letter of offer as you recall was reviewed by the Congress and released during September of this year and that was for some $325 million worth of Hawk missiles that will be provided over the next 4 years. So that is a significant part of that pipeline.

LEBANON

Mr. SHRIVER. You have a request in here for Lebanon.

General FISH. Yes, sir.

Mr. SHRIVER. I read last week that the leader of Lebanon was hesitant to send his armed services into the civil conflict there because he was fearful they would join the competing forces. Are you familiar with that?

General FISH. Yes, sir. We have been watching that very, very carefully, especially from any deliveries that were in the pipeline and that is addressed at the highest levels as to whether to provide it or not and it is my understanding that the estimate is that the armed forces in Lebanon are probably the best hope for stability, eventually of finding some way of reconciling the warring parties. That is about where it stands.

PROGRAM FOR YEMEN

Mr. SHRIVER. What is involved in the $1.5 million supply operation planned for Yemen?

General FISH. Sir, that is exclusively, as I recall—and I will ask Mr. Stack to correct me—that is to deliver items that might be funded by third country for Yemen, a third country is paying the bill——

Mr. SHRIVER. Saudi Arabia?

General FISH. Yes, sir.

Mr. SHRIVER. One million workers from Yemen make up half the work force of Saudi Arabia, so it would be proper, I think, to leave all these costs up to that country.

This may have been brought up yesterday, but would you tell us why it takes $125,000 each to train four trainees from Yemen in the United States?

General FISH. As I mentioned earlier we are not proposing to spend $125,000 per Yemeni student, and do not expect that only four students will benefit from the $500,000 if it is approved. It is a figure which might be used to accommodate all kinds of training—technical, staff, and professional military education—and it certainly was not intended to be confirmed to four students. You may be mixing this up with an October 1974 request for $50,000 to train four Yemeni students.

Mr. SHRIVER. No; I am not. Look at your book on page 40. It shows a proposed fiscal year 1976 training program for Yemen of $.5 million, which I read as $500,000, and it shows only four students.

What is an honest John?

General FISH. That is a surface-to-surface missile that the U.S. Army employs. It has a range of about 20 miles.

THIRD COUNTRY ASSISTANCE TO GREECE AND TURKEY

Mr. SHRIVER. Let's turn to Greece. Where else does Greece obtain arms?

General FISH. Well, I will update it for the record, I know Greece has attained some military equipment from NATO suppliers, from Germany, Italy, for example.

Mr. SHRIVER. Those are sales and grants, both?

Mr. STERN. France, also.

General FISH. But the question is, is it credit or grants?

Mr. STERN. Credit sales.

Mr. SHRIVER. What about Turkey?

General FISH. Turkey also has been receiving sales from Italy, I know specifically.

Mr. STERN. Germany.

Mr. SHRIVER. Are those sales credit sales?

General FISH. There are some grants from Germany.

SOVIET AND CUBAN PRESENCE IN AFRICA

Mr. SHRIVER. Turning now to Africa, the current issue of U.S. News & World Report has an article on the Soviet use of Cuban troops to do its fighting in Africa and neighboring countries and Angola is the most obvious. Cuba has had troops in Africa for more than 10 years

according to that article. They are there to support the revolutionary movements and I think we had a rather lengthy discussion on that a little while ago.

If there is anything further that should go into the record on that report I would appreciate it.

General FISH. We would be happy to and we do have information that there are Cuban troops in Africa for the purposes that you said, Mr. Shriver, and we will provide the details for the record so the committee has it available.

[The information follows:]

CUBAN MILITARY PRESENCE IN AFRICA (U)

Cuba is currently providing military and security assistance to Angola, Congo (Brazzaville), Equatorial Guinea, Guinea, Guinea-Bissau, Somalia, and Tanzania.

Much of Cuba's activity in the region is at the behest of the Soviet Union and helps to fulfill the objectives of both countries. Besides acting as the Soviet surrogate, Cuban presence also fill Castro's desire to maintain his revolutionary image and to enhance his credibility as a bridge between the communist and less developed world.

In Angola, the Cubans are advising, training and fighting with the pro-Soviet Popular Movement for the Liberation of Angola (MPLA). The presence in the Congo is in support of the Angola involvement.

The activity in the other countries is what can be considered normal military and security assistance.

PROGRAMS FOR AFRICA

Mr. SHRIVER. The book mentions a regional arms imbalance as one of the reasons for military aid to Ethiopia and Kenya. What is that arms imbalance?

General FISH. It is particularly with respect to Somalia which is supplied by the Soviet Union. There has been an appreciable buildup of Soviet arms in that area and it is antagonizing to Ethiopia. Their interests diverge. And Uganda, which I mentioned earlier in relation to Zaire, the Soviet buildup of arms there.

Mr. SHRIVER. You have a small program in the book here for Liberia. I was in Liberia last week, and I am wondering what the internal security program there is which is mentioned in the book?

General FISH. Primarily that is a civic action program in Liberia.

Tom, do you want to take that?

Mr. STERN. Our effort in Liberia is to primarily assist the military in the economic development of that country. The military does have, I think as Dr. Long suggested yesterday, a considerable amount of leverage in Liberia and, for example, they are the ones who build the roads, so we are providing equipment for road construction. They are also very heavily involved in rice production and we are providing some equipment to assist them in rice production.

That is what the General was referring to in terms of civic action. It is a unique program as I mentioned yesterday, and it is a very interesting one.

Mr. SHRIVER. Not really a military program?

Mr. STERN. Not really a military program.

Mr. LONG. Will the gentleman yield?

Mr. SHRIVER. I yield.

Mr. LONG. As the gentleman knows I was in Liberia with him. I can't recall—perhaps the gentleman can—meeting any military people as the top people that were introduced to us. Does the gentleman from Kansas recall any?

Mr. SHRIVER. No; that is why I asked the question.

Mr. LONG. If they are influential people they were not introduced to us. We met the President, and Foreign Minister, and a number of others, but no military leaders.

Mr. STERN. I am sorry. I was not suggesting they were in part of the top leadership. I am suggesting that I understand they are the ones who are doing the work at the bottom of the society, the road construction, rice production. That is what my information is.

Mr. LONG. If that is true then this comes as news to me. No information of that sort was given us when we were there.

COST OF TRAINING PROGRAMS

Mr. SHRIVER. A little while ago we were talking about the expense of training programs. I notice in the training programs for Africa that it will take about a million dollars to train eight Kenyan officers in the United States. That is about $102,000 apiece and that the trainee cost for Ghana is much, much lower. Why is it so expensive for Kenya?

General FISH. Actually, sir, I am back to my former answer. I am afraid the limitations of presentation of the data did not anticipate that somebody would do this particular calculation. The cost is the same country by country depending on what they get. If they are being trained as pilots it is more expensive than if they are being trained as mechanics. It depends on the length of the course and the individuals, the purpose of the training. For instance, pilot training is very expensive because of the fuel requirements primarily.

Mr. SHRIVER. The table in the book shows it costs $45,000 over a 15-month period of this request to train nobody for Senegal. Could you explain that?

General FISH. No, sir; you see trouble is what we are showing here is specific student data but we are not attempting to show the people that are getting OJT instruction in the country. That is a deficiency in the presentation. I will try to correct it for the future.

It does not address the sort of briefing thing you do to a large group or training aids or the mobile training teams.

U.S. COMMITMENT TO BOLIVIA

Mr. SHRIVER. Of all the countries in Latin America you have selected Bolivia to receive nearly half of the total grant program for that region in 1976. Why is that?

General FISH. The primary reason is because of the commitment we made in 1971 to equip these mobile regiments and this is a continuation of that commitment that we made to the new government that has been, in terms of Bolivian standards, the most stable government in recent times and we are trying to be faithful to that commitment.

We recognize, of course, as the previous testimony indicated, that Congress has the ultimate decision whether there will be a program and the funding. We hope Congress will be cognizant of and consider the commitment we made.

PERUVIAN NAVY REQUIREMENTS

Mr. SHRIVER. Why would Peru need a destroyer at this time?

General FISH. I will ask the State Department to address this. As I recollect the destroyer is one of our surplus destroyers.

Mr. SHRIVER. Maybe they want to use it for fishing.

General FISH. I don't know if there has been a problem at the State Department or not.

Mr. WILLIAMS. As a southern tropical Pacific maritime nation Peru has always had, going back to the last century, a sizable navy. It is an aging navy. There is a question of institutional dignity, attracting recruits to the navy. It is a question of updating very antiquated ships that they have. It is a traditional branch of the Peruvian service and the navy is in a very decrepit position and the Peruvian Government would like to update and modernize it.

Mr. SHRIVER. It is not in response to a particular threat?

General FISH. No.

Mr. SHRIVER. That is all. Thank you.

Mr. LONG. Thank you, Mr. Shriver.

Mr. Koch of New York?

Mr. KOCH. Thank you, Mr. Chairman.

What I would like to know, General, is what are we doing for Portugal, the total aid that we are providing Portugal?

PROGRAMS FOR PORTUGAL

General FISH. In Portugal we have a military assistance program proposed for 1976 of $300,000. It will primarily consist of communications equipment for approximately half of that $300,000. It is $148,000.

We have an aircraft spares program of $72,000 to provide spares for equipment of U.S. origin previously provided.

Mr. KOCH. Let me break in. The total amount that we are providing is approximately $58 million, is that right, and that includes the military and security supporting assistance. I am reading from page 106.

General FISH. Yes, sir; I am sure that is correct. I thought the Congressman's question went to the question of what military aid.

Mr. KOCH. I am going to get to that. We are giving them very little by way of military aid.

General FISH. That is correct; $300,000 of that total that you mentioned, sir.

Mr. KOCH. Which is peanuts compared to what we are giving almost every other country that we are giving military aid to. That is a fair statement; isn't it?

General FISH. There are many countries at about that same level.

Mr. KOCH. OK. Now, three members of this committee went to Portugal at the suggestion of the chairman this year: Mr. Obey, Mr. Early, and myself, and we were there during what was a very exciting period when there was a battle between the Communists and the Socialists, and we dodn't know when we left the country who was going to prevail. It would appear at this moment that the Socialists, with a non-Socialist center party, seem to have prevailed. Is that a fair statement at this moment?

General FISH. Yes, sir, that is my understanding.

Mr. KOCH. The Socialists and the center party have prevailed. And that is our interest, is it?

General FISH. Oh, it is very hopeful, right.

Mr. KOCH. You would call, would you not, the Government of Portugal, as presently constituted, with the forces that are in it, a leftist government; wouldn't you?

General FISH. I think the term left and right are reltive to the local situation. I preferred your other term.

Mr. KOCH. What was that?

General FISH. I thought you said centerists.

Mr. KOCH. Would you call the Portuguese Government centerist?

General FISH. I say in terms of the other options in the area.

Mr. KOCH. Maybe my semantics are not good. Would you take the position that the current Portugese Government could be labeled anything other than leftist?

General FISH. I am really not that well acquanted with the details. I think that the whole situation that has developed there since the Government changed with the——

Mr. KOCH. Let me tell you this. It is leftist. Based on formal, political terms it is leftist and there is nothing wrong with that and I happen to believe it is a marvelous victory for democracy that Soares and the Socialists won.

General FISH. I agree.

Mr. KOCH. OK, why do you find it so hard to look with empathy on the word leftist when applied to a friendly government?

LEFTIST AND RIGHTIST REGIMES

General FISH. I think it is all relative. Leftist governments may be fine.

Mr. KOCH. I want to tell you why I raised it. I didn't raise the word leftist, you and your colleagues raised it, because, when you discussed Bolivia and what was happening in Bolivia, you talked about the fact that the Government, which is a rightist government, using your terms, was being threatened by a leftist government. That leftist government had been thrown out several years ago, and it was in our interest, if I am paraphrasing you correctly, to see to it that the leftist government did not come back.

Isn't that a fair statement of what you said? Mr. Williams, isn't that a fair statement of what you said, a paraphrase of what you said?

Mr. WILLIAMS. It is very difficult to generalize, sir, about leftist and rightist. There is a tyranny of words and when you are trying to attach a label, I can't respond to it.

Mr. KOCH. It is not my purpose to badger you. Let me state a philosophical position. I happen to believe with Mr. Conte that it is very important that we make certain that the Soviet Union does not take over every country—whether it be in Africa or Asia—and that we should not simply stand by and let that occur. I want to make that very clear.

I also happen to believe that the State Department and the administration ought to take us into greater cooperation and confidence so

that instead of our sitting around this table and asking, "Well, what are you doing about Angola?", that you tell us, in closed session or open session, because I think we do have an interest in seeing to it that the Soviet Union does not take over Angola.

You would agree with what I have just said as being something you would support, right?

General FISH. Right; yes, sir.

Mr. KOCH. Okay. But the statements that you made in response to those who asked it constantly equated the term leftist, with anti-American. I sometimes consider myself to be on the left. That is not a terrible thing, is it? Do you think that is a terrible thing?

Mr. WILLIAMS. I do not think that is a terrible thing.

Mr. LONG. Not if it is Ed Koch; no.

Mr. KOCH. I will tell you what bothers me and I am summing up what others have said: if we can't pick and choose between countries based on how they deal with their people, how they deal with us, and how they respond to us (because I think our national interest is very important), if we simply say, leftist, rightist, and we pick the rightest in all of these cases, I think we are nuts.

General FISH. I agree.

Mr. KOCH. That is good.

Mr. STERN. That is why I think it is dangerous to talk about left and right.

Mr. KOCH. I didn't do that. Your side of the table did it.

Mr. STERN. I agree. But your point is very valid. You have to see how these people treat their own and how they treat us.

General FISH. I think the term is sometimes used not in the total global sense that I think that you are using it sir, but it is used to differentiate between locals in a particular situation.

You know, as Mr. Williams says, it is a tyranny of words.

Mr. KOCH. Let me give you a very good illustration. As to the situation in Lebanon, I read the newspapers and whenever they talk about the forces there that are now in conflict, Christians and Muslims, both Arab, they always refer to the Christians as "rightist" and the Arab Muslims as "leftist," when in fact, based on the information I have seen, in many cases, the Christians in terms of our Western understanding of philosophy are far more liberal in the social democratic sense than the Muslims.

And yet we will apply the terms "rightist" to the Christians and "leftist" to the Muslims. I see that every day in the newspapers. Wouldn't you agree that there is something wrong with that?

General FISH. Absolutely, and I think that labels of that nature probably mask more than they elucidate and we should avoid it.

Mr. KOCH. So you are never going to use those terms when you come to this committee?

General FISH. I am going to find some new terms. I didn't use it.

Mr. KOCH. Your side of the table, as it were.

When you think about Portugal, and we are now in agreement that it is in our interest to see to it that there is a government more democratic than its predecessor was—and I am not going to for a moment suggest that it is a democratic government formed in our image, because it obviously is not—but more democratic surely than the Com-

munists who are not democratic at all, isn't it in our interest to support that government more passively than does the proposal of the administration?

General FISH. I think we are painting a moving train.

Mr. KOCH. Say it again.

PROGRAMS ADJUSTMENT PROCEDURES

General FISH. I think you are painting a moving train in Portugal. I think that the situation is going to have to be watched and that dependent on how it develops that our policy is going to have to be adjusted that is one of our difficulties, you know. We put these proposals together months before they are——

Mr. KOCH. OK, but therefore we have to change.

General FISH. Sure.

Mr. KOCH. I mean events have changed and we have to change. Let me make a little point——

General FISH. You know, sir, we do have the opportunity underneath the statute that after the Congress has appropriated the moneys and we come back within 30 days and reshuffle the allocation of the moneys. We must come back to the Congress and explain what we are going to do.

Mr. KOCH. I am not crazy, I must tell you, about the shuffling of the funds by the Department of State or the Pentagon. I think that the Congress should make those decisions, so I am really leery about the shuffling, but I understand what you are saying.

General FISH. I was reciting the procedure as it now is and that we recognize the requirement that you have to make these adjustments so under the present bill as it has been historically we would come back to the Congress.

PORTUGAL

Mr. KOCH. I want to get back to Portugal. I suppose if you go to a country and you are there for 2½ days you are not exactly an expert. But if you are talking with someone who hasn't been there you can come on like an expert so I want to come on like an expert.

When our small delegation of three spoke with Mr. Soares, we were very impressed with him. Mr. Early, Mr. Obey, and I visited with him for over an hour and it really was a fascinating experience for us.

Soares said at that time that the Soviet Union was pouring money into that country in a number of different ways. One way, for example, aside from arms that he thought were coming in, was that they were sending over cultural groups and leaving the moneys that are raised, which apparently are in the millions, with the Communist Party so as to fill their coffers and give them an advantage over the Socialists who they said were not receiving funding.

Now, it happens that our Government takes the position, and I think correctly, that it doesn't fund parties. At least we don't do it publicly. There is no question it has happened on occasion in a clandestine way and I am not getting into that at this point. That is for another committee which is operating at the moment. But I want to talk now about the public aspect of it.

When we told him we don't fund parties, he said, "I know that, but why don't you, when this Government"—the Portuguese Government—"is reconstituted with us in it as we will be"—he was very confidential, and it turned out at least at the moment he was right—"why don't you then come in and help us by supporting that Government?"

And I am asking you, why don't we?

Mr. STERN. I think you have answered your own question.

Mr. KOCH. Tell me.

Mr. STERN. We do not put funds into our request to the Congress that have not been sought by the other government. I think we have responded fully to the Portuguese request. If there are additional requests coming we will evaluate them and come back.

Mr. KOCH. Let me get it straight. You mean to say at this point the Portuguese Government has not sought additional assistance from us? Is that the story?

Mr. STERN. That is what I understand.

Mr. KOCH. Yet don't we read that their economy is falling apart, because of their internal strife?

Mr. STERN. Sure.

Mr. KOCH. Isn't there something missing here, some communication, either they don't know they are supposed to call us, or maybe we should call them?

Mr. STERN. No, I think they have called and our $55 million program is in response to their call.

Mr. KOCH. That is the old one, as I understand it from the general. This is a long time ago, long before this Government was reconstituted.

Mr. STERN. But I am saying I am not sure. I am not aware of any additional request since this Government has been constituted. However, there is a second partner on this and that is the NATO countries, as you may know. They are also quite interested in assisting Portugal and our assistance is really part of a consortium but I don't think it is wise for the administration to propose programs for which no request has been made. It merely attracts further requests, leaving Portugal aside.

Mr. KOCH. I want to make this clear. I am not suggesting that we force aid on anyone. What I am suggesting is that it is in our interest to assist a Portuguese Government that has been successful in basically eliminating a Communist takeover which seemed to be going on at the time we were there; that if it is a question of their not knowing we want to help, that we tell them. There is nothing wrong with that.

Mr. STERN. No and I am sure they know that.

Mr. KOCH. They do?

Mr. STERN. Yes, sir.

Mr. KOCH. Well, then, the only one I can rely on is Mr. Conte to tell them what phones to call.

He is saying, Silvio, that they are not calling and it doesn't make sense to me.

Mr. STERN. All you are talking about is recent developments. That government really hasn't stabilized yet.

Mr. KOCH. Mr. Soares' point was that "When we are successful in ejecting the Communists"—and they have been basically—"that we

are going to need your help with money so that people will understand that our economy can run under us and that the government can function."

Isn't that so, Dave, the way he really put it, and what I am suggesting is maybe we are missing the boat.

I mean if 6 months from now the Communists take over because the Portuguese Government as now constituted hasn't been able to run the country because of the fact the economy is falling apart, and it was because they didn't know the State Department's telephone number, that would be terrible.

Mr. STERN. It would. We have a very active Ambassador as you may know.

Mr. KOCH. We met him.

Mr. STERN. In Lisbon.

Mr. KOCH. Some of us thought he was too active.

Mr. STERN. I can assure you his phone number is well known to everybody in Lisbon.

Mr. OBEY. Have you finished with Portugal yet?

Mr. KOCH. I am going to leave it.

REQUEST FOR SPAIN

Mr. OBEY. I just had a question on a neighboring country which I wanted a quickie answer to. I was wondering why the rather large jump in Spain from 335—I am looking at page 5—from 335 to 1599 in 1975 back down to 725 in 1976. I am curious as to why that large shift.

Mr. STERN. The 1976 column is not complete with regard to Spain. We will be coming forward with a request after the negotiations for the bases are completed.

Mr. KOCH. Let me pursue that business of Spain with you. Spain at this moment is particularly vulnerable as a new government, one seeking, at least from press reports, to move to a more democratic tradition. Unless we are being conned, that is the way it appears in the press.

Are we seeking to influence and expedite that move to a more democratic tradition by using our resources or aid that they undoubtedly desperately want?

POLICY OBJECTIVES OF U.S. AID

Mr. STERN. I don't think we ever tie our aid specifically to objectives of that kind.

Mr. KOCH. You do not?

Mr. STERN. No.

Mr. KOCH. I think that is an interesting statement because I think that we should.

Let me understand it now. You don't think that we ever tie our granting aid to the objective of causing a government to take on a more democratic tradition?

What I am trying to do is stay away from left/right terms too, so that is why I am perhaps a little slower in expressing myself.

General FISH. I think it is not exclusively ever.

Mr. KOCH. Did I use the word exclusively?

Mr. STERN. Assistance must be seen as part of our totality of the relationship which includes economic, political, military.

As part of that total relationship we may well be pushing for certain policy objectives. You can't tie any specific tool of the U.S. Government to that policy objective.

HUMAN RIGHTS AND U.S. AID

Mr. KOCH. Wait a minute now. Do you disagree with the Harkin amendment which we discussed yesterday—that we can say and should say that if a government is overwhelmingly repressive against its own people and that unless the President, as I recall, says it is in our national interest that we must continue aid, that we will stop it? That is the nature of the Harkin amendment.

Do you find any fault with that concept?

Mr. STERN. Let me turn it over to our human rights expert. Yes, I do personally.

Mr. KOCH. You find fault with that?

Mr. STERN. Yes.

Mr. KOCH. Tell me what the fault is.

Mr. STERN. It assumes a cause and effect relationship which I don't think can be proven. Furthermore, I believe it misses the basic point, which is to change the nature of the regime. Punitive actions are not likely to change the nature of the regime. I think you have to look at why the regime is repressive and try to eliminate the basic causes for that repressiveness. You cannot do that, I think, by terminating any kind of relationship, military or economic.

Mr. LONG. Would you yield?

Mr. KOCH. Of course.

Mr. LONG. I do not think Mr. Koch has made that point. He is not saying we should change the regime. He is saying why put our money in a country whose government is oppressing its own people, which is contrary to everything we stand for? Why not use our money for something else?

Mr. STERN. Because the interests of the United States may be overriding.

Mr. KOCH. I understand the Harkin amendment provides that where the President believes it is an overriding concern, notwithstanding the oppression, that the amendment will not cut off the aid. That is a rough paraphrase but my recollection of what it does.

Mr. STERN. I think there would be a considerable amount of debate on the question of whether some of these countries are important to the national interest.

Mr. KOCH. Of course, that debate takes place in this committee. This committee votes on whether we give arms and economic aid and it goes on to the floor and the debate takes place again. What is wrong with debate?

Mr. STERN. There is nothing wrong with debate, obviously. There is something quite dangerous, I think, to the United States to be debating issues of this kind in public. You may do more damage by the debate than by the action itself.

Mr. KOCH. Let me talk about that. I take the position that there are things that ought not to be discussed in an open session. On several occasions today those gentlemen making inquiries said, "If you cannot

provide it in public session and you are not abusing that opportunity, provide it to us in executive session."

Obviously, the great fear that we always have is that you put the imprimatur of secrecy on things that ought not to be secret. So we do not have a disagreement on the fact that surely there are things that cannot be discussed publicly. But what does that have to do with what we are talking about?

Mr. STERN. Because the Harkin amendment would make it a public debate.

Mr. KOCH. How is that?

Mr. STERN. By the President's determination that it is in the national interest. The fact that the President makes a determination does put it in the public domain.

Mr. KOCH. I don't follow that.

Mr. STERN. May I say to Dr. Long that I think there is a very viable position that we might distance ourselves from certain governments just because they may have repressive regimes. I think that is a slightly different discussion than whether we are interested in reducing the repression.

Mr. KOCH. By reducing our assistance and support, not by any other method.

Mr. STERN. Whether by reducing our assistance we would in fact have an impact on the repression, I think that is a different argument and different discussion than the question of whether we want to distance ourselves from certain governments.

Mr. KOCH. You say we should distance ourselves, but not reduce aid and support?

Mr. STERN. No; I am saying there are two different arguments here.

Mr. KOCH .With one you support and with one you don't.

Mr. STERN. No; I am not sure I support either of them. I am saying it is a valid argument. People can differ on the question of whether you might want to distance yourself from certain regimes.

Mr. KOCH. Do you think we should distance ourselves from certain regimes because of repression practiced by those regimes or only because they are taking actions that are inimicable to our national interest?

Mr. STERN. Personally, I do.

Mr. KOCH. How about repression? Do you think we should end aid in similar cases where such a judgment is made?

Mr. STERN. Where we want to distance ourselves from repressive regimes?

Mr. KOCH. Yes.

Mr. STERN. I think that follows.

But if you are really interested in the question of relieving the repression, easing the repression, then I suggest to you that the cutoff of aid will not get you to that point.

Mr. KOCH. How do you know that?

When have we done that? When have we removed aid?

Mr. STERN. In Chile.

Mr. KOCH. We removed aid in Chile to end repression? With the current Government or the last one, which one?

Mr. STERN. A year ago, and the repression probably became worse.

Mr. KOCH. So do you suggest that we give them economic aid notwithstanding the fact that the repression became worse.

Mr. STERN. I am saying we have to examine the root causes of repression more. We do not have a clue on how we change the nature of repressive regimes.

Mr. LONG. But that is not the question. We are not trying to change the repressive regime. I would agree entirely. I don't agree our aid or nonaid is going to have the slightest effect on changing the country's repression. I am saying why should we put the American taxpayers' money into encouraging a repressing regime? Let's use it for something else, like maybe even aid to New York.

Mr. KOCH. Maybe if New York City should engage in repression, we would be more eligible for aid. But we don't, I'm happy to say. Anyway, Dr. Long makes the point I am going after.

Mr. STERN. I am not sure we necessarily want to cop out.

Mr. KOCH. What does that mean?

Mr. STERN. That we just want to leave repressive regimes as they stand.

Mr. KOCH. But how do you——

Mr. STERN. This is the point. I am not sure we have the answer. I think it is worth exploring and we ought to keep attempting it.

Mr. KOCH. I think we are clear about the problem. I think also we are clear about the fact that neither one of us has worked out exactly what should be done. I think it is helpful to air it.

Let's go to the last area of my part.

Mr. MAW. Before you leave the human rights issue, may I make a comment on the two points of view that have been indicated? I think they are very helpful in attacking the issue. I think Dr. Long is right. Whether we withhold aid, military assistance, or give it to a particular country, has little to do with relieving human rights problems in that country. We try to find ways to help relieve the human rights problems. Sometimes it is counterproductive to spank a bad boy. Certainly public criticism sometimes is counterproductive. I think most of us agree with Dr. Long that you do not accomplish this result that we want by saying, "You have no aid because you detain political prisoners," or whatever would be the particular advice.

"You have no aid because a sheriff tortured somebody to get a confession out of them," which, of course, is an old Spanish custom. Our problem is: How do we get to the root of the problems in these countries and how can we help?

Mr. LONG. The gentleman is still not responding. I don't think it is necessarily our business to help them or hurt them, just stay away from them if we do not think they are the kind of people we want to have anything to do with. You have heard of the expression, "benign neglect," haven't you?

If we cut off aid, I don't see that we spank them at all. We just say this is not a way we want to invest our money. We have other ways to invest our money that are more fruitful from the standpoint of our national policy.

The mistake was to get involved with them in the first place. You say once involved with these countries, we have to keep on giving it to them for fear they are being interpreted as being spanked.

Mr. MAW. No, we don't have to keep on giving it. We give our aid only where we think it is in the national interest to do so.

Mr. LONG. The House of Representatives of the United States has determined in a vote that it is against the national interest of the United States to give money to regimes that oppress their own people. What business do you people have to interpret that any other way?

Mr. MAW. We have not had quite that determination.

Mr. LONG. You have no business to come in here and say you think it is wrong. I know you were asked this, but I do not think it is your business. You will do what the Congress tells you to do. The House is telling you we don't want to give any money to an oppressive regime.

General FISH. Unless the President determines that it is in the national interest.

Mr. LONG. Unless the President determines it is in the national interest. We have allowed him to do that. But not you people. The President has not made such a statement, has he?

Where has the President said that notwithstanding the Harkin amendment that you are going to give aid to these countries which are oppressing their own people?

Mr. MAW. No such finding has been made.

Mr. LONG. So I don't think it is any of your business to make these decisions among yourselves. You sit around here and spin your little theories of how you can help countries and so on. You are just out of your bailiwick.

Mr. OBEY. Mr. Koch, will you yield?

Mr. KOCH. Yes.

Mr. OBEY. As one member who has great misgivings about the Harkin amendment, I think that if you are going to respond to Mr. Koch's question, which I think is perfectly legitimate and an excellent question, that again it might be helpful if you would include either here or in the record some specific instances in which you feel that that kind of an approach would have a negative effect upon our own policy or our own national interest.

Mr. MAW. We discussed this in connection with Korea. I think the general conclusion is that to withdraw our military and economic support from Korea would not have the desired result we want. Now how we produce in Korea a regime that we call democratic——

U.S. NATIONAL INTEREST IN REPRESSIVE REGIMES

Mr. OBEY. I wish you would not get into that. I think Mr. Koch has made the point and I agree with that. I am not particularly interested in what the Korean regime is. I think the point is: Is there an important interest in our being involved either with Korea—or anybody else—in spite of the fact that they are so blessedly repressive?

If there is, simply lay it out for us. Don't put it in terms of what we ought to be doing to change the regime, but simply what is the compelling national interest or what is the compelling impact on our policy, if we are trying to achieve a balance in an area, for instance, which leads us to oppose it.

On a somewhat different question, I opposed the Jackson-Vanik amendment. We were not talking about aid in that sense. I did it for

a very specific reason, because I thought it would have a harmful rather than a helpful effect on the people we were trying to help. My point is: If you are going to respond to the gentleman's question, it seems to me we need more than simply general philosophy. We need specific examples of where you believe that might be counterproductive and the reasons why it might be.

Mr. MAW. I think that is a very correct comment. In the case of Korea, we have gone into it at length. It is one of the major programs. We believe it is in the national interest of our country to maintain that defense line.

Mr. KOCH. Notwithstanding the repression?

Mr. MAW. Notwithstanding the repression.

Mr. LONG. Mr. Early?

MAAG STRENGTH IN THAILAND

Mr. EARLY. I wonder if you would comment on this item in the GAO report—I might add that this is only one of many—where in Thailand the congressional presentation reported the MAAG to be authorized 261 U.S. military and civilian personnel for fiscal year 1974. They found that an additional 597 U.S. personnel were used to augment the security assistance effort. The Thai Ministry of Defense also furnished 264 local national to augment the administrative requirements.

General FISH. In fiscal year 1974, the Commander, U.S. Military Assistance Command, Thailand (USMACTHAI) exercised command over many DOD activities in Thailand, to include the Army, Navy, and Air Force advisory sections of the Joint U.S. Military Advisory Group, Thailand (JUSMAGTHAI). Certain elements and individuals assigned to USMACTHAI had responsibility for monitoring, supervising, and coordinating both incountry and regional security assistance programs and activities. Since the personnel assigned to these elements had functional responsibilities other than those associated with MAAG operations in Thailand, they were not included in the manpower authorization shown for Thailand in the Congressional Presentation Document.

In fiscal year 1975 the operational and regionally oriented functions of USMACTHAI were terminated, personnel authorization for both USMACTHAI and JUSMAGTHAI were reduced, and security assistance management and advisory personnel spaces were consolidated on the JUSMAGTHAI manpower authorization document.

Other U.S. units, as shown on table 5 of the GAO report, were involved in specific short duration training missions and have been withdrawn from Thailand. In the past it has not been the practice to identify these as being security assistance elements; however, future presentations will include a projection of this category of training personnel.

Local national personnel furnished as assistance in kind by Thailand provided support to USMACTHAI and subordinate units. Their work was not solely in support of the MAAG; therefore, it was inappropriate to identify these personnel as security assistance program augmentees.

Mr. LONG. And in the case of Korea. I think that is a sound judgment. But I think the President ought to make it as a judgment. We ought to go in there with our eyes open and know what we are doing.

Mr. Conte?

Mr. CONTE. I will yield to my friend here. He has been sitting here a couple of days.

NEED FOR INTELLIGENCE AND THREAT INFORMATION

Mr. COUGHLIN. First of all, let me say that although I don't agree with all of Mr. Obey's conclusions, I do believe we need some sort of intelligence information on many of the countries involved in terms of what the threat is and the details on what we anticipate supplying them.

If that has to be done in closed session, I hope we will have such a closed session.

Mr. OBEY. I am not certain that I arrived at any conclusions.

Mr. COUGHLIN. Well, with all your comments. I do agree with you, however, on the need for such information. I would like to go through a number of countries here, if I might. In each case eventually I would hope, unless it is included in some other portion of these hearings, to have intelligence information and information in terms of the strategic materials or other materials received from them and what percentage of our total consumption we received from them, et cetera.

If we go to pages 108 and 109 of the justifications, I am totally confused in trying to flip back and forth through the justifications as to what these pages are.

SALES ESTIMATES

General FISH. 108 and 109 are estimates of cash and credit sales. Of course, we have a pretty good handle on the credit because we propose a specific program.

Cash sales are a very, very uncertain estimate for the future because——

Mr. COUGHLIN. These are foreign military sales orders that countries buy from our country?

General FISH. Yes, sir. We have been asked to make these forecasts. They are estimates and they are estimates of the most tentative nature because many of these countries have not come forward and said they specifically intend to do this.

Mr. COUGHLIN. But we think they will buy from us on credit.

General FISH. Or cash. The heading says, "Cash and credit." Most of it is cash because cash is on the order of 90 percent of the foreign military sales.

Credit is about 10 percent.

Mr. COUGHLIN. Commercial sales are a separate item, too.

General FISH. That is separate. The commercial sales shown in the book are a misprint. We have corrected them. They are seriously wrong. The computer program we had to make these estimates bombed on us. Nobody caught it and we need to fix that.

Mr. COUGHLIN. For example, Taiwan would be getting $80 million worth of foreign military sales credits in fiscal year 1976, and $900,000 worth of military grant assistance in fiscal year 1976.

General FISH. Yes; that is primarily supply operations. That is to deliver the pipeline.

Mr. COUGHLIN. Plus $100 million in foreign military sales orders and $12 million in commercial sales.

General FISH. $100 million. Now that is a very tentative estimate that we make, not the Chinese themselves. This is one that we make based on past history and since we are required to make such an estimate we qualify it as being extremely tentative. Our track record on making these estimates has been very poor. The notion is: Give us an estimate; it is better than no estimate at all.

Mr. COUGHLIN. But what I am saying is correct in terms of what you estimate.

Mr. STERN. It is not a plus.

Mr. COUGHLIN. That is what I am getting at.

Mr. STERN. There is some duplication between the $100 million and $80 million.

General FISH. It is 100 percent duplication. It includes the $80 million.

Mr. COUGHLIN. I did not know whether this was a different kind of credit or not. That does definitely include the 80?

General FISH. Let me check with my statisticians to be sure.

UTILIZATION OF FMS CREDIT

Mr. STACK. The credit provided them may be used in any year. This $100 million may be partially credit provided in prior years and it may be partially the credit used in the current year, that they will get in the current year. Part of the credit that they are getting in the current year may not be used until 2 years from now. So therefore, this $100 million is independent of, but includes all credit.

Mr. COUGHLIN. You are saying the $80 million is in the $100 million of is not?

General FISH. It is partially and partially it is not. Some of the $80 million may be used in some future years.

Mr. COUGHLIN. Then I guess it would be useful for us to have the $100 million broken down into what part of that you expect to be credit and what part you expect to be cash?

[Additional information follows:]

ESTIMATED FISCAL YEAR 1976 FOREIGN MILITARY SALES (FMS) ORDERS
CHINA (TAIWAN)

We estimate that China will place approximately $100 million in new FMS in Fiscal Year 1976. We expect that only $15 million of this total will be financed by Fiscal Year 1976 credit funds. China will utilize the remaining $65 million of the Fiscal Year 1976 credit to fund incremental payments required for the F–5 coproduction program which originated in Fiscal Year 1973. We anticipate the remainder of the FMS orders in Fiscal Year 1976, $85 million, will be financed under cash terms of sale.

CASH AND CREDIT SALES

General FISH. I think what we should do in the future is separately identify the cash sales from the credit totally. I would qualify it. I

spent the morning with the members of the staff of the Senate discussing this very issue. These estimates of cash sales for the future are extraordinarily uncertain. I think we should break it out separately for you.

Mr. COUGHLIN. But it helps me to know what is the total amount of weaponry that they are going to be getting from us and also how much they are buying out of their own pocket rather than with our credit.

General FISH. Those numbers won't give it to you. You can do it best from using the actual 1975 column and you can see what has occurred. In 1975, cash and credit, they purchased or made agreements to buy $123 million.

Mr. COUGHLIN. Of which $65 million were foreign military sales credits.

General FISH. That credit depends upon when the money is needed in order for them to finance the progress payments of specific equipment they purchased. If it was not needed and they signed an agreement to get the credit last year, they may apply that credit against their cash flow requirements in the current year. What you are reaching for is that is a different presentation. It is what deliveries they are getting.

Mr. COUGHLIN. What I am reaching for is an understanding of how much they are buying from us and how much we are selling them on credit in programs which involve our foreign aid.

General FISH. This won't give it to you, but we can provide it for you. We can provide it on a past basis, not on a future one.

Mr. OBEY. I don't know if you were out of the room yesterday, when the chairman asked that information be supplied by specific categories, one right after the other, for each country, which included the amount that you are talking about.

Mr. COUGHLIN. I was here at the time. But I don't think that got to this question. I am still not clear as to what is in here at this point.

General FISH. You want to know how much, by country, are they purchasing for cash and how much have they agreed to buy for credit. You would like to have that broken out.

We can do that for you. These members won't give it to you because they include prospective purchases that we are making an estimate on, not on a specific piece of hardware, but on a dollar level that we have been asked to make.

Additionally, since we are required to give it in discrete years, it ignores the complication of presenting statistical data for contracts that cover more than 1 year. There are multiple-year contracts because equipment is not produced specifically only in 1 year. So you have fiscal data here discretely presented because that is the limitations of the way we think of it and present it. It will not give you the elucidation that you are seeking but we can provide it.

Mr. COUGHLIN. Let me continue with some of the other countries.

PROGRAM FOR INDONESIA

Take Indonesia. We show 1975 actual, and there were $5 million in credits, extended to Indonesia.

General FISH. Yes, sir.

Mr. COUGHLIN. We propose a military assistance program in 1975 of $15 million. In 1975 it looks as if there were actual cash and credit sales orders of $48 million, plus $1,500,000 in commercial sales.

General FISH. Yes; in 1975. That is commercial deliveries. We don't have complete data from Indonesia on what they ordered. We know from intelligence data what was delivered. So now, because we do not have perfect knowledge in all these areas, and we have to show to the Congress what we do know, the 1975 actual cash sales are a matter of deliveries, not necessarily orders.

Mr. COUGHLIN. It would appear at least from this that Indonesia last year was able to finance out of her own pocket about $43 million worth of sales. My question is: If they can finance $43 million, why can't they finance $45 million or $48 million? Why do they have to have our credits?

General FISH. Of course the credit arrangement assists them in their financing. As we pointed out, Indonesia has a per capita income of about $150. They have a very large coastline that they believe needs to be under constant surveillance. They are building a defense force.

Mr. COUGHLIN. But it appears like they finance it themselves.

General FISH. The truth of the matter is that they ultimately do pay for the credit sales themselves. It is not concessionary. This isn't philanthropy. We are assisting them in financing over the period.

Mr. COUGHLIN. The $15 million military assistance was not.

General FISH. That is correct. We believe she does need help. It is in our national interest to provide her help. Her economy is not that strong. We believe it has a very heavy press of population. It is over 130 million.

Mr. COUGHLIN. They can finance $43 million, but not the additional $15 million.

General FISH. I am saying we think it is in our national interest to help in that degree, all things considered.

FMS CREDIT FOR MALAYSIA

Mr. COUGHLIN. If you look at Malaysia, in 1975 they had $4 million in foreign military sales orders. In proposed 1976 figures it is $25 million in this category. And yet we are proposing $15 million in foreign military sales credits.

That is $10 million that they would be financing.

General FISH. Are you speaking of 1976 now?

Mr. COUGHLIN. Right.

General FISH. I hasten to say I don't know if they are going to finance any of it or considerably more. That is the best estimate that we can make. There is no great exactitude to it. I would have trouble defending the relationship. There is a problem in Malaysia and that is that since the events occurred in Southeast Asia, they are concerned.

We can provide it for you in an intelligence briefing, they are concerned about a very definite external incipient threat in that area.

FMS CASH SALES TO IRAN

Mr. COUGHLIN. If I go down to "Iran," the proposed 1976 would be $2.5 billion worth of cash sales, is that correct?

General FISH. Yes, sir.

Mr. COUGHLIN. We have no foreign military sales credits. I guess the figure is wrong on the commercial sales.

General FISH. Yes, sir.

Mr. COUGHLIN. Is that another $2 billion or $200 million?

General FISH. $200 million.

Mr. COUGHLIN. So, it is a total of $2.7 billion worth of military goods going to Iran?

General FISH. No; that is not going to Iran in 1976. That is based upon our limited knowledge of their plans and past experience, what we would think they have orders on. The deliveries would be considerably less than that.

Mr. COUGHLIN. But actual for 1975, then, if we can use that in the case of Iran, was $2.5 billion plus $100 million, correct?

General FISH. That is what they signed sales agreements to purchase. Much of this will be delivered over the next 5, 6, 7 or in some cases, 8 years.

Mr. COUGHLIN. I understand, but it seems to continue at that level.

General FISH. Yes, sir. I am trying to qualify the data so that we understand it thoroughly.

Mr. OBEY. Would the gentleman yield on that?

Mr. COUGHLIN. Yes.

Mr. OBEY. That is something that is very difficult for me to understand. Because of this time lag, how many years lag can you expect, for instance, in the case of Iran, before they are actually getting approximately the amount per year in actual deliveries which would be listed in that column, assuming that the request itself stayed stable for the next 4 or 5 years?

General FISH. It is extremely difficult to answer that. One of the programs for Iran is for six destroyers. Destroyers take a very long time to build. Because of the lead time on the destroyers, even under our own procedures, that is one of the appropriations that the Congress allows to be available for the longest expenditure. The shipbuilding programs which do take a long while.

We will not deliver those destroyers until the early eighties. It is a very large program in cost. It is six ships. It is in the order of $1.4 billion or $1.5 billion. You have other things that are ordered this year and delivered this year.

But I can address your question but I wanted to give you a feel for the range and variability. I will try to give you an estimate by years based upon what we have on order. I will have to look at it and make an assessment for you.

Mr. OBEY. The reason I asked it at this point on Iran is simply because it is such a large amount and does have such a worldwide impact.

General FISH. It is a very large amount. It is one of the largest customers in the foreign military sales side. Some of the programs they have embarked on are very, very expensive. They are very extended as far as the time period that they will be delivered over.

Mr. OBEY. Thank you.

PURCHASE BY ISRAEL

Mr. COUGHLIN. Taking up Israel, something is in reverse here. On page 31 we show we are proposing $1.5 billion in foreign military

sales credits but on page 108 we show only $1 billion. So they have no cash sales and less credit that we are giving them?

General FISH. No, that is a very good example of the problem we were speaking to a moment ago. This is financing. They will sign up financing agreements with us, and they must sign those agreements up during the current fiscal year. Those agreements, then, provide financing for them to apply against past orders and to some degree future orders. In the case of Israel, she needs right now these credits that we have to meet payments for items she ordered in the past.

Mr. COUGHLIN. When Mr. Obey was questioning you earlier, you said they needed these credits to pay for things they already bought.

General FISH. Yes.

Mr. COUGHLIN. Did they agree ahead of time without the authority? You mean we are selling them material without the appropriated money for the foreign military sales credits?

General FISH. My point is, sir, that Israel can sign agreements to buy based upon its own ability to pay and its own cash. But in the case of Israel, cash flow has become a problem. Now they would have an option. They could cancel some of those things. If these credits did not become available, they would have to cancel some of the things that they had signed up to purchase.

PROCUREMENT LEAD TIME

That is where the variability of the data comes in when you speak of it in terms of sales orders as opposed to financing. In our own Government we have this problem. We have had obligational authority for our own procurement, as I was saying in the case of shipbuilding. That lasts over a number of years.

In the case of aircraft proceurement, we have obligational authority for 3 years. If we are buying an aircraft for the U.S. Air Force, the Congress appropriates the money and it is available for obligation for a 3-year period.

But the order may be in a particular year less or more than the additional obligational authority provided for that specific year.

The world does not run in the discrete fiscal years and calendars.

CASH SALE OF ENGINEER ASSISTANCE TO SAUDI ARABIA

Mr. COUGHLIN. Going on to Saudi Arabia, we expect $4 billion worth of cash orders from them in 1976.

General FISH. Sir, again, we estimate, based upon our best ability. I feel so uncomfortable with even the requirement of having to estimate that, but I am required to do it. That could be variable by a factor of 50 percent, but we make the best estimate we can. I don't know if we would agree as a Government to sell all that. All of these foreign military sales agreements for 1976 of $25 million or over must come to the Congress for a review. But we are asked what we think will occur.

Mr. COUGHLIN. And we think $4 billion?

General FISH. That is the best guess, with great uncertainty. I would like to make the point, particularly in Saudi Arabia, as you know, there is an awful lot of construction there. We have an agreement with the Saudis called the engineer assistance agreement where we

supervise design and construction activities for Saudi Arabia in an appreciable amount.

For instance, we have one project which has been up here for review. They call it the Al Batin complex which will be a garrison town including family housing, hospitals, schools, parks, and barracks. It will be out in the desert. We will supervise the construction. It will run on the order of about $3.4 billion. This project does not involve the sale of arms.

TOW MISSILES PROPOSED FOR GREECE AND TURKEY

Mr. COUGHLIN. Coming to Greece and Turkey for a minute and not necessarily directly from this. But I note a substantial part of our request is for 973 Tow missiles and in Turkey it is for 790 Tow missiles.

Can you refresh my recollection as to what these are?

General FISH. It is a wire-guided, antitank missile. The missile is fired and as it is fired the operator tracks through a very thin wire that is trailed out behind the missile. It can guide the missile.

Mr. COUGHLIN. These are heavy tank missiles for use against each other?

General FISH. No, sir. We view this differently. They are both part of the NATO alliance. They are the southern anchor of the NATO alliance. We realize they have the problems you allude to, but they are not presumed to be used against each other.

Mr. COUGHLIN. Mr. Chairman, I think I will conclude my questions there. I would hope that we could provide for the record something which is much clearer and something we can all understand.

General FISH. We will provide that for the record and do the analysis the way you want it.

[The information to be provided to the committee.]

Mr. LONG. Thank you very much, Mr. Coughlin.

JUSTIFICATION FOR BOLIVIAN PROGRAM

Now to get back to our friend, Bolivia, which is important, of course, because as has been pointed out, it is getting about half of all the MAP materiel aid of Latin America and we have been trying to find out just what the justification is. I believe you said that one of the reasons we should be giving aid to Bolivia, despite the fact that you concede that there is no external threat, is that we are heavily dependent on them for strategic metals; is that correct?

General FISH. Yes, sir. I would like to point out, sir, that the principal reason is——

Mr. LONG. Tin is one of those you named.

General FISH. The commitment we made in 1971 to the present government.

Mr. LONG. Commitments happen a long time ago. Congress has the right to change that. If we just went by your commitments made 5 or 6 years ago, there would be no sense in our holding hearings each year.

General FISH. We understand. We hope you will consider it.

Mr. LONG. One of the reasons you think we should give this aid is because we depend on them heavily for strategic materials?

General FISH. Yes, sir.

Mr. LONG. What were the materials?

Mr. WILLIAMS. Tin. I mentioned tin we import from them. I also mentioned oil. I do not know how much.

Mr. LONG. And the figure you gave for tin; our dependence was what?

Mr. WILLIAMS. The figure that the desk just provided me was a total of approximately 7,011 metric tons imported from Bolivia in 1974.

Mr. LONG. Are we dependent on them for tin? Would you say that was a dependence?

Mr. WILLIAMS. I don't think I used the word "dependence."

Mr. LONG. Is it even important?

Mr. WILLIAMS. I think it is important.

Mr. LONG. Well, let's take the figures. We consumed in 1973, according to the table furnished by the State Department, 55,770 long tons of tin. Now you pointed out here 7,000 tons——

Mr. WILLIAMS. We import 39,000 tons, of which 7,000 tons——

Mr. LONG. That is right. We consumed 57,000. We produced 18 percent of that consumption. We import 82 percent of that consumption, so that means 18 percent comes from the United States. Right?

Now, I have a table here, "U.S. Import Dependence for Selected Minerals." Bolivia isn't even mentioned, and this was furnished by Secretary Kissinger. We have 18 percent that comes from the United States; 52 percent from Malaysia; 14 percent from Thailand; 5 percent from Indonesia; Australia, 4 percent; China, 3 percent. What are we supposed to go by?

Mr. WILLIAMS. I certainly will inquire when I get back to the Department.

[State note: As cited earlier, Bolivia provided 11 percent of U.S. tin imports in 1973.]

SOURCES OF TIN IMPORTS

The principal sources of tin imported by the United States are Malaysia, Bolivia, Thailand, and Indonesia. U.S. domestic tin mine production is inconsequential. According to the Bureau of Mines (Tab A), U.S. tin imports during 1973 totaled 50,325 long tons. Imports from the principal sources were as follows:

Country	Long tons imported	Percent of 1973 U.S. imports
Malaysia	28,255	57
Thailand	7,964	16
Bolivia:		
Refined metal	832	11
Ore (metal content)	4,464	
Indonesia	2,82	6

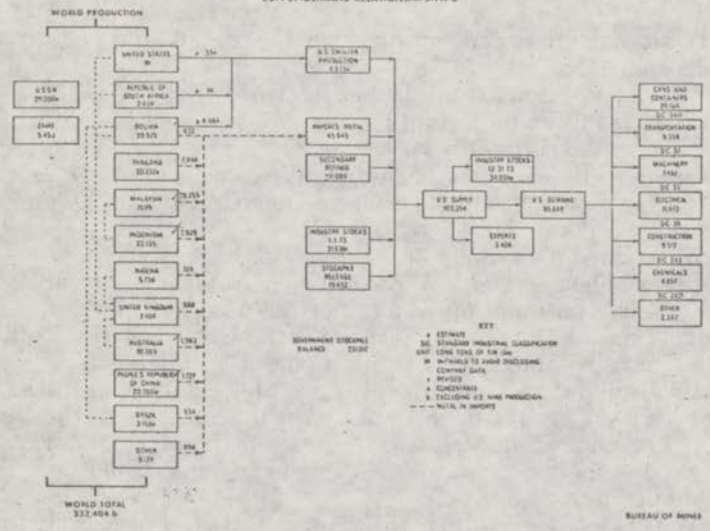
With the exception of Bolivia and an inconsequential amount from the Republic of South Africa, all tin is imported by the United States in the primary (refined) metallic form. Most of the tin imports from Bolivia, however, are in the form of partially refined ore called tin concentrates. The refining process is completed at U.S. smelting plants. An effort to increase indigenous smelting capacity has been initiated by Bolivia.

According to information provided by the Bureau of Mines, 1974 imports from Bolivia increased to the extent that Bolivia was second only to Malaysia as a source of U.S. tin imports. Of 45,479 long tons imported during 1974, Bolivia's 1,135 long tons of refined metal and 5,877 long tons of ore (metal content) constituted 15.4 percent of total U.S. tin imports.

Source: Minerals in the U.S. Economy: Ten-Year Supply-Demand Profiles for Mineral and Fuel Commodities, U.S. Dept of Interior, Bureau of Mines, U.S. Govt. Printing Office, 1975.

88

TIN
SUPPLY-DEMAND RELATIONSHIPS-1973



Tin supply-demand relationships, 1964-73
(Long tons)

	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973
World production:										
United States	65	47	97	W	W	W	W	W	W	W
Rest of world	193,392	201,068	207,974	214,233	228,332	225,725	228,500	232,232	239,602	232,404
Total	193,457	201,115	208,071	W	W	W	W	W	W	W
Components of U.S. supply:										
Smelter production	W	3,098	3,825	3,048	3,453	345	e/4,667	e/4,000	e/4,266	e/4,535
Government release	31,147	21,733	16,276	6,146	3,508	1,700	3,065	1,736	233	19,652
Secondary (old scrap)	13,740	15,009	15,352	13,460	13,427	13,671	11,892	11,276	11,220	11,686
Imports for consumption (metal)	32,132	40,816	41,699	50,223	57,358	54,950	50,554	46,940	52,451	45,845
Industry stocks, Jan. 1	40,858	35,761	39,412	34,598	31,422	30,519	24,731	22,810	20,327	21,636
Total U.S. supply	W	116,417	116,564	107,475	109,168	101,185	94,909	86,762	88,497	103,354
Distribution of U.S. supply:										
Industry stocks, Dec. 31	35,761	39,412	34,598	31,422	30,519	24,731	22,810	20,327	21,636	34,099
Exports, metal	4,041	2,829	2,847	2,479	4,495	2,903	4,452	2,262	1,134	3,406
Industrial demand	73,079	73,899	75,465	71,431	72,893	71,686	65,728	61,130	60,241	63,849
Apparent surplus (+), deficit (-) supply	W	+277	+3,654	+2,143	+1,261	+1,865	+1,919	+3,043	+5,486	---
U.S. demand pattern:										
Cans and containers	28,800	28,062	26,744	27,429	26,942	25,034	23,435	22,186	20,091	20,766
Transportation	8,156	8,722	9,087	7,651	8,509	8,389	7,888	7,537	8,127	9,358
Machinery	7,438	7,474	8,071	7,536	7,845	8,288	7,319	6,322	6,595	7,492
Electrical	11,001	11,573	12,183	11,977	12,246	12,491	11,072	10,410	10,239	11,472
Construction	11,893	12,303	13,366	11,208	11,043	11,441	10,319	8,995	9,004	9,512
Chemicals	2,808	2,833	2,830	2,793	3,190	3,132	3,146	3,670	4,053	4,857
Other	2,983	2,932	3,184	2,817	3,118	2,911	2,549	2,010	2,132	2,392
U.S. primary demand (industrial demand less secondary)	59,339	58,890	60,113	57,971	59,466	58,015	53,836	49,854	49,021	54,163

e/ Estimate.
W Withheld to avoid disclosing company confidential data.

(TAB A)

Mr. LONG. You know you give us this information.

By the way, I might point out that you had better try to get your house in order, because, after all, we vote on the basis of the information that you give us. I have here a statement of Mr. Kleine—who is Mr. Kleine?

Mr. WILLIAMS. He is head of the AID for Latin America.

Mr. LONG. He says the United States received 99.4 percent of its total imports from Bolivia. That is his language. There is no other way to interpret it but to say that of all the tin we import, 99.4 percent comes from Bolivia.

Of course, that doesn't square with the figures you have given me. It doesn't square with the figures that Mr. Kissinger gave us, and, in my opinion, it would be impossible for us ever to be that dependent on any country.

Now, when I look back, I find that he hasn't even read his own tables correctly. What he really means is we get a very small amount of tin from Latin America, some of which comes from countries in Latin America which we aid. Of the amount of tin imports from Latin America countries which receives U.S. aid—a rather restricted group of countries—Bolivia provides most of that tin, which is a minor part of total U.S. consumption of tin.

Mr. WILLIAMS. Unless that applies only to particular concentrates. Because Bolivia is about the only country in the world that supplies us with tin concentrates.

Mr. LONG. Is tin concentrate all that important? It is just a type of tin; isn't it?

Mr. WILLIAMS. Yes; processed to remove——

Mr. LONG. Right; so we can always get tin in some other form from some other country.

Mr. WILLIAMS. That is correct.

Mr. LONG. So according to the figures which Mr. Kissinger has given us, you can't possibly justify aid to Bolivia because of dependence on tin.

Mr. WILLIAMS. I don't think we would make that argument, I would agree with you, solely on the basis of tin.

Mr. LONG. I have looked through the table on "U.S. Dependence on Selected Minerals for 1973" and the only instance in which we have any considerable amount of imports of a strategic mineral from Bolivia is in the case of tungsten, where we get 12.3 percent. For this, we are supposed to justify half of all of our military aid to Bolivia?

General FISH. I would hope not, sir.

Mr. LONG. That was given us as the reason.

General FISH. A reason.

Mr. LONG. A reason, but it isn't a reason at all now; is it?

Mr. WILLIAMS. I think a country that supplies us with 15 to 20 percent of our tin imports——

Mr. LONG. But it doesn't. In Mr. Kissinger's table there is no reliance on Bolivia at all for tin. There is, according to the figures you gave me, but not the official figures. The record reads:

> Mr. LONG. Please list the major minerals that the United States imports, the latest figures for annual consumption of these minerals, the percentage of U.S. consumption that is imported and the total annual import bill by mineral.
>
> Mr. KISSINGER. Yes, sir; we will be happy to oblige.

And this is the figure I am going to go by. I think we are entitled to go by this, especially since we have several other figures you have given us and the figures you gave us are not consistent at all with these other data.

I come back again; you see, if it were 99 percent and we had to get it all from that country, then I could see why, although again I ask you, don't we pay for this stuff? We are not getting it as a gift, are we?

I would like to know just exactly why in the case of Bolivia—and I want you to give a measured statement for the record—as to why with such a slender dependence on Bolivia for one strategic mineral, tungsten, that we have to provide millions of dollars worth of military aid in order to ingratiate ourselves with the Bolivians, despite the fact we are willing to pay for the minerals we receive from them; right?

Mr. WILLIAMS. Fair enough.

Mr. LONG. Give us a good argument, the kind that wouldn't get you flunked on a paper if you were doing it in graduate school.

Mr. WILLIAMS. I would make two arguments: One, it is a very small program. We are talking in terms of $2 million a year. We are talking about the MAP materiel program.

Mr. LONG. Six million dollars for foreign military credit sales and $2.2 million for military assistance program; that is about $8.2 million.

General FISH. of course you understand that in the case of the credit sales, Bolivia would pay fully for the interest required and fully repay the loan. It would not be a giveaway.

Mr. LONG. We hope.

NO DEFAULT ON REPAYMENT OF FMS CREDIT

General FISH. We have had no default in the entire life of the program.

Mr. LONG. Well, I am going to ask you to do this. Put in all the multilateral debt reschedulings in which the United States has participated.

General FISH. Yes, sir; be happy to.

[The information follows:]

RESCHEDULING OF LOAN REPAYMENTS

Principal repayments applicable to credit agreements between the U.S. Department of Defense and four foreign countries have been rescheduled. The four foreign countries were: Chile, India, Jordan, and Uruguay. Details of the reschedulings follow:

	Date of rescheduling	Reason for rescheduling	Amount rescheduled	Repayment timeframe extension (years)
Country:				
Chile	Apr. 13, 1975	Temporary financial relief	$3,027,500	3½
India	Dec. 10, 1973	Program delivery delays	17,000,000	5
Jordan	Apr. 24, 1972	Temporary financial relief	3,360,000	4
Uruguay	Nov. 29, 1973	do	2,375,000	1½

Mr. LONG. We have had a number of them, haven't we?

General FISH. Less than 1 percent.

Mr. LONG. In FMS credit that may be true, but of all the credit we have provided.

General FISH. I am talking of FMS credits.

Mr. LONG. Of course, in order to keep their repayments up to date on FMS, they can short-change us in many ways; isn't that possible?

General FISH. Absolutely; but on the program I am responsible for, I wanted to make the point. The $6 million in FMS is not a give-away program.

Mr. LONG. I would like you to do a little talking with Mr. Kleine of AID and ask him how he comes up with data like he has provided. I don't think it is fair to the committee. If these figures are wrong here on page 96 of the fiscal year 1975 record, correct them.

[The information follows:]

The table entitled "U.S. Dependence on Selected Minerals for 1973" inadvertently omitted Bolivia which provided 11 percent of U.S. tin imports in that year. In 1974, Bolivia supplied 7,012 long tons of tin to the United States, or 15.4 percent of U.S. tin imports. Mr. Kleine's figure of 99.4 percent of U.S. tin imports from Bolivia refers solely to the percentage of tin coming from Latin American countries receiving U.S. development assistance and not from other regions.

General FISH. You may want to explore, too, the notion of the tin concentrates to make sure that there has not been some mistake made here that they are comparing a significant different weight in ore as compared to what the tin content is.

Mr. LONG. I will leave that up to you. I think you have some real explaining to do. You have three different sets of figures, none of which adds up right.

TOTAL COST OF COUNTRY PROGRAMS AND MISSIONS

Now, I would like to ask you for each country for which you have a military aid request or military assistance program request or military credit sales request; repeat the total military aid request for that country and then what the total cost of the military mission is in that country.

EXTERNAL THREAT ESTIMATES

Second, state what the external threat is to this country, and I would like you to put in each case either what it is or write the word "none." In other words, I want you to bite the bullet.

Then I would like you to put down if you have any independent intelligence estimates of the external threat. In those instances where you have put down an external threat, put down what other intelligence estimates are. I don't think we are going to have much trouble with a country like Korea, for example. It is obvious what the threat is. You can put that in. But for South American countries where the threat is supposedly Cuba, in many cases it is very farfetched. There, I think, we are entitled to some statement. If you don't feel that you can do this for the public, provide the material to the committee.

General FISH. Will do, we have started. What you are proposing now is a little different than what I have started, but it will be easy to do it.

Mr. LONG. I would like you to put down for each of these countries for which you say there is external threat, when was the last time this country was engaged in active military hostilities.

General FISH. Could I make a request of the chairman, sir? I know it will be a few days before we get the transcript, so if I could have a copy of that and get on it right away.

Mr. LONG. We will be glad to let you have this.

REPORT ON RECENT HOSTILITIES

Mr. LONG. In these most recent hostilities, please note whether this country was the aggressor, or was it the subject of aggression? I think we are entitled to know that.

General FISH. It is a very difficult call, but we will do it.

Mr. LONG. It is a judgment call, but I think you should give us a judgment call or have your intelligence estimates do that.

General FISH. Certainly.

INTERNAL THREAT ESTIMATES

Mr. LONG. Then what is the internal threat to the particular country, if any? And again, do you have any independent intelligence estimates of this internal threat?

General FISH. Yes, sir.

REASONS FOR PROVIDING MILITARY AID

Mr. LONG. And then I would hope you would provide a quantitative estimate.

One time we were told there was a big threat, and when I finally pressed for the data, I found the total threat was about six guerrillas in all of Latin America. That may not be the right number, but it was a small number.

General FISH. You want us to quantify.

Mr. LONG. I think it should be quantified.

If there are supposed to be guerrillas, how many?

Then I would also ask you to put down for what other reasons are we providing military aid to this country.

General FISH. Yes, sir.

[All information relative to preceding requests provided to the committee in classified format.]

Mr. LONG. If we receive strategic minerals from that country, then tell us what those minerals are and what is the percentage that we buy from that country of our consumption, and of our imports. Give us some feeling for how much at the mercy of that country we are.

General FISH. And express it both in imports and consumption to get around the problem of things that we do not consume, but we process and reexport. That is part of our economic flow.

Mr. LONG. Well, I am perfectly willing to see figures for items of which we don't use much ourselves, but reprocess it. I suppose it is in our interest and you can put that in if you like. But I wouldn't regard it as a powerful reason for giving money, if we are not terribly dependent on that country of our domestic consumption of that mineral.

I would like to know what are your reasons for requesting the specific amount of military aid, grants, credits, and training for this country that you ask for?

JUSTIFICATION OF AMOUNT AND TYPE OF AID

In other words, I am trying to here again find out why you ask for that particular amount. Up to now, I have asked you to give us justification for military aid. But I want to know why the particular amount of aid proposed is $10 million instead of $1 million.

General FISH. And that is specifically the items. We can do that by indicating the items that we tend——

Mr. LONG. On the case of internal threat, I would also ask you to put down what is the type of military equipment that we are supplying the country. Is it really geared to dealing with an internal threat?

For example, some years ago, we got into this when we found a country was supposed to have an internal threat, but they were buying thousand-mile-an-hour jets which weren't terribly good against guerrillas.

And what I want to do is find out whether they are buying the type of equipment from us that is appropriate for suppressing guerrilla activity.

General FISH. I believe we understand the requirement, and I will be happy to.

(The classified information was provided to the committee.)

Mr. LONG. How much aid did this country request? I think we are entitled to know that, too.

FMS POLICY GUIDANCE

When I was in Costa Rica some years ago, the head of the military mission told me—I won't tell you what year, because I wouldn't want him punished, but it is so long ago, he is probably out of reach—he said, "Congressman, we don't belong down here. This country doesn't have an army; it doesn't have a military at all, and all we are down here to do is trying to sell these countries weapons that they don't want and shouldn't want. We are the sales force," he said, "and I don't think we ought to be here."

That was from the head of a military mission in Costa Rica.

General FISH. That is reprehensible. There is a specific guidance out that they will not sell, and I signed it myself personally, and I can provide the chairman a copy. That is contrary to policy, and he was obviously exceeding his office.

Mr. LONG. He didn't even want to be there, but he interpreted it quite differently. It is a little like the income tax people that tell you they don't have to get the money they come after, since they are not charged with any responsibility to go out and get the money from you, and they aren't on a quota system. However, I understand that they really are. And all the while the boss is saying you are not on a quota system, you know jolly well you should consider yourself on one.

There is a lot of difference between what you are told officially and, if you have any brains, what you understand to be your mission. Isn't that true?

General FISH. Yes; certainly I agree with the chairman. But in this case we have taken what I would think and I can document evidence that would be persuasive to you to make sure that they understand clearly that their job is not to sell, because that is clearly not their job.

Mr. LONG. What objections have you received from neighboring countries to the military aid you are providing or proposing to provide to this country? Have neighboring countries objected?

For example, earlier this year, I was in Pakistan, and they were trying to get us to resume military shipments there of large numbers of planes, and India was objecting, most vociferously. When I was there in the middle sixties, they had a war there, and I was up on the India-Pakistan frontier and saw acres and acres of American equipment we had supplied to both sides. We cut off aid after that, and now we are being implored to resume it.

And our Ambassador there was pushing it the hardest. I don't know whom he was selling; if he wasn't selling to the Pakistanis, he sure was trying to sell the Congressmen there.

General FISH. There is a difference.

Mr. LONG. I imagine there is. I am sorry to say that he succeeded in convincing a lot of Congressmen.

The Indians were objecting very strongly to that but we went ahead and resumed sales to Pakistan.

I have no love for India. I would love to cut off all aid to India but I do think we take a lot on ourselves to start furnishing weapons to countries next door to each other which have a record of hostility toward each other.

So I give that as an illustration as to why we are entitled to get that information.

I will hand this on to you.

General FISH. Thank you, sir.

Mr. LONG. You have seen enough from the questioning you have got here today to know, I think, what we do on military aid is going to depend a lot on how genuinely we feel that you answer the questions and I think a bunch of ingenuous answers is not going to help at all. I hope you will give us solid answers.

General FISH. Certainly, we appreciate the opportunity to do it and I think this will accomplish Mr. Obey's request.

Mr. OBEY. I asked mine in a somewhat different way and I wouldn't want that considered duplicative of my request.

General FISH. We will check the record and——

Mr. LONG. Right, answer Mr. Obey's questions and answer my questions. This is my question, not the committee's.

General FISH. Okay.

Mr. OBEY. Mr. Chairman, if you are through I have one short question.

Mr. LONG. I am not sure I am through yet, but go ahead.

TRANSITIONAL QUARTER PROGRAM DOLLAR LEVELS

Mr. OBEY. I was just curious. We don't seem to pay any attention to the transitional quarter. I couldn't help but be struck by the amount

made available for—again page 5—Latin America, Argentina, $170,000 versus $100,000 for the entire year in fiscal 1975. I was curious about that.

General FISH. There was a special problem in Argentina because of operation of the law, sir, where Argentina did trade with Cuba and so we had to shut things off. It was not a typical year.

Mr. OBEY. What about Haiti where the $25,000 almost equals the entire amount for fiscal year 1975?

General FISH. I will have to check that one.

[The information follows:]

TRANSITIONAL QUARTER TRAINING FOR HAITI

The $25,000 fiscal year 197T training funds being requested for Haiti is one-eighth of the program being recommended for fiscal year 1976. For fiscal year 1976 we are requesting $200,000. The reason the fiscal year 1976 training program for Haiti was about the same as the fiscal year 197T request is that, in fiscal year 1975, the year the training program was reinstated, actual training did not occur until the last quarter of the year. This was necessary to complete the in-country screening of training candidates and the processing of necessary administrative details to insure an effective training program.

Mr. WILLIAMS. I think the reason that the level was only $25,000 for 1975 was related to the language barrier. Haiti being the only French speaking country in the hemisphere we weren't equipped to train Haitian's in French.

Mr. OBEY. The percentage allocated for the transitional quarter, as the percentage of the total proposed for 1976, varies quite a bit from country to country. Why is that?

General FISH. Well, because it is not done on a percentage basis. It is done on a basis of what obligations do we have to incur in that first quarter, how many students do we plan to start during the first quarter which would amount to an obligation at that time. We did it with precision.

Mr. OBEY. Why then would there be the same—I am looking for the MAAG sheets.

General FISH. Now the MAAG is a different situation.

Mr. OBEY. Just explain it to me. On page 12 I notice that the number of people in the transitional quarter in all cases in Latin America, for instance, stays precisely the same. I am not to draw from that the conclusion that there is no intention to reduce further in future years: is that correct?

General FISH. No; this is our planning figure. The transitional quarter is a very difficult thing. This is the first time we have done it. That shows the end strength. We are addressing that problem.

Mr. OBEY. That is all, Mr. Chairman.

FMS CREDIT PROPOSED FOR BRAZIL

Mr. LONG. I have just come back from a visit to Brazil, a country which can't fail to impress you with its dynamism and its power. It has, I believe, over half the population of South America. It is larger geographically than the Continental United States, I believe. And I think it is fair to say that economically it is much more than half, it may be as much as two-thirds or three-quarters of Latin America's. gross product.

I would like to know why we have here a request for $60 million in military credits for Brazil.

By the way, this has a regime which is notoriously oppressive. Our own people down there will tell you confidentially this is an extremely oppressive regime with a one party system and very little in the nature of free speech.

Why should we be giving $60 million in military credits to Brazil when it would seem to me very unlikely that any country could challenge it militarily or economically?

I don't know what another country would do with Brazil if it did invade Brazil.

Mr. WILLIAMS. As you so eloquently said, Mr. Chairman, Brazil is a very energetic dynamic society. Brazilian leadership envisions their country a world leader, a world power by the end of the century. They have world power aspirations which includes a modern military establishment.

Mr. LONG. And you know they have concluded a nuclear agreement with Germany that shows every promise of giving it nuclear weapons capability.

Mr. WILLIAMS. Yes.

Mr. LONG. So since it is going to be a world power we want to make it even more powerful, is that your idea?

Mr. WILLIAMS. I think we would rather have a relationship with that world like the current United States-German relationship rather than the United States-French. And in terms of our relations by the turn of the century, I think we would rather have a mutually supportive relationship with an emerging world power than a conflictive relationship with that world power.

Mr. LONG. Why do we necessarily conflict with them if we don't give them $60 million for credits? I wasn't saying we should declare war on them or embargo or anything like that. I am merely asking why we have to give $60 million in credits.

Mr. WILLIAMS. Again, to put everything in perspective, $60 million is not an enormous amount for a country of that size. Yet it does permit the Brazilians to purchase from us items which they probably would then, if the credit were not available, purchase from other sources to the detriment of a long standing relationship which we have had with the Brazilian Armed Forces.

Mr. LONG. Is it the policy of the State Department that we have to be the ones to make the sales?

Mr. WILLIAMS. No, sir, we do not promote arms sales in the region. On the other hand, we do want to be responsive to sovereign countries.

RESTRAINTS ON ARMS SALES TO LATIN AMERICA

Mr. OBEY. If the gentleman would yield, yesterday someone referred to the fact that for a period of time we tried to wring the neck of arms sales in Latin America and didn't succeed, during that period of time when we were trying to restrain our own sales. Have I misinterpreted?

Mr. WILLIAMS. That is absolutely correct.

Mr. LONG. Were not the Long-Conte amendments responsible for this?

Mr. WILLIAMS. Prior to that, in the early 1960's, indeed.

Mr. OBEY. Which two countries would you say most leaped into the breach to take our former place in Latin America?

Mr. WILLIAMS. I would not say "took our former place," but the countries which have most sold to Latin America since the mid-1960's have been England, France, and West Germany.

Mr. OBEY. You were talking about what period of time yesterday?

Mr. WILLIAMS. I was not here yesterday.

General FISH. That was not my testimony either.

Mr. WILLIAMS. The mid-1960's is the period of time when we came under the most flack from Latin America, with respect to our refusal to sell certain arms.

Mr. OBEY. When was the period of time when we tried to restrain our own arms sales to Latin America?

Mr. WILLIAMS. I don't know when it began. It was in the early 1960's, the mid-1960's and in fact up until fairly recently. Our policy is still one of restraint.

General FISH. I think Mr. Silber can give you the data.

Mr. SILBER. The first aggregate regional ceiling on sales as well as grants in the history of the program was on Latin America. It was added by the Foreign Assistance Act of 1966 which was approved on September 19, 1966.

IMPACT OF LONG-CONTE AMENDMENTS AND REGIONAL CEILINGS

Mr. OBEY. Could you give us in the record the amount of arms sales to Latin America in the 2 years previous to that, totally and by us and in the 5 years subsequent to that, the total amount of arms sales in Latin America by us and by other countries by name?

General FISH. I understand, sir, that when we provide that data it is going to be in the form of deliveries as far as other countries go and sales as far as we go unless we do something to equalize it. We know about our sales agreements. We don't know about their agreements. We know about their deliveries. That makes the data not strictly comparable. We will try to make it comparable.

Mr. STERN. I think deliveries is probably the best basis.

Mr. OBEY. You have a lag on our part then?

Mr. STERN. I think in the period you are talking about the lag is not significant. A comparison of deliveries I think will answer your question because we were highly restrictive so the lag should be minimal.

General FISH. We can present it both ways so that you can take a look at it.

[The classified information was provided to the committee.]

Mr. LONG. Part of that restraint in arms sales to Latin America was because of the Long-Conte amendments which, I believe were passed around 1968, weren't they?

General FISH. Yes.

Mr. LONG. You say that policy didn't work?

Mr. WILLIAMS. I would like to point out that even before that it was the administration's policy to exercise restraint on arms sales to Latin America.

Mr. LONG. I am talking about that.

Mr. WILLIAMS. Yes, sir.

Mr. LONG. The thrust of the Long-Conte amendments were basically that we would cut off economic aid to any country which diverted its own resources to the purchase sophisticated weapons systems. Now, I had a visit from a European arms manufacturer who came to my office. I don't know what he had in mind but he said, "For God sakes, Congressman, can't you do something about that?" He said, "This is killing our sales in Latin America."

Mr. WILLIAMS. I don't understand that.

Mr. LONG. You don't understand that?

Mr. WILLIAMS. A German?

Mr. LONG. That is right. Of course, they would love to have us take care of their economic needs and they would be able to divert their own resources to purchasing sophisticated weapons systems. The agonizing that came from you people, would indicate to me that it had considerable effect. I would like to see the figures for the period a couple of years before the Long-Conte amendments and for the years afterward to see just exactly what the sales were, the type of thing Mr. Obey has talked about.

Mr. WILLIAMS. The peak in the last decade of arms sales in Latin America was between 1968 and 1972. During that period in the major six South American countries the United States percentage of that market was 13 percent.

Mr. OBEY. Which was the principal supplier during that time?

Mr. WILLIAMS. The French and the British supplied 50 percent of that market.

Mr. OBEY. By what percentage did the French increase their sales over the period of years that we are talking about?

Mr. WILLIAMS. Dramatically. I don't have the percentage. The peak was 1971 with a $900 million arms buy.

Mr. OBEY. So the French were the major problem?

Mr. WILLIAMS. The British and the French were the two principal suppliers.

Mr. OBEY. How about the Swedes?

Mr. WILLIAMS. Their portion was minor.

Mr. LONG. You will put the figures in the record for me so I can get a feeling for this. The fact that the American sales fell off doesn't bother me a bit. It makes me happy.

[The classified information was provided to the committee.]

Mr. WILLIAMS. It fell off as a percentage.

Mr. LONG. I regard that as a badge of honor for our country. Unhappily we are the most iniquitous salesmen of slaughter in the world today. We are selling, by the statistics, more weapons than all countries in the world put together. Then you blame it on the French or the British. The British and the French are small sellers. We are a great supermarket of weapons. You people say if we don't do it other people will. It is like the biggest dope peddler who says if I don't sell drugs the other people will; and he is talking about people who sell a couple of percent here and there.

Mr. WILLIAMS. I think the single most important factor in the deterioration of our relations with Latin America over the last 15 years has been excessive restraint in arms transfers.

Mr. OBEY. I would like to introduce you to about 20 of my friends in Latin America who have quite different views.

Mr. LONG. They feel it is the other way around, that our excessive sales to repressive countries like Brazil is losing us friends all over the place. Incidentally, you knew that Brazil voted against us on the Zionism-racism resolution in the United Nations. So here is a rightwing country, so anxious to kick the United States in the shins that they join up with 75 leftist nations in order to vote against the United States. This is the kind of gratitude that we have been able to get through our military aid.

Mr. WILLIAMS. I think that is a reflection of the deterioration of our relations with the hemisphere. I think that is very clear.

Mr. OBEY. Do you really believe that? Do you really believe that has been more significant in their irritation with us than our trade policy and our identification with certain kinds of regimes which have become very symbolic in that part of the world? Do you really believe that?

Mr. WILLIAMS. I will stand on my statement, yes, sir.

Mr. LONG. Well, this is that famous term that came out of Watergate, stonewalling.

The committee recesses until tomorrow at 1 o'clock.

THURSDAY, DECEMBER 4, 1975.

SECURITY SUPPORTING ASSISTANCE

WITNESSES

HON. ROBERT NOOTER, ASSISTANT ADMINISTRATOR, BUREAU FOR NEAR EAST, AGENCY FOR INTERNATIONAL DEVELOPMENT
HON. ALFRED E. ATHERTON, ASSISTANT SECRETARY FOR NEAR EASTERN AND SOUTH ASIAN AFFAIRS, DEPARTMENT OF STATE
EDWARD W. MULCAHY, DEPUTY ASSISTANT SECRETARY, BUREAU OF AFRICAN AFFAIRS, DEPARTMENT OF STATE
WILLIAM L. EAGLETON, JR., DIRECTOR, OFFICE OF SOUTHERN EUROPEAN AFFAIRS, DEPARTMENT OF STATE
EDWARD M. ROWELL, DEPUTY DIRECTOR, OFFICE OF WESTERN EUROPEAN AFFAIRS, DEPARTMENT OF STATE
DALTON A. GRIFFITH, DIRECTOR, OFFICE OF CENTRAL AND WEST AFRICAN AFFAIRS, BUREAU FOR AFRICA, AGENCY FOR INTERNATIONAL DEVELOPMENT
BRADSHAW LANGMAID, DIRECTOR, OFFICE OF DEVELOPMENT PLANNING, NEAR EAST BUREAU, AGENCY FOR INTERNATIONAL DEVELOPMENT

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Program and Financing (in thousands of dollars)

Identification code 04-09-1006-0-1-151	1974 actual	1975 est.	1976 est.
Program by activities:			
1. Country and regional programs	130,057	393,443	585,500
2. UN Forces in Cyprus [1]	1,621	4,800	----------
10 Total obligations	131,678	398,243	585,500
Financing:			
11 Receipts and reimbursements from: Federal funds	2,591	----------	----------
17 Recovery of prior year obligations	−15,924	−12,000	−5,100
21 Unobligated balance available, start of year	−2,399	−743	----------
23 Unobligated balance transferred to other account	811	----------	----------
24 Unobligated balance available, end of year	743	----------	----------
Budget authority	**117,500**	**385,500**	**580,400**
Budget authority:			
40 Appropriation	112,500	385,500	580,400
42 Transferred from other accounts	5,000	----------	----------
43 **Appropriation (adjusted)**	**117,500**	**385,500**	**580,400**
Relation of obligations to outlays:			
71 Obligations incurred, net	118,345	386,243	580,400
72 Obligated balance, start of year	461,007	197,490	264,700
74 Obligated balance, end of year	−197,490	−264,700	−447,209
90 Outlays	381,862	319,033	397,891

[1] Excludes $9,600,000 in 1976 for activities transferred to Contributions for international peacekeeping activities, Department of State.

Object Classification (in thousands of dollars)

Identification code 04-09-1006-0-1-151		1974 actual	1975 est.	1976 est.
	AGENCY FOR INTERNATIONAL DEVELOPMENT			
	Personnel compensation:			
11.1	Permanent positions	1,809	531	602
11.5	Other personnel compensation	216	37	51
	Total personnel compensation	2,025	568	653
12.1	Personnel benefits: Civilian	205	54	74
21.0	Travel and transportation of persons	240	162	60
22.0	Transportation of things	274	61	30
23.0	Rent, communications, and utilities	29	30	25
25.0	Other services	5,665	37,131	103,978
26.0	Supplies and materials	104,500	236,800	377,000
31.0	Equipment	786	537	680
41.0	Grants, subsidies, and contributions	816	100,000	100,000
	Total obligations, Agency for International Development	114,540	375,343	582,500
	ALLOCATION ACCOUNTS			
25.0	Other services	4,000	----------	----------
41.0	Grants, subsidies, and contributions	13,138	22,900	3,000
	Total obligations, allocation accounts	17,138	22,900	3,000
99.0	Total obligations	131,678	398,243	585,500
	Obligations are distributed as follows:			
	Agency for International Development	114,540	375,343	582,500
	Department of Defense	8,517	13,300	----------
	Department of State	8,621	7,800	3,000
	Department of the Navy	----------	1,800	----------

Personnel Summary

	AGENCY FOR INTERNATIONAL DEVELOPMENT			
	Total permanent positions	85	40	40
	Average paid employment	79	38	40
	Average grade, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801-1158):			
	Foreign Service reserve officers	3.36	3.42	3.41
	Foreign Service staff	6.24	6.20	6.21
	Average salary, grades established by the Foreign Service Act of 1946, as amended (22 U.S.C. 801-1158):			
	Foreign Service reserve officers	$26,620	$28,346	$28,366
	Foreign Service staff	$13,133	$13,781	$13,762
	Average salary of ungraded positions	$1,098	$4,859	$6,202

Clerk's Note:—Amounts do not include budget amendments submitted in H. Doc. 94-292 and H. Doc. 94- .

Mr. PASSMAN. The committee will come to order.

We shall continue our examination of the administration's request for foreign aid and assistance.

This afternoon we shall consider the security supporting assistance part of the fiscal year 1975–76 foreign aid program. We have as witnesses Hon. Robert Nooter, Assistant Administrator, Bureau for Near East, Agency for International Development, accompanied by Hon. Alfred E. Atherton, Assistant Secretary for Near Eastern and South Asian Affairs, Department of State, and other witnesses who will be with us this afternoon.

GENERAL STATEMENT

I will assume, Mr. Nooter, that you have a prepared statement which you have previously presented to the committee. At this point, would you like to insert your statement in the record and then summarize verbally for the committee?

Mr. NOOTER. That would be fine, Mr. Chairman, simply to submit the statement for the record.

Mr. PASSMAN. Thank you. Then we will be glad to hear your summary of the statement, sir.

[The statement follows:]

Mr. Chairman and members of the committee, I am pleased to appear before you today to testify on the administration's proposed fiscal year 1976 security supporting assistance programs.

For fiscal year 1976 we are requesting a total of $1,867.6 million for the country programs and $50 million for the Middle East special requirements fund.

For the fifth quarter, exclusive of the four Middle East countries for which requirements are still under study, we are requesting $30.2 million and $10 million for the special requirements fund.

The request has three main elements. The Middle East portion encompasses specific country programs for Egypt, Israel, Jordan and Syria totalling $1,657.5 million, and the Middle East special requirements fund of $50 million.

Economic assistance totalling $167.8 million is requested for four countries—Cyprus, Greece, Portugal and Zaire. They are experiencing severe economic strains due to special circumstances that are largely beyond their control.

We are also requesting the authorization of $19.7 million for continuing our commitments through NATO to Malta, through the U.N. for the peacekeeping forces in Cyprus, and a small program of technical assistance for Bahrain.

In addition to the security supporting assistance to be provided under this request, approximately $233 million of Public Law 480, title I commodity assistance is tentatively planned for Egypt, Israel, Jordan, Syria and Portugal and title II programs of $13.8 million administered by voluntary agencies are also planned in FY 1976 and the T.Q. Also $593 thousand is planned for family planning in Zaire under title X of the Foreign Assistance Act.

The proposed programs—particularly those for Egypt and Israel—are considerably larger than our fiscal year 1975 request. However, as the Secretary has stated, they must be equated with the magnitude of the national interests they are designed to protect. Our Middle East program, which accounts for fully 90% of this request, is central to our efforts to sustain progress toward peace in the area.

Israel

The recent interim peace agreement between Israel and Egypt has not lessened the economic burdens of Israel. For Israel to persevere in the negotiating process, it must be confident in its national security. Financial as well as military assistance is needed to maintain this security.

The economic problems of Israel are acute. Although Israel is a developed economy by most standards, it is critically overextended. Israel's foreign debt is estimated to be $6.3 billion, or about $1,900 per capita, possibly the highest in the world. Foreign exchange reserves have been falling and are now $1.1 billion, equal to only 2 months' imports. The annual trade and services deficit exceeds $3.5 billion. Domestically its economy is under severe strain, with an inflation rate of 35 percent in 1974. This rate of inflation is expected to decrease somewhat in 1975 as a result of the Government's recent austerity measures. Defense spending has increased from an already high 32 percent of the budget in 1972 to 40 percent in 1974.

Israel has taken strong measures on its own to mitigate the situation. In order to maintain its competitive position in world trade, Israel has instituted successive devaluations totalling 66 percent since November of 1974. Domestic taxes have been increased substantially; Government subsidies reduced; and the controls on nonessential inputs tightened. But the magnitude of its economic problems is simply too great for Israel to cope with effectively without very substantial outside help.

We are proposing a program of economic assistance for Israel of $800 million. This includes the security supporting assistance of $740 million presented in this request, $20 million for immigration aid contained in the Department of State budget, $25 million in housing investment guarantees, and approximately $15 million of Public Law 480 title I sales. (We are also processing a $15 million increase for the supporting assistance account which will be sent to the Congress as an official request in due course.)

The main element in the proposed $740 million program is $590 million in commodity import financing to help close the balance-of-payments gap by financing imports from the United States; $350 million of this amount will be provided as a grant and the balance ($240 million) on regular development loan terms. The remaining $150 million is to be provided as cash grant to cover the indirect foreign exchange costs of implementing the interim peace agreement.

Egypt

The negotiated disengagement of forces between Egypt and Israel in early 1974 and the far-reaching agreement in September 1975 made a significant contribution toward peace in the Middle East. The role of Egypt was of course crucial. Its leaders have shown great courage in their pursuit of a negotiated peace while at the same time confronting massive economic problems.

Egypt with its dense population on the limited usable land of the Nile Valley and Delta, its low per capita income, its shortages of food and of foreign exchange, and its need to rehabilitate the Suez Canal area, has major needs it cannot meet from its own resources. The growth of the economy has barely kept pace with population growth during the past decade. Its balance-of-payments situation is particularly acute. The economic drain arising from expenditures for defense and the loss of resources resulting from the closing of the Suez Canal only compounded an already difficult situation.

The Egyptian Government has developed a strategy to deal with its economic difficulties. These include restoring economic activity in the Suez Canal area, increasing production of underutilized industrial plant by increasing the flow of imported materials and spare parts, and by improving the productivity of the agricultural sector through expanded irrigation, land reclamation, and continued research.

The recent agreement with Israel will help by stimulating use of the Suez Canal and by the return of the Abu Rudeis oil fields. Substantial Arab economic assistance has been provided or promised. But the requirements go beyond what any single donor can provide. U.S. assistance is essential in this multidonor effort if Egypt is to bring economic progress to its people and succeed in its efforts to achieve economic recovery.

To aid in this effort, we are requesting $750 million in security supporting assistance funds for Egypt in fiscal year 1976. We also plan to provide 1 million tons of wheat and 4,200 tons of tobacco with a total value of about $168 million under the Public Law 480 title I sales program in fiscal year 1976.

The supporting assistance program has four major elements: $234 million is proposed as grants to continue reconstruction and development in the Suez area, including $85 million for a cement plant and $70 million for a 300-megawatt powerplant. A second element is $260 million for development project loans including $100 million for new port facilities at Dikheila west of Alexandria, grain storage facilities costing $30 million, $25 million for cargo handling equipment at the port of Alexandria, and $25 million for the Bank of Alexandria to support private and public enterprise capital investments.. The third component is a $250 million loan for the importation of key commodities to increase the production of domestic industry and agriculture. The fourth element is $6 million in grants for technical assistance activities in health, manpower, and agriculture. The terms of this program are concessional—$240 million will be provided as a grant and the balance—$510 million—as loans on standard AID loan terms.

Jordan

Jordan is a force for moderation in the Middle East and a strong friend of the United States. However, the maintenance of the Jordanian economy is dependent on external assistance. An extended period of external support and development will be needed before Jordan's narrow economic base will be able to meet the foreign exchange and budgetary needs of the country. Jordan receives help from her Arab neighbors, but support from the United States is also needed.

The proposed U.S. assistance for fiscal year 1976 is $77.5 million. Of this $57 million will be a cash grant for budget support; this is a reduction from the fiscal year 1975 level of $67.5 million; $18 million will be used for development projects on a loan basis. The program also includes $2.5 million of grant technical assistance and planned Public Law 480 sales of $6 million.

Syria

In Syria our economic aid is part of an effort to strengthen our overall relationship.

Syria's development plans are directed primarily at increasing agricultural production through expanded irrigation and land reclamation, and diversifying the economy into agro-industries and small-scale manufacturing.

For fiscal year 1976, $90 million in supporting assistance is requested for developing projects. This includes a $25 million loan for agricultural machinery and production inputs and a $38 million loan for irrigation projects. The program also includes a $20 million loan for rural electrification. In addition there are grant programs of $7 million for feasibility studies, agricultural research and production activities, general participant training, English language training, health services, and family planning. A Public Law 480 program is tentatively planned for 75,000 tons of wheat and 25,000 tons of rice.

Greece

In 1974, following the Cyprus crisis, the military regime in Greece was replaced by an elected civilian government. The new government had to cope with a number of political problems as well a serious economic difficulties—a high rate of inflation, a stagnating economy, and a large balance-of-payments deficit.

In this period of economic readjustment, Greece is seeking foreign concessional aid to help deal with what is hopefully a temporary situation. Assistance is also being sought from European bilateral and multilateral sources.

In response to this need, we are proposing that the United States provide a $65 million commodity import loan. The loan will be used to finance machinery, spare parts, equipment and essential materials. Terms will be 25 years at 5 percent with a 5-year grace period.

Portugal

The rapid and far-reaching political changes in Portugal and the program of decolonization are causing severe economic strains. Unemployment has risen to just over 10 percent, inflation is at a level of 30 percent per year, worker's remittances from abroad and tourist earnings are declining, and foreign exchange reserves have fallen substantially. In addition there is a need to resettle and absorb into the economy approximately 300,000 Portuguese citizens returning from Angola and the other former territories in Africa. This influx of refugees is expected to cost the Portuguese Government a minimum of $160 million this year alone and will raise unemployment even further. Aid from the U.S., as well as from Western European countries, is urgently needed.

The fiscal year 1976 supporting assistance request for Portugal is $55 million. The largest element is a $35 million grant to aid in the resettlement of returnees from Angola. (This sum is in addition to the estimated $7.5 million which has been provided from Disaster Relief funds to contribute to the airlift of Portuguese citizens from Angola.) A total of $17 million is proposed for development loans in such sectors as agriculture, housing and transportation. In addition, $2 million is planned for feasibility studies and $1 million for technical assistance. A Housing Investment Guarantee and Public Law 480 credit sales are also planned.

Bahrain

Bahrain has been cooperative in providing port facilities for U.S. naval vessels in the Persian Gulf. In our discussions with the Bahraini Government regarding the continued use of these facilities, the Government has expressed an interest in U.S. assistance in improving government administration, management practices, and techniques. For fiscal year 1976 we are requesting $600,000 to be used to provide up to 10 technical advisers in these fields. Bahrain will pay $12,000 per year toward the cost of each adviser, and will also provide housing and transportation.

Malta

Malta's position in the Mediterranean is of considerable importance to the defense of NATO. Military forces of the United Kingdom have been stationed there under a 1972 agreement, supported by NATO. The agreement provides for a payment of about $37 million a year for 7 years. The U.S. share of this payment is $9.5 million per year.

Cyprus

The 1974 coup d'etat and subsequent Turkish military intervention left more than 200,000 needy and displaced persons, predominantly Greek Cypriots. There are still an estimated 146,000 displaced persons needing help.

Most of the relief assistance to Cyprus has been provided through the U.N. High Commission for Refugees and the International Committee of the Red Cross. In fiscal year 1975 the United States contributed $25 million through these agencies. The present request is for $25 million for fiscal year 1976 and $5 million for the fifth quarter. The relief programs will be similar to last year but with increased emphasis on housing and employment creating projects such as reforestation.

UNFICYP

In 1974 the United Nations Security Council created the United Nations Force in Cyprus (UNFICYP) as a peace-keeping force. Annual estimated costs at present troop strength are about $27 million. The total U.S. contribution in fiscal year 1975 was $9.6 million. We are requesting the same amount for fiscal year 1976. The remainder of the $27 million requirement is expected to be made available by contributions from a number of West European countries.

Zaire

Zaire is a key nation in black Africa with a natural base for economic development. However, Zaire's development momentum and stability are now threatened by a temporary but severe balance of payments crisis, largely due to a sharp decline in the world price of copper. Unable to meet short-term commercial debt obligations and forced to import on a cash basis, Zaire has been unable to cover essential import needs.

Zaire has already taken a number of important steps to reduce governmental expenditures and to hold down imports. Zaire has been consulting with the IMF and is at present reviewing specific IMF proposals for further stabilization efforts.

To help meet Zaire's urgent import needs, the United States has designed a financial package of $60 million which is composed of a $20 million Eximbank line of credit; an $8 million Public Law 480 title I loan; $11 million in 3-year CCC credits; and the $20 million loan herein requested under Security Supporting Assistance. This loan will finance essential commodity imports such as fertilizer, agricultural equipment, machinery, gray cloth and vehicles. The Security Supporting Assistance request also includes $2.7 million for ongoing technical assistance activities.

MIDDLE EAST SPECIAL REQUIREMENTS FUND (MESRF)

A total of $100 million was included in the Middle East Special Requirements Fund in fiscal year 1975. The major portion of this, $83 million, was used to begin the economic assistance program for Syria.

The request for the Special Requirements Fund for fiscal year 1976 is $50 million. Some $20 million is to be used to establish, equip, and support the U.S. surveillance stations for the Sinai. An additional $13 million is to be used to help Egypt establish its own surveillance station. $2 million is for support of U.S. private voluntary agency activities in the West Bank area and Gaza. The remaining $15 million is to be reserved for contingencies.

With this in the way of summary introduction, I would be glad to answer any questions.

BUDGET REQUEST

Mr. NOOTER. Yes, sir.

We are requesting funds for the Security Supporting Assistance program for a total of $1,867,600,000 for country programs, and $50 million for the Middle East Special Requirements Fund. Of this amount, the Middle East programs total $1,657.5 billion, and also the Middle East Special Requirements Fund, of course, is for that part of the world, so the large bulk of this program is for the Middle East.

In addition, we are requesting funds for programs in Cyprus, Greece, Portugal, and Zaire.

The detailed country programs, all of which are economic in nature, have been submitted to you in some detail, and I won't take the time of the committee to do that, but will be glad to move right into questions if you wish.

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

JUSTIFICATION MATERIAL

We will insert certain justification material in the record at this point.

[The material follows:]

SECURITY SUPPORTING ASSISTANCE

INTRODUCTION

The review of Middle East Policy has been concluded, and related negotiations have been successfully undertaken. Accordingly, we now can present the Middle East programs of Security Supporting Assistance and the Middle East Special Requirements Fund, promised in our earlier submission. These programs are for the Middle East countries of Egypt, Israel, Jordan, Syria, and the Middle East Special Requirements Fund. We also are including programs to help meet the emergency economic and humanitarian needs of Portugal; to contribute towards the cost of continuing relief to persons displaced by civil strife in Cyprus; to assist in the revival of Greece's economy; and to meet other assistance requirements, as detailed in the following pages.

Middle East

The recent disengagement agreement between Egypt and Israel and corollary efforts that have been undertaken offer more promise for an ultimately peaceful solution of the Arab-Israeli dispute than has been the case at any time of the past quarter century. Our hope is that we are entering a period that will permit the countries in the region to turn their energies away from war and towards economic development.

The FY 1976 programs for the Middle East are designed to further progress toward a durable peace in the area. As such, the programs are focused on addressing critical problems that will have an immediate payoff in terms of creating or improving the atmosphere for stability and economic health in the area. The security situation in the Middle East is well known. The nature of the economic development problems being faced in these countries is illustrated in the following list of indicators:

PROGRAM SUMMARY
(In millions of dollars)

	FY 1974 Actual	FY 1975 Actual	FY 1976 Proposed	5th Q.
Supporting Assistance	131.7	677.7	1,867.6	30.2 f/
Egypt	8.5	251.2	750.0	f/
Israel	50.0	324.5	740.0	f/
Jordan	45.0	77.5	77.5	f/
Syria	-	- a/	90.0	f/
Bahrain	-	-	0.6	0.1
Malta	9.5	9.5	9.5	4.8
Spain	3.0	3.0	g/	-
Cyprus	-	- b/	25.0	5.0
Greece	-	-	65.0	-
Portugal	-	- c/	55.0	10.0
UNFICYP	1.6	9.6	9.6	4.8
Zaire	- d/	- e/	22.8	- h/
Other Programs	9.7	0.2	-	-
Operating Expenses	4.4	2.2	22.6	5.5
Middle East Special Requirements Fund		100.0	50.0	10.0

a/ $83 million financed from Middle East Special Requirements Fund.
b/ $25 million financed from Famine and Disaster Relief Funds.
c/ $15 million financed from special assistance accounts for Portugal and its colonies.
d/ $1.1 million financed from Development Assistance.
e/ $1.6 million financed from Development Assistance.
f/ Requirements for the fifth quarter for Middle East Countries will be presented at a later date.
g/ Requirements will be submitted later, after base negotiations presently underway are completed.
h/ $8.0 million financed from Development Assistance.

-- Egypt suffers from a low per capita GNP of $264, chronic and rising grain shortages, a serious and growing balance of payments deficit and a heavy debt burden. Also, Egypt faces a massive task of rebuilding the Suez area, and rehabilitating the nation's economy, while it brings needed development benefits to its people.

-- Israel has a comparatively sophisticated economy and a high per capita GNP of over $2,800 per year but, with its heavy burden of external debt ($6.3 billion, amounting to over $1,900 per capita) and disproportionate defense costs, cannot sustain its economy without substantial amounts of external aid. For example, Israel's trade and services account deficit in 1974 was $3.4 billion and the deficit is projected to amount to over $3.6 billion in 1975 despite the stringent economic austerity measures that have been imposed.

-- Jordan's per capita GNP of about $375 can only be sustained by massive outside subsidies. Its literacy rate has stabilized at about 40 per cent, exclusive of the West Bank.

-- Syria is trying to press forward with its plans to accelerate development and improve living standards for its people. Literacy rates are only about 40 per cent, and health standards are low, particularly in rural areas.

It is our intention that the programs we are presenting for FY 1976 demonstrate to the countries of the Middle East, as well as to others, the concern of the United States for the people on both sides of the Arab-Israeli conflict, thereby enhancing our efforts to achieve a constructive orientation of political forces in the region toward development.

Portugal

The attempt to create a viable democratic political system and the resultant political stress, the program of decolonization, with the attendant rapid movement of over 300,000 Portuguese from Africa, principally Angola, to Portugal; and long-standing fundamental economic problems are factors that have coalesced to create a serious economic situation for Portugal. The proposed program will demonstrate, in concert with assistance extended by European countries, our interest in helping Portugal alleviate its economic plight.

Cyprus

Cyprus requires assistance to enable that country to meet the needs of persons displaced by the civil strife of mid-1974.

Greece

Greece faces severe balance of payments problems, stemming in part from higher oil prices and the world-wide recession. The proposed program will assist Greece in the revival of its economy by providing needed inputs for the economy.

FY 1976 Program Composition

Middle East

-- For Egypt, we are requesting $750 million in security supporting assistance funds in FY 1976. We also plan to provide 1,000,000 MTs in PL-480 Title I wheat shipments worth approximately $150 million. The program contains funds to continue reconstruction and development in the Suez Area ($230 million); to meet the cost of essential imports from the United States ($250 million); to help clear the Port Said coastal waters of mines ($4.0 million); and to assist the Egyptians in development projects ($266 million). These development projects include a port development project; grain storage facilities; agriculture sector equipment; scientific and research equipment; technical advice and specialized training; feasibility studies; cargo-handling equipment for the Port of

Alexandria; improved rural health services; technical assistance in water management; and gas-turbine electric power generators.

-- For Israel, we plan to provide $800 million in economic assistance. This includes security supporting assistance of $740 million presented in this request, $20 million for immigration aid (included in the Department of State authorization), $25 million for Housing Investment Guarantees, and approximately $15 million in PL-480 Title I sales.

This assistance is needed to assist the Government of Israel meet its heavy budget requirements and to sustain the country's economic viability. Israel's continued economic health is essential to the preservation of peace in the Middle East. The funds will help Israel finance a variety of imports from the United States ($590 million) and, additionally, provide a $150 million grant to assist Israel to meet the indirect foreign exchange demand resulting from the costs associated with the implementation of the interim disengagement agreement.

-- For Syria in FY 1976 we are proposing a program of $90 million. The bulk of the program, $83.3 million, will provide additional commodity and equipment support for rural electrification and to increase Syria's agricultural production. The remainder of the program, $6.7 million, will provide for feasibility studies, participant training in the United States, in-country English-language training, a public health training program, and technical assistance in the family planning field. PL-480 Title I sales of approximately $20 million also are tentatively planned.

-- We are requesting $77.5 million for Jordan in FY 1976, which will provide $57 million in budget support and $20.5 million in loans and grants to expand development activities (potash, feasibility studies, Aqaba grain storage), which will reduce Jordan's dependence on foreign aid, and to cover the costs of technical assistance in such sectors as agriculture, education and human resources, phosphates and tourism. PL-480 Title I sales amounting to about $6 million are also tentatively planned.

-- In recognition of the continuing uncertainties in the Middle East equation as negotiations continue, we are proposing that funds again be provided in FY 1976 for the Middle East Special Requirements Fund (MESRF). We plan to use $20 million of the total of $50 million requested to cover the cost of installing and operating the surveillance stations to be manned by U.S. personnel in the Sinai, and another $13 million to assist the Egyptian government to establish its own surveillance station. Two million dollars is programmed to support PVO projects on the West Bank and in the Gaza Strip.

-- In recognition of Bahrain's cooperation in providing facilities for our Middle East Naval Forces, we propose a modest technical assistance program for Bahrain, part of the cost of which will be borne by that country. The FY 1976 program for Bahrain is being re-presented because start of the program was delayed from FY 1975 to FY 1976. The first year cost of $600,000 for FY 1976 is the same as estimated in the May budget submission for FY 1975. We propose to provide ten technical assistance experts over a two-year period at a cost of approximately $1.1 million, to improve public administration and general management in Bahrain.

Portugal

In FY 1975, a $15 million assistance program, focused mainly on low-cost housing, provided tangible U.S. support for efforts of the new Portuguese Government to create a

viable democratic political system. In FY 1976, a $55 million assistance program is proposed to help strengthen the Portuguese Government's capacity to deal with major economic problems, complicated by the return from Angola of a large number of refugees. The program consists of $35 million to assist returnees from Angola, $17 million of project loans in key development areas, a $2 million loan for feasibility studies and a $1 million grant for technical assistance. This amount is additional to the $20 million Disaster Relief funds which we estimate may be needed to assist Portugal to airlift Portuguese citizens from Angola.

Cyprus

During FY 1976 there will be a continuing need for external aid to help deal with the problems of displaced persons in Cyprus. The U.S. plans, as a follow-on to our $25 million FY 1975 allocation, to contribute $25 million in FY 1976 to support continued UNHCR feeding programs throughout the island and programs stressing self-sufficiency, rehabilitation, and employment for persons displaced by the civil strife.

Greece

To assist the new democratic Government of Greece during a period of serious economic stress and restructuring, it is proposed that the U.S. provide temporary assistance in the form of a $65 million commodity import loan to assist in the revival of industrial output through the provision of badly needed spare parts, raw materials, and machinery.

UNFICYP

In 1974 the United Nations Security Council created UNFICYP as a peacekeeping force to restore and maintain a climate conducive to establishing an equitable and encuring peace. The Force is financed on a purely voluntary basis and its mandate has been extended in 6-month periods with the last extension ending December 15, 1975. In FY 1976 a contribution of $9.6 million will be required to finance the U.S. share of the costs of the UN Force in Cyprus.

Zaire

The FY 1976 U.S. assistance program is focused on Zaire's immediate and short-term economic needs, while concurrently moving forward with long-term development projects. $22.8 million is requested in Supporting Assistance to finance imports from U.S. sources of high priority industrial and agricultural production goods ($20 million loan), and support selected technical assistance projects ($2.8 million grant). In addition, PL-480 assistance of approximately $15 million is planned for FY 1976, while $593,000 is programmed for Zaire under the Title X (Population) funding account.

Malta

In FY 1976, $9.5 million is requested for the annual U.S. share of payments to Malta under the NATO agreement.

5th Quarter

A total of $30.2 million in Supporting Assistance funds is requested for the interim budget period to meet continuing requirements in Malta, Spain, Cyprus, Portugal and Bahrain and Operating Expenses. In addition, $10 million is requested for the Middle East Special Requirements Fund to finance special activities that may arise during this period.

U.S. assistance requirements for the Middle East during this period will depend upon the progress of current and future peace efforts in the area. For this reason, we have not yet determined budget levels for Supporting Assistance for the Middle East countries for the fifth quarter. These requirements will be presented at a later date.

SUMMARY OF PROGRAM BY COUNTRY AND APPROPRIATION

(MILLIONS OF DOLLARS)

	FY 1974 Actual			FY 1975 Actual			FY 1976 Proposed			5th Quarter Proposed		
	Total	Supporting Assistance	Other	Total	Supporting Assistance	Other	Total	Supporting Assistance	Other	Total	Supporting Assistance	Other
Middle East - Total	111.8	103.5	8.3[a]	773.2	653.2	120.0	1,708.1	1,658.1	50.0	10.1[i]	0.1[i]	10.0
											pending	-
Egypt	8.5	8.5	-	251.2	251.2	-	750.0	750.0	-		"	-
Israel	50.0	50.0	-	344.5	324.5	20.0[b]	740.0	740.0	-		"	-
Jordan	53.3	45.0	8.3[a]	77.5	77.5	(10.0)[c]	77.5	77.5	-		"	-
Syria	-	-	-	(83.0)[c]	-	(83.0)[c]	90.0	90.0	-			
Bahrain	-	-	-	-	-	-	0.6	0.6	-	0.1	0.1	-
Other Programs	-	-	-	(7.0)[c][d]	-	(7.0)[c][d]	-	-	-	-	-	-
Special Requirements Fund	-	-	-	100.0	-	100.0	50.0	-	50.0	10.0	-	10.0
Europe - Total	14.1	14.1	-	62.1	22.1	40.0	164.1	164.1	-	24.6	24.6	-
Malta	9.5	9.5	-	9.5	9.5	-	9.5	9.5	-	4.8	4.8	-
Spain	3.0	3.0	-	3.0	3.0	-	[h]	-	-	-	-	-
Portugal	-	-	-	15.0[e]	-	15.0[e]	55.0	55.0	-	10.0	10.0	-
Cyprus	-	-	-	25.0[f]	-	25.0[f]	25.0	25.0	-	5.0	5.0	-
UNFICYP	1.6	1.6	-	9.6	9.6	-	9.6	9.6	-	4.8	4.8	-
Greece	-	-	-	-	-	-	65.0	65.0	-	-	-	-
Other Programs - Total	10.8	9.7	1.1	1.8	0.2	1.6	23.4	22.8	0.6	8.0	-	8.0
Zaire	1.1[a]	-	1.1[a]	1.6[a]	-	1.6[a]	23.4	22.8	0.6[g]	8.0 [a]	-	8.0 [a]
Philippine Disaster Relief	0.6	0.6	-	0.2	0.2	-	-	-	-	-	-	-
Thailand Project Assistance	5.1	5.1	-	-	-	-	-	-	-	-	-	-
Intl Commission for Control & Supervision	4.0	4.0	-	-	-	-	-	-	-	-	-	-
Operating Expenses	4.4	4.4	-	2.2	2.2	-	22.6	22.6	-	5.5	5.5	-
TOTAL ALL PROGRAMS	141.1	131.7	9.4	839.3	677.7	161.6	1918.2	1867.6	50.6	48.2 [i]	30.2 [i]	18.0

[a] Development Assistance. [b] Special Appropriation (Section 219) to finance Joint U.S.-Israel desalinization development program.
[c] Funded under Special Requirements Fund; amounts included in total for Fund.
[d] Consisting of grants to UNRWA for refugee assistance ($6 million), and small self-help development activities on the West Bank ($1 million).
[e] Special assistance accounts for Portugal and its colonies. [f] Famine and Disaster Relief Funds. [g] Title X (Population) Assistance.
[h] Requirements will be submitted later after base negotiations presently underway are completed. [i] Requirements for the fifth quarter for Middle East Countries will be presented at a later date.

EGYPT

Objectives of U.S. Assistance

Peace in the Middle East is a major U.S. foreign policy goal. We seek a just and lasting peace which would:

-- end 25 years of war, and

-- begin an era of economic growth for all the nations in the region.

Egyptian determination to move toward peace has been essential in achieving the progress thus far made. Progress was achieved through:

-- a negotiated disengagement of forces between Egypt and Israel and between Israel and Syria in early 1974, and more recently, a new, far-reaching agreement between Egypt and Israel in September 1975;

-- maintenance of the cease fire on all fronts;

-- lifting of the Arab oil embargo; and

-- creating conditions whereby Egypt has reopened the Suez Canal and has begun rebuilding the cities along the canal.

Political and Economic Setting

U.S. economic assistance to Egypt is in support of the Egyptian Government's policy aimed at seeking a negotiated settlement of a permanent nature which will permit Egypt to turn her energies toward economic development.

-- Domestic progress will strengthen the Egyptian Government's leadership role and the moderate forces in the Arab world.

-- Further progress in achieving a permanent Middle East settlement will depend, to a great extent, on the cooperative relationships between Egypt and the United States.

-- Our willingness to assist Egypt is seen as an important indication of the credibility of our interest in the Arab world by other moderate Arab countries, such as Saudi Arabia, which also provide assistance to Egypt.

Economic growth in Egypt has been severely retarded by the many years of war. A shortage of foreign exchange has affected every aspect of the economy and created:

-- shortages of raw materials and spare parts for domestic industry, and

-- low levels of domestic investment in new industry and in the agricultural sector.

PROGRAM SUMMARY
(In millions of dollars)

	FY 1974 Actual	FY 1975 Actual	FY 1976 Proposed	5th Q.
Supporting Assistance	8.5	251.2	750.0	*
Suez Clearance and Reconstruction	8.5	53.7	234.0	
Commodity Import Program	-	150.0	250.0	
Other Development Activities	-	47.5	266.0	

*Requirements for the interim quarter will be presented at a later date.

EGYPT

Much of Egypt's economic difficulty today is due to the drain on her resources arising from expenditures for defense and resulting in the:

-- under-utilization of existing plant;

-- low levels of production for domestic market and for export;

-- disguised unemployment and under-employment; and

-- little improvement in agricultural production.

The Government of Egypt has designed a strategy to come to grips with the country's economic difficulties. The strategy calls for:

-- restoring economic activity in the Suez Canal area;

-- increasing production in under-utilized industrial plant, and adding new plant to the industrial sector;

-- stimulating the tourist industry;

-- improving and increasing agricultural production;

-- encouraging private investment; and

-- increasing remittances of foreign exchange because of greater job opportunities throughout the region for Egyptians due to oil revenue-financed economic expansion in neighboring countries.

The new agreement between Egypt and Israel will help Egypt's economic situation through:

-- restoration of revenues from the Abu Rudeis oil fields;

-- stimulating further use of the Canal; and possibly

-- encouraging the tourism industry and private foreign investments.

However, even with these improvements Egypt will still require additional economic resources to launch her development plan and at the same time provide for improving the current standard of living. Egypt continues to be plagued by:

-- lowered foreign exchange earnings due to the depressed world cotton market;

-- a chronic balance of trade deficit;

-- a standard of living below the level reached in 1964;

-- a rising consumer demand as the war atmosphere recedes;

-- increased requirements to import food and consumables; and a

-- vast need for capital and intermediate goods and technical assistance in order to develop its industrial and agricultural sectors.

Substantial Arab financial assistance has been provided or promised:

-- to reconstruct the war-devastated Suez area, as well as

-- to assist Egypt in overcoming its current balance of payments problem.

However, Egypt's economic recovery

-- requires resources far beyond its own or any single donor's ability to provide.

Therefore, although the United States is a key donor, we are participating in a multi-donor effort to bring Egypt through this crucial period of post-war economic recovery successfully.

EGYPT

Terms for U.S. assistance will be:

-- grants for technical assistance and also for the capital projects related to Suez area reconstruction; and

-- loans on A.I.D. DL loan terms (2% for 10 years grace period and 3% for a 30 year repayment period) for development projects and general commodity imports.

FY 1976 Program

The sum of $750 million is requested for the proposed FY 1976 Egypt Program to:

-- continue the Suez Area Reconstruction Program;

-- fund specific economic development projects; and

-- continue the Commodity Import Program.

I. Suez Area Reconstruction. Revitalization of the war-damaged Suez area, particularly of the cities of Port Said, Ismailia, and Suez and their environs, has remained a high priority of the Egyptian Government.

-- This symbolizes a desire for peace and economic betterment.

-- Significant physical progress already is visible in the area.

-- Master plans for reconstruction, designed by foreign firms, will be ready in early 1976.

Iran has announced a willingness to provide $250 million for reconstruction, and other donors are expected to fund specific projects designated by the master plans.

U.S. participation in this reconstruction, $234.0 million in FY 1976, would be focused on major needs, including:

-- a cement plant to provide an additional one million tons of cement annually. This will provide approximately 25% of the additional production required to support the Reconstruction Program and other development needs ($85 million).

-- a 300 MW power plant to generate the electric power which will be required by both new industries planned for the area and for the reconstructed areas ($70.0 million).

-- mine clearance near Port Said to remove a serious impediment to local navigation and fishing in the coastal waters between Port Said and Damietta ($4 million).

-- water and sewage systems to support population and industries that will be returning to the reconstructed cities of Port Said, Ismailia and Suez City ($10 million).

-- cargo handling equipment to facilitate cargo handling operations at Port Said ($30 million).

-- electric transmission and distribution equipment to integrate power from generating facilities coming on line into the national grid ($15 million).

-- materials used in housing construction, including reinforcing rod, lumber, hardware, and tools and equipment ($20 million).

II. Development Projects: U.S. Participation of $266 million in FY 1976

Many sectors of the Egyptian economy, neglected during the years of war, require immediate assistance to improve the standard of living of the Egyptian people and to provide for continuing improvement in the economy.

Among the most important needs, the U.S. plans to finance:

-- new port facilities at Dikheila, west of Alexandria, to relieve the already severe congestion of present Alexandria port facilities ($100 million).

-- food grain storage facilities to reduce Egypt's estimated 6%-7% annual grain loss due to moisture damage and insect and rodent infestation. With annual wheat imports of three million tons, savings would be in the millions of dollars ($30 million).

-- agriculture sector equipment which is required to bring greater efficiency to the important agricultural sector. Milling and food processing equipment, tool fabricating equipment and spare parts would be included ($15 million).

-- scientific and research equipment which is needed to complement the Egyptian Government's considerable efforts in applied research in areas important to the social and economic development of Egypt ($5 million).

-- technology transfer and manpower development exchanges (1) to bring U.S. technology to bear on development problems in Egypt and (2) provide specialized training of Egyptians in U.S. institutions ($2 million).

-- feasibility studies by U.S. firms or agencies which will increase the capabilities of the Egyptian Government to design specific projects and more quickly utilize the offers of project assistance from Arab and other donors ($3 million).

-- cargo handling equipment for the Port of Alexandria to improve the efficiency of operations in this port and alleviate current port conditions which cost the Egyptian Government earnings totaling more than one hundred million dollars in 1974 and thus far in 1975 ($25 million).

-- improved rural health services to upgrade and energize existing government rural health to include preventive health care, health education and nutrition ($500,000).

-- water management to improve the efficiency with which water is used in Egypt's agricultural sector ($500,000).

-- gas turbine generators to rapidly provide additional power needed by key industries of the country ($60 million).

-- a loan to The Bank of Alexandria to support needed investment in the private and public sectors ($35 million).

66-317 O - 76 - 28

III. Commodity Import Program: ($250 million)

This program is essential to alleviate Egypt's continuing chronic balance of payments deficit and to provide for those items necessary to increase the productive capacity of domestic industry and the agricultural sector.

PL-480

In addition to Supporting Assistance, as availabilities permit, we intend to provide approximately 1,000,000 metric tons of wheat and 4,200 MT of tobacco under the PL-480 Title I program during FY 1976.

5th Quarter

Requirements for the interim quarter will be presented at a later date.

Country: EGYPT

GRANT ACTIVITY DATA

TABLE IV

TITLE	FUNDS	PROPOSED OBLIGATION ($000)
Suez Reconstruction - Cement Plant	Security Supporting Assistance	FY 76 85,000
	Kind of Activity: Project Grant	INITIAL OBLIGATION: FY: 1976

Project Target and Course of Action: This project will finance the foreign exchange costs required for construction of a cement plant with the capacity to produce one million metric tons annually. This added capacity will provide a significant amount of the additional cement needed for the reconstruction effort in the war damaged Suez Canal area.

Background: As an important adjunct to its moves toward peace with Israel, the Egyptian Government has developed a program of rapid reconstruction of the Suez Canal area and a complementary, long-range national economic development program.

The planned government construction alone will require massive quantities of cement, and there will be a similar increase in demand by the private sector, which has had virtually no real growth since 1967. Even with little investment capital available during the past eight years due to military expenditures, reports indicate that available cement supply barely satisfied domestic demand for that period. The Government of Egypt has outlined a program to more than double by 1981 the current level of cement production. Projections show there will be a need for new production facilities capable of producing an added 3.5 million tons per year to satisfy even the most conservative estimate of domestic demand for cement expected by 1978.

In order to reduce cement imports, to support the economic growth of Egypt, and especially to relieve the strain on current plant capacity, which is unable to supply the Suez Canal Area Reconstruction Program's large requirement for cement, the Government of Egypt has requested that the United States finance a new cement plant with the capacity to produce one million tons of cement annually. The myriad cement consuming activities in the total Suez Area Reconstruction effort include the needs for housing, culverts, pipes, poles, roads, bridges, construction of industries and public utilities, and improvement of the infrastructure supporting the agricultural sector.

FY 1976 Program: We intend to provide $85 million for the foreign exchange costs for construction of the new plant. The Government of Egypt will finance the local costs requiring Egyptian pounds, currently estimated at LE 23 million (equivalent to $54 million at the official rate of exchange). Dollar financing would fund equipment and services of U.S. origin required in the construction.

COUNTRY: EGYPT

TOTAL ACTIVITY SUMMARY
(DOLLAR AMOUNTS IN MILLIONS)

TABLE V

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1974			Estimated FY 1975			Proposed Program FY 1976	Proposed 5th Q.	Future Year Obligations	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligations 6/30/74	Obligations	Expenditures	Unliquidated Obligations 6/30/75				
Suez Reconstruction - Electrical Transmission and Distribution Equipment	*		76	76	-	-	-	-	-	-	15.0	-	-	15.0
							Total	251.2	15.0	236.2	750.0			

*Detailed project narrative--See Table III.

Egypt

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1973	1974	TOTAL 1946-1974	1946-1974	
I. ECONOMIC ASSISTANCE[a] - TOTAL	0.8	21.1	891.6	173.1	718.2
Loans	-	9.5	586.2	173.3	412.9
Grants	0.8	11.6	305.3	-	305.3
a. A.I.D. and Predecessor Agencies	-	8.5	167.7	41.0	126.1
Loans	-	-	90.7[b]	41.0	49.7
Grants	-	8.5	77.0	-	77.0
(Security Supporting Assistance)	(-)	(8.5)	(40.8)		
b. Food for Peace (PL 480)	0.8	12.6	717.8	132.6	591.2
Title I: Total	-	9.5	520.8	121.6	399.2
Repayable in U.S. Dollars - Loans	-	9.5	25.9	4.7	21.2
Payable in Foreign Currency - Planned for Country Use	-	-	494.9	116.9	378.0
(Total Sales Agreements, incl. U.S. Use)	(-)	(-)	(798.7)	(-)	(798.7)
Title II: Total	0.8	3.1	192.0	-	192.0
Emergency Relief, Econ. Development, & World Food	-	0.1	29.3	-	29.3
Voluntary Relief Agencies	0.8	3.0	162.7	-	162.7
c. Other Economic Assistance	-	-	11.1	10.7	0.5
Peace Corps	-	-	-	-	-
Other	-	-	11.1	10.7	0.4
II. MILITARY ASSISTANCE - TOTAL					
Credits or Loans					
Grants					
a. MAP Grants					
b. Credit Sales under FMS					
c. Military Assistance Service-funded (MASF) Grants					
d. Transfers from Excess Stocks					
e. Other Grants					
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE					
Loans					
Grants					
Other U.S. Government Loans and Grants	10.2	6.0	78.4	56.1	22.3
a. Export-Import Bank Loans	-	6.0	36.8	43.2	13.5
b. All Other	10.2	-	21.6	12.8	8.8

[a] See MILITARY PROGRAMS

OTHER ECONOMIC PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1973	FY 1974	FY 1946-74
TOTAL	55.6	51.1	273.0
IBRD - World Bank	-	-	34.3
Int'l. Dev. Association	51.2	43.9	151.1
UN Development Program	4.3	5.6	57.2
Others UN (CY)	0.1	1.6	10.2

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1972	CY 1973	CY 1946-73
TOTAL	16.6	181.1	847.6
Italy	3.2	31.3	301.1
Germany	9.0	199.5	251.8
France	2.9	-	68.5
U.K.	0.4	3.8	15.9
Other	1.1	8.4	28.3

ASSISTANCE FROM COMMUNIST COUNTRIES LOANS AND GRANTS EXTENDED:

1973 (Calendar Year)	120
1974 (Calendar Year)	-
Cumulative thru 1974	2,205

[a] Less than $50,000.

[b] Official Development Assistance (ODA) - Official concessional aid for development purposes.

[c] Includes $6.9 million in capitalized interest on prior year loans, of which $3.4 million is Security Supporting Assistance.

Objectives of U.S. Assistance

The United States seeks a just and durable peace in the Middle East

that will enable the countries concerned to turn their energies and resources toward development instead of military goals.

The recent interim peace agreement between Israel and Egypt of September 4, 1975, was an essential step in this process.

Israel's political and economic stability is a key factor in achieving peace

in the area, and in light of the heavy financial burdens besetting the Israeli economy, U.S. economic assistance is especially important.

Confidence in U.S. support for Israel's security is essential

for Israel to negotiate a settlement of hostilities, and that confidence provided the basis for the recent agreements with Egypt.

Political and Economic Setting

The present Labor Alignment Government was formed in June 1974

with a one vote majority in the Knesset, the Israeli legislature.

The Labor Government has since expanded its political base

by including the National Religious Party, a former coalition partner, which thus far has given the Government the strength needed to withstand the strong political and economic pressures it faces as a result of the Middle East security situation.

However, Israel's economic situation has aggravated the situation:

- In 1974 inflation in Israel reached 35 percent.
- During 1974 Israel's foreign exchange reserves declined by 38 percent, from some $1.8 billion to about $1.1 billion; and Israel's balance of payments deficit approached $800 million by the end of 1974.
- Defense spending increased from 32 percent of the national budget in 1972 to 40 percent of total government spending in 1974, putting further strain on the national economy.

In order to check the worsening economic situation,

since November 1974 the Government of Israel has adopted a number of economic austerity measures to stem the continued decline in foreign exchange reserves and improve the health of the Israeli economy. These measures included:

- A 66 percent devaluation of the Israeli Pound.
- Price and tax increases on imported goods, and a prohibition on importing certain luxury goods.
- Reduced government subsidies on food items.

PROGRAM SUMMARY
(In millions of dollars)

	FY 1974 Actual	FY 1975 Estimated	FY 1976 Proposed	5th Q.
Supporting Assistance	50.0	324.5	740.0	*

* Requirements for the interim quarter will be presented at a later date.

- A restrictive monetary and credit policy to dampen liquidity and demand pressures.

The Government also has had to resort to extensive private borrowings

in the commercial money market and this action has brought Israel's foreign debt to an estimated level of $6.3 billion or about $1,900 on a per capita basis, possibly the world's highest.

Supporting Assistance provides needed foreign exchange to Israel

to enable the Government to purchase imported goods from the United States. The commodities imported include a wide variety of industrial and consumer goods, e.g., agricultural products and equipment, pharmaceuticals and chemicals, manufacturing machinery and equipment, paper products, etc.

These imported U.S. goods are sold in Israel and the proceeds in Israeli Pounds are applied to general support of Israel's national budget.

Taking into account Israel's deteriorating economic situation, a total of $324.5 million was authorized in FY 1975 to finance an expanded commodity import program and to assist Israel to meet its extraordinary import and budget requirements.

In addition to Supporting Assistance, PL-480 Title I food aid

is provided to Israel to help meet essential food import requirements. In FY 1975, 50,000 metric tons of wheat (valued at approximately $9 million) was provided to Israel.

FY 1976 Program

Seven hundred and forty million dollars of supporting assistance funds

are proposed for FY 1976 to assist the Israel Government to meet its financial burdens. $590 million will be used to continue the expanded commodity import program. Three hundred fifty million dollars of the amount will be provided on a grant basis, and the remaining $240 million on regular A.I.D. development loan terms. These terms are consistent with our analysis of Israel's ability to accrue additional debt and service future debt payments.

In addition, we plan to provide $150 million as a cash grant to help Israel offset the indirect foreign exchange demand resulting from the costs associated with the Sinai withdrawal.

In addition, $25 million is programmed for Israel in FY 1976 under the Housing Guaranty Program.

PL-480

In addition to Supporting Assistance, in October 1975 a PL-480 Title I sales agreement was signed to provide Israel 100,000 metric tons of wheat valued at approximately $15 million.

5th Quarter

Requirements for the interim quarter will be presented at a later date.

Israel

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS (OBLIGATIONS AND LOAN AUTHORIZATIONS) 1973	1974	TOTAL 1946-1974	REPAYMENTS AND INTEREST 1946-1974	TOTAL LESS REPAYMENTS AND INTEREST
I. ECONOMIC ASSISTANCE[a] – TOTAL	307.8	51.3	1,292.8	387.1	905.7
Loans	54.4	-	770.4	387.1	383.7
Grants	30.4	51.3	522.4	-	521.9
a. A.I.D. and Predecessor Agencies	50.0	50.0	682.3	162.5	499.8
Loans	-	-	234.3	162.5	71.8
Grants	50.0	50.0	448.0	-	428.0
(Security Supporting Assistance)	(50.0)	(50.0)	(150.0)		
b. Food for Peace (PL 480)	59.8	1.5	630.6	226.5	403.8
Title I - Total	59.3	-	368.0	226.5	243.4
Repayable in U.S. Dollars - Loans	59.4	-	209.3	41.2	268.1
Payable in Foreign Currency - Planned for Country Use	-	-	278.7	183.4	95.3
(Total Sales Agreements, incl. U.S. Uses)	(-)	(-)	(334.2)	(-)	(334.2)
Title II - Total	0.4	1.5	82.6	-	82.6
Emergency Relief, Econ. Development, & World Food	-	1.4	2.2	-	2.2
Voluntary Relief Agencies	0.4	0.1	80.2	-	80.2
c. Other Economic Assistance	-	-	0.2	-	0.1
Peace Corps	-	-	-	-	-
Other	-	-	0.1	-	0.1
II. MILITARY ASSISTANCE – TOTAL	307.5	2,647.7	3,911.7	329.8	3,581.9
Credits or Loans	307.5	982.7	2,411.6	329.8	2,081.9
Grants	-	1,300.0	1,500.0	-	1,500.0
a. MAP Grants	-	-	-	-	-
b. Credit Sales under FMS	307.5	982.7	2,411.8	329.8	2,081.9
c. Military Assistance Service-funded (MASF) Grants	-	-	-	-	-
d. Transfers from Excess Stocks	-	-	-	-	-
e. Other Grants[b]	-	1,300.0	1,300.0	-	1,300.0
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	617.3	2,534.1	5,204.5	716.9	4,487.6
Loans	366.9	982.7	3,182.1	716.9	2,465.6
Grants	50.4	1,551.5	2,021.9	-	2,021.9
Other U.S. Government Loans and Grants	71.3	47.5	417.7	373.4	44.3
a. Export-Import Bank Loans	71.3	47.5	417.7	373.4	44.3
b. All Other	-	-	-	-	-

OTHER ECONOMIC PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1973	FY 1974	FY 1946-74
TOTAL	21.0	39.6	269.0
IBRD - World Bank	20.0	35.0	249.4
Int'l. Finance Corp.	-	3.5	3.5
UN Development Program	1.0	1.1	14.9
Other UN (CY)	*	*	1.2

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1972	CY 1973	CY 1960-73
TOTAL	50.2	38.8	801.3
Germany	42.5	58.2	730.1
Italy	0.2	17.2	23.7
Canada	6.7	2.5	18.7
Other	0.8	0.9	8.7

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1973 (Calendar Year)	-
1974 (Calendar Year)	-
Cumulative thru 1974	-

*Less than $50,000.

[a]Official Development Assistance (ODA) - Official concessional aid for development purposes.

[b]Represents Foreign Military Sales for which payment is waived pursuant to the FY 1974 Emergency Security Assistance Legislation.

TABLE V

COUNTRY: ISRAEL

TOTAL ACTIVITY SUMMARY
(Dollar Amounts in Millions)

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1974			ACTUAL FY 1975			Proposed Program FY 1976	Proposed 5th Q.	Future Year Obligations	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligations 6/30/74	Obligations	Expenditures	Unliquidated Obligations 6/30/75				
Commodity Import Program	*		1972	Cont.	150.0	150.0	--	324.5	280.0a/	44.5a/	590.0	--	Undet.	Undet.
Program Grant	*		1976	1976	--	--	--	--	--	--	150.0	--	--	--
Total								324.5	280.0	44.5	740.0	--	Undetermined	

a/ Estimated as of September 30, 1975.

*Detailed project narrative--See Table IV.

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1974	Actual FY 1975	Proposed FY 1976
A.I.D. employed	--	--	--
Participating agency	--	--	--
Contractor technicians	--	--	--
Total	--	--	--

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1974	Actual FY 1975	Proposed FY 1976
Non-contract	--	--	--
Contract	--	--	--
Total	--	--	--

Objectives of U.S. Assistance

A stable and moderate Jordanian Government

is central to U.S. interests in the Middle East, particularly in this sensitive stage of peace negotiations.

U.S. assistance supports Jordan's efforts

to maintain the internal stability essential for continued progress towards the economic development required to improve the welfare of the Jordanian people.

Political and Economic Setting

Jordan is one of the oldest and staunchest friends of the U.S.

in the Middle East and has always been a force for moderation in the Middle East.

- King Hussein's campaign against the fedayeen in the early 1970's resulted in a cessation of firing along the Israel-Jordanian border, which was a very favorable development from the United States point of view. However, this was attained at a considerable economic cost to Jordan, as it prompted Libya and Kuwait to halt their annual subsidies to Jordan.

- In the wake of this fighting the United States undertook a supporting assistance program to bolster Jordan's economy and thus enable the Government of Jordan to maintain a certain measure of economic independence.

The November 1974 Rabat Summit Conference

resulted in the Palestine Liberation Organization (PLO) being recognized as the representative of the Palestinian people on the West Bank, thus removing Jordan as a primary negotiating partner with Israel. On the economic side, the Rabat decision should enable the Jordanian Government to devote more attention and resources to the country's long-term economic development problems.

Jordan's Gross National Product (GNP) is about $1,050 Million

- Industry accounts for 20 percent of GNP, while agriculture and mining provide 30 to 40 percent.

- Government spending equals about 50 percent of the Gross Domestic Product (GDP) at factor cost. Domestic revenues in 1974 covered about 45 percent of government spending while an approximately equal amount of government spending was financed through external budget support.

- Jordan's trade balance, exclusive of services, consistently has been in the red, with imports running about four to five times larger than exports. In 1974, the trade deficit was $330 million, and for the first 4 months of CY 1975 was almost $400 million.

PROGRAM SUMMARY
(In millions of dollars)

	FY 1974 Actual	FY 1975 Estimated	FY 1976 Proposed	5th Q.
Supporting Assistance	53.3	87.5	77.5	*
Budgetary Support	45.0	67.5	57.0	
Loans	-	8.7	18.0	
Technical Assistance	-	1.3	2.5	
Middle East Special Requirements Fund	-	10.0	-	
Development Loan Funds	7.4	-	-	
Development Grant Funds	.9	-	-	

* Requirements for the interim quarter will be presented at a later date.

Increased amounts of external assistance

will be required if Jordan is to expand and develop its narrow economic base. Aid from Arab oil-producing countries is increasing, e.g. Kuwait has resumed its annual subsidy payments of about $35 million and a number of other Arab countries have announced pledges of substantial assistance to Jordan including $40 million in economic assistance from Qatar, the United Arab Emirates and Iran; however, this aid is insufficient to meet Jordan's needs. Nevertheless, increased assistance from the Arab countries will permit the United States to concentrate its development efforts in selected areas and sectors where American technology and expertise can have the greatest impact on Jordan's growth.

FY 1976 Program

In FY 1976, $77.5 million in Supporting Assistance funding

is requested for the following program activities:

(1) Budget Support - $57.0 million
will be needed to augment Jordan's revenues to cover essential non-defense spending in the national budget. Without such financial support Jordan's economic and political stability could be undermined with the possible result of a shift away from its current moderate foreign policy position. Such a shift could have a serious detrimental effect on United States peace efforts in the Middle East. U. S. assistance in this area will continue to be required for some time. As increased amounts of Arab assistance become available and as Jordan's economy develops and becomes more self-sufficient, it will be possible gradually to redirect more of U.S. economic assistance efforts toward development activities. As reflected in our budget submission, we plan to increase the development portion of our assistance program in FY 1976. These development activities are summarized in the following sections.

(2) Capital Loans - $18 million
is requested to continue and expand development activities. These activities will be concentrated in the agricultural sector with the objective of expanding production and improving the livelihood of rural farmers. Proposed loans will be for Potash ($6 million), Feasibility Studies ($1 million) and Grain Storage ($11 million). In addition, identification and design of agriculture development projects for future financing will continue.

(3) Grant Project Assistance - $2.5 million
is requested to finance a continuing technical assistance program with emphasis in three priority development areas:

(a) Food Production and Nutrition - $750,000
Exports of agricultural products - particularly fruits and vegetables - are a major foreign exchange earner for Jordan. Conversely, Jordan is not self-sufficient in all of its agricultural needs and must import to meet the country's basic food requirements, particularly in wheat. In FY 1976, projects proposed in this area are designed to assist Jordan to fully exploit its agriculture production capabilities, particularly in the Jordan Valley. The Valley is the most productive agricultural area of the country, but has not yet reached its full production potential.

(b) Education and Human Resources Development - $450,000

The emphasis in this sector is to provide training for government officials in modern economic project design and implementation techniques and procedures. One major end result should be more effective coordination of Jordanian resources with those of potential assistance donors.

(c) Selected Development Problems - $1.3 million

These activities are directed toward improving GOJ project planning and development capability. Two areas that will receive special attention are phosphates and tourism. Phosphate exports account for the largest share of Jordan's foreign exchange earnings. At the present time, potential exists for development of additional mineral resources which could further enhance Jordan's foreign exchange earning capabilities. Also, the Jordanians are beginning to plan for the revitalization of their tourism industry. With peaceful conditions in the area, Jordan's tourism industry is a potentially large earner of foreign exchange and could be instrumental in reducing Jordan's need for outside budgetary support.

PL-480

In addition to Supporting Assistance, in FY 1976 the U.S. also plans to provide Jordan approximately 40,000 metric tons of wheat under the PL-480 Title I program, valued at approximately $6 million.

5th Quarter

Requirements for the interim quarter will be presented at a later date.

Country: JORDAN

GRANT ACTIVITY DATA

TABLE III

TITLE	FUNDS	PROPOSED OBLIGATION ($000)	
Faculty of Agriculture Research and Development	Security Supporting Assistance	FY 76 600	
NUMBER 278-11-110-178	PRIOR REFERENCE P. 15 - FY 75, M.E. Peace and Security Supporting Assistance Prog.	INITIAL OBLIGATION FY: 1975	SCHEDULED FINAL OBLIGATION FY: 1978

Project Target and Course of Action: The objective of this four-year project is to upgrade and develop Jordan University's Faculty of Agriculture to become a leading national institution in the broad areas of agricultural research and development. This will be accomplished by providing expert U.S. agricultural advisors, training of Jordanian faculty staff and improvement of technical equipment and facilities.

Progress to Date: A total of $550,000 was obligated for this project in FY 1975 to finance the first-year costs of a contract between the University of Jordan and a U.S. university. These funds will provide for: (a) U.S. contract technicians (29 man months of services, $194,000); (b) training for four new long-term participants in the United States and continuation of training for second year participants already in the U.S. ($69,000); (c) textbooks and reference materials, laboratory equipment, farm machinery and other selected commodities ($285,000); and (d) other miscellaneous costs ($2,000).

FY 1976 Program: A total of $600,000 is requested for this project in FY 1976. These funds will be used to finance: (a) the second year of the contractor's cost for the full-time services of one senior agriculturalist, one animal science specialist and the TDY services of various short-term specialists to include an agricultural economist and a vegetable specialist ($235,000); (b) the training of 8 new long-term participants and the continuation of training programs for 7 participants ($100,000); and (c) commodities to be procured under the contract, to include scientific equipment needed to support research, extension and teaching functions, dairy and agricultural industry equipment, periodicals and textbooks ($265,000).

U.S. DOLLAR COST (In Thousands)

	Obligations	Expenditures	Unliquidated
Through 6/30/74	-	-	-
Actual FY 75	550	10	
Actual through 6/30/75	550	10	540
Proposed FY 76	600	Future Year Obligations	Estimated Total Cost
Proposed 5th Quarter	-	560	1,710

Cost Components	OBLIGATIONS Actual FY 1975 Direct AID	Actual FY 1975 Contract/ Other Agency	Actual FY 1975 Total	Proposed FY 76 Direct AID	Proposed FY 76 Contract/ Other Agency	Proposed FY 76 Total
U.S. Technicians . .	-	194	194	-	235	235
Participants	29	40	69	30	70	100
Commodities	-	285	285	-	265	265
Other Costs	2	-	2	-	-	-
Total Obligations . .	31	519	550	30	570	600

PRINCIPAL CONTRACTORS/ AGENCIES

Washington State University

Jordan

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1973	1974	TOTAL 1946-1974	1946-1974	
I. ECONOMIC ASSISTANCE[a] - TOTAL	71.1	44.5	801.7	8.7	793.0
Loans	15.9	15.6	55.1	6.7	48.4
Grants	55.2	48.9	746.6	-	746.6
a. A.I.D. and Predecessor Agencies	61.0	33.2	660.7	3.2	657.5
Loans	10.0	7.4	29.7	3.2	26.5
Grants	51.0	45.8	631.0	-	631.0
(Security Supporting Assistance)	(50.0)	(45.0)	(364.6)		
b. Food for Peace (PL 480)	10.1	11.3	139.7	3.5	136.2
Title I: Total	5.9	8.2	25.4	3.5	21.9
Repayable in U.S. Dollars - Loans	5.9	8.2	21.7	2.5	19.2
Payable in Foreign Currency - Planned for Country Use	-	-	3.7	1.0	2.7
(Total Sales Agreements, excl. U.S. Uses)	(-)	(+)	(5.9)	(-)	(5.9)
Title II: Total	4.2	3.1	114.3	-	114.3
Emergency Relief, Econ. Development, & Work					
Food	3.2	2.0	81.3	-	81.3
Voluntary Relief Agencies	1.0	1.1	33.0	-	33.0
c. Other Economic Assistance	-	-	1.3	-	1.3
Peace Corps	-	-	-	-	-
Other	-	-	1.3	-	1.3
II. MILITARY ASSISTANCE - TOTAL	42.7	42.2	282.5	22.0	260.5
Credits or Loans	-	-	69.0	22.0	47.0
Grants	42.7	42.2	213.5	-	213.5
a. MAP Grants	36.0	40.5	198.6	-	198.6
b. Credit Sales under FMS	-	-	69.0	22.0	47.0
c. Military Assistance Service-funded (MASF) Grants	-	-	-	-	-
d. Transfers from Excess Stocks	6.7	1.7	14.9	-	14.9
e. Other Grants	-	-	-	-	-
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	113.8	106.7	1,084.2	28.7	1,053.5
Loans	15.9	15.6	124.1	28.7	95.4
Grants	97.9	91.1	960.1	-	960.1
Other U.S. Government Loans and Grants	6.6	7.9	26.2	3.9	20.3
a. Export-Import Bank Loans	5.9	1.9	19.5	3.2	16.3
b. All Other	0.7	6.0	6.7	0.7	4.0

OTHER ECONOMIC PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES: COMMITMENTS

	FY 1973	FY 1974	FY 1946-74
TOTAL	22.6	3.0	74.4
Int'l. Dev. Association	18.9	-	40.3
Int'l. Finance Corp.	-	1.8	1.8
UN Development Program	3.5	1.2	28.0
Other UN (CY)	-	-	4.3

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1972	CY 1973	CY 1960-73
TOTAL	22.1	18.1	152.8
U.K.	3.3	8.0	90.8
Germany	18.4	11.0	54.6
Other	0.8	1.1	7.4

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1973 (Calendar Year)	-
1974 (Calendar Year)	-
Cumulative thru 1974	-

[a] Less than $50,000.

[b] Official Development Assistance (ODA) - Official concessional aid for development purposes.

Objectives of U.S. Assistance

Syria is a key factor in U.S. peace efforts in the Middle East

and improved U.S.-Syrian relations further U.S. peace objectives in the area.

U.S. assistance demonstrates our support

for Syria's economic and social goals and the U.S. desire for closer relations between our two countries.

U.S. economic assistance activities help smooth tensions

and facilitate agreement on issues and problems by increasing areas of interdependent relationships.

Political and Economic Setting

U.S. economic assistance to Syria was resumed in 1975

following the re-establishment of diplomatic relations the previous year. Syria has conducted a rather energetic and relatively successful development program, and good use has been made of external assistance. However, large amounts of external assistance from both public and private sources will be required to accelerate the rate of economic growth and further improve living conditions for the Syrian people.

The nature of Syria's economy

is illustrated by the following factors:

- Per capita Gross National Product in 1974 was about $377.

PROGRAM SUMMARY
(In millions of dollars)

	FY 1974 Actual	FY 1975 Actual	FY 1976 Proposed	5th Q.
Agriculture Machinery & Production Inputs I	-	30.000	-	**
Agriculture Machinery & Production Inputs II	-	-	25.000	
Irrigation	-	-	38.000	
Agriculture Research & Production	-	-	.350	
Damascus Water Supply	-	48.000	-	
Rural Electrification	-	-	20.000	
Feasibility Studies & Project Development I	-	4.000	-	
Feasibility Studies & Project Development II	-	-	2.500	
General Participant Training	-	1.000	1.500	
English Language Training	-	-	.500	
Development of Health Services	-	-	1.500	
Family Planning	-	-	.650	
TOTAL	-	83.000	90.000	

* Funded under the Middle East Special Requirements Fund.

**Requirements for the interim quarter will be presented at a later date.

- Fifty-four percent of the labor force is engaged in agriculture.

- The literacy rate is about 40 percent, and only about half of school age children (5-19 years) are enrolled in school.

- There is only one doctor for every 3,860 people.

- Agriculture accounts for about 25 percent of Gross Domestic Product (GDP), manufacturing and mining produce about 20 percent and trade and finance about 18 percent.

Syria's National Economic Development Plans primarily are directed at:

- Increasing agricultural production, mainly through expanded irrigation and land reclamation.

- Diversifying the economy into agro-industries, small scale processing and manufacturing plants, and similar activities.

Economic liberalization measures have been adopted

and these give promise of more private initiatives and renewed attraction of foreign investors. The private sector at present accounts for about 50 percent of Syria's gross domestic product.

FY 1976 Program

In FY 1976, $90 million in Supporting Assistance

is requested for Syria to continue development efforts begun in FY 1975 under the Middle East Special Requirements Fund. These efforts will be concentrated in the following sectors:

-- Agriculture Development ($63.35 million) This is still the most important production sector in the Syrian economy. Overall economic growth is highly dependent on agriculture, since this sector accounts for about one-quarter of Syria's GDP and about two-thirds of the country's export earnings. As indicated above, improvement in this sector is a major goal of Syria's national development program. U.S. assistance activities planned in FY 1976 are as follows:

- Agricultural Machinery and Production Inputs. One of the more serious limitations on production increases is the lack of efficient modern machinery and production inputs. Because of its primary importance, this was one of the first areas addressed when the U.S. assistance program was resumed last year. Further assistance is required to continue the modernization of Syria's agricultural production methods and practices. A $25 million loan is requested for this purpose.

- Irrigation Projects. One of the most serious constraints in Syrian agricultural production is the unreliability

of the water supply -- both in terms of the overall quantity and the availability in proper amounts at crucial periods during crop growth cycles. This project will address this problem by expanding and improving irrigation systems in the Euphrates River Basin and other important agricultural areas. These systems will enable Syrian agriculture to be less vulnerable to the vagaries of the weather. A $38 million loan will be provided for this program.

- Agricultural Research. In order to sustain higher agricultural production it will be necessary for the Syrians to develop their own capability for continued agricultural research and development to keep abreast of advances in agricultural technologies. This project will assist the Syrians to develop and strengthen the institutional infrastructure needed to accomplish this objective. A $350,000 grant is requested for this project.

-- Rural Development ($20 Million)
(Rural Electrification)

- The development of the rural sector - the totality of economic activity and life in the rural areas - has been hindered by the lack of an adequate and complete power distribution system bringing cheap energy to rural areas for irrigation, local industry and family use. The government has recognized this problem and embarked on an extensive long-range rural electrification program.

- Project plans call for US rural electrification experience and equipment being provided on a loan basis to help in the erection and installation of medium and low-tension transmission lines to distribute electricity to rural villages, small agro-industrial facilities and public places.

-- Feasibility Studies ($2.5 million)

One of the difficulties facing national planners in Syria is the need to identify and develop project proposals to the point where they can be implemented. Syria lacks the internal resources necessary to accomplish the professional research and analysis that is needed to accomplish this project development work.

- U.S. technology and know-how is particularly appropriate for such studies.

- Primary emphasis will be on feasibility studies for the expansion of agricultural production, including such fields as cereal production, irrigation, and range management. Other priority economic development areas may also be included, such as rural water systems and minerals development. Assistance will also be provided in related project development and training.

66-317 O - 76 - 29

-- General Participant Training ($1.5 million)

With a fast growing population and a progressive development program in a diversified economy, the need for development of technical and managerial skills is particularly acute in Syria.

- The Syrian Government is attempting to improve educational levels to the extent of its resources and capabilities. However, the nation's development needs for skilled training exceed what is now available from domestic resources, and these shortages are in areas essential to current and planned development programs.

- The lack of sufficient numbers of trained managers and technicians is a major constraint to the introduction of modern techniques in agriculture and to the development of the industrial and mining sectors.

- Consequently, in reply to a Syrian Government request last year, the U.S. agreed to assist in financing and arranging professional and specialized skills training for Syrian participants. This training helps provide the nation with the technical skills needed in key development areas.

- Training in the United States also acquaints many top level Syrian officials and managers with American institutions and should help to create a better understanding between the two countries.

- In FY 1976, A.I.D. will provide grant financing for additional Syrian participants in such fields of study as engineering, medicine, petroleum technology, irrigation management, crop production, plant disease and geology.

-- English Language Training ($500,000)

With the resumption of U.S.-Syrian relations and increased contacts with U.S. and other English-speaking people, Syrian government officials, professionals and scientists now feel an urgent need to improve their skills in communicating in English.

- Only a few small, and restricted-access English language facilities now exist.

- The US plans to provide grant assistance to create an English Language Training facility staffed by U.S. contract specialists experienced in teaching English as a foreign language.

-- Development of Health Services ($1.5 Million)

Health conditions in Syria, particularly in rural areas and in the poorest sections of population centers, are marginal. The Syrian Government is trying to provide improved integrated health services through a country-wide system of health centers and health facilities.

- The lack of trained medical personnel is hampering the infusion of paramedical personnel into the health delivery systems being developed in about 200 new centers throughout the country.

- In response to Syrian requests, the US intends to provide technical advisors to improve the curriculum and quality of indigenous paramedical training programs. Training at appropriate US institutions will be offered to health trainers and similar categories of personnel. This assistance will be provided on a grant basis.

-- Family Planning ($650,000)

Syria's population is currently only 7.2 million but is increasing at an annual rate of 3.3 percent.

- Population programs in Syria are still in the initial stage.

- More government leaders must be impressed with the consequences of continued population growth.

- In FY 1976 A.I.D. plans to start providing appropriate levels of the Syrian Government with grant technical assistance in the fields of demographic and population statistics, and will support contemplated family planning studies and research.

PL-480

In addition to Supporting Assistance, the United States also provides PL-480 food aid to Syria to help meet the country's food import requirements. In FY 1976 75,000 MT of wheat and 25,000 MT of rice are planned for Syria under the PL-480 Title I program.

5th Quarter

Requirements for the interim quarter will be presented at a later date.

Country: SYRIA

LOAN ACTIVITY DATA

TITLE	FUNDS	PROPOSED OBLIGATION ($000)
Agriculture Development (Agricultural Machinery and Production Inputs - II)	Security Supporting Assistance	FY 76 25,000
	KIND OF LOAN: Project Loan	INITIAL OBLIGATION FY: 1976

Project Target and Course of Action: Agriculture is still the most important sector in Syria. However, its growth has remained relatively stagnant over the past decade, in part because of the use of outmoded and inefficient farm machinery and implements, and unimproved seeds and other production inputs. This loan is designed to provide the Syrian farmers with modern tools, equipment and farm inputs needed to increase their output and bring more areas under cultivation.

Progress to Date: During March, 1975, an AID survey team had an opportunity to review with the Syrian Government various agricultural machinery and equipment requirements. The team readily concluded that Syrian agriculture requirements for modern machinery and equipment were extensive and would put demands on anticipated loan funding availabilities for a couple of years. Preliminary lists have been drawn up of equipment needed for irrigation and land development projects, reclamation projects, projects involving saline and gypsiferous soil areas. In addition, urgent requirements exist for machinery to assist and boost the production of various crops, such as: wheat, citrus, maize, soy bean, rice, sugar, and beets, etc.

FY 1976 Program: $25 million in loan funds are requested for this activity during the budget year. The type and number of equipment and machinery items to be purchased in the United States fall mainly within the definition of heavy equipment and involve a considerable expenditure of funds per unit. Examples of the specific type of equipment needs are: self-propelled combines, bulldozers, cranes, excavators, wheel type tractors, fuel and water tankers, trucks and trailers.

Syria

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LOAN REPAYMENTS AND INTEREST
	1973	1974	TOTAL 1946-1974	1946-1974	
I. ECONOMIC ASSISTANCE[a] — TOTAL	0.2	-	41.2	4.9	36.3
Loans	-	-	4.0	4.9	19.1
Grants	0.2	-	37.1	-	17.2
a. A.I.D. and Predecessor Agencies	-	-	3.8	2.5	1.3
Loans	-	-	2.3	2.5	-0.2
Grants	-	-	1.5	-	1.7
(Security Supporting Assistance)	(-)	(-)	(-)		
b. Food for Peace (PL 480)	0.2	-	34.3	1.3	34.8
Title I - Total	-	-	20.8	1.3	19.1
Repayable in U.S. Dollars - Loans	-	-	0.6	0.3	0.3
Payable in Foreign Currency - Planned for Country Use	-	-	20.4	1.1	19.2
(Total Sales Agreements, incl. U.S. Use)	(-)	(-)	(36.9)	(-)	(36.9)
Title II - Total	0.2	-	33.5	-	33.5
Emergency Relief, Econ. Development, & World Food	-	-	31.6	-	31.6
Voluntary Relief Agencies	0.2	-	1.9	-	1.9
c. Other Economic Assistance	-	-	-	-	-
Peace Corps	-	-	-	-	-
Other	-	-	-	-	-
II. MILITARY ASSISTANCE — TOTAL	-	-	0.1	-	0.1
Credits or Loans	-	-	-	-	-
Grants	-	-	0.1	-	0.1
a. MAP Grants	-	-	0.1	-	0.1
b. Credit Sales under FMS	-	-	-	-	-
c. Military Assistance Service-funded (MASF) Grants	-	-	-	-	-
d. Transfers from Excess Stocks	-	-	-	-	-
e. Other Grants	-	-	-	-	-
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	0.2	-	41.2	4.9	36.3
Loans	-	-	26.0	4.9	19.1
Grants	0.2	-	37.1	-	17.1
Other U.S. Government Loans and Grants	-	-	-	-	-
a. Export-Import Bank Loans	-	-	-	-	-
b. All Other	-	-	-	-	-

OTHER ECONOMIC PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1973	FY 1974	FY 1946-74
TOTAL	17.0	99.8	169.0
IBRD - World Bank	-	88.0	88.0
Int'l. Dev. Association	15.0	10.0	47.3
UN Development Program	2.0	1.8	29.9
Other UN (IDF)	-	-	1.8

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1972	CY 1973	CY 1960-73
TOTAL	7.9	1.8	59.5
Italy	0.5	0.1	19.7
Germany	0.6	0.8	15.1
Japan	6.9	0.1	9.5
Other	0.1	0.6	4.4

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1973 (Calendar Year)	15
1974 (Calendar Year)	285
Cumulative thru 1974	1,128

[a] Less than $50,000.

[a] Official Development Assistance (ODA) - Official concessional aid for development purposes.

COUNTRY: SYRIA

TOTAL ACTIVITY SUMMARY
(Dollar Amounts in Thousands)

TABLE V

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1974			Actual FY 1975			Proposed Program FY 1976	Proposed 5th Q.	Future Year Obligations	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligations 6/30/74	Obligations	Expenditures	Unliquidated Obligations 6/30/75				
Agriculture Development (Ag Machinery & Production Inputs I)	*	276-J-007	75	75	-	-	-	30,000		30,000	-		-	30,000
Agriculture Development (Ag Machinery & Production Inputs II)	*	-	76	76	-	-	-	-	-	-	25,000		-	25,000
Agriculture Development (Irrigation)	*	-	76	76	-	-	-	-	-	-	38,000		-	38,000
Agriculture Development (Research & Development)	*	-	76	78	-	-	-	-	-	-	350		400	750
Damascus Water Supply		276-J-008	75	75	-	-	-	48,000	-	48,000	-		-	48,000
Rural Development (Electrification)	*	-	76		-	-	-	-	-	-	20,000		69,000	89,000
Feasibility Studies & Project Development - I	*	276-11-995-001	75	75	-	-	-	4,000	2	3,998	-		-	4,000
Feasibility Studies & Project Development - II	*	-	76	76	-	-	-	-	-	-	2,500		-	2,500
General Participant Training	*	276-11-690-004	75	Cont.	-	-	-	1,000	6	994	1,500		Continuing	
English Language Training	*	-	76	79	-	-	-	-	-	-	500		500	1,000
Development Health Services	*	-	76	79	-	-	-	-	-	-	1,500		3,000	4,500
Family Planning	*	-	76	79	-	-	-	-	-	-	650		850	1,500
*Detailed project narrative--See Table III & IV					Total			83,000	8	82,992	90,000		Undetermined	

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1974	Actual FY 1975	Proposed FY 1976
A.I.D. employed	-	-	-
Participating agency	-	-	3
Contractor technicians	-	-	25
Total	-	-	28

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1974	Actual FY 1975	Proposed FY 1976
Non-contract	-	-	150
Contract	-	-	14
Total	-	-	160

Middle East Special Requirements Fund

The United States plays a central role in Middle East peace efforts

by nurturing and supporting efforts that give promise of leading to further progress toward a peaceful and durable settlement of the conflict in the area.

The Middle East Special Requirements Fund facilitates U.S. peace efforts

by permitting prompt U.S. response to special needs arising from the Middle East peace efforts being undertaken by the United States.

The framework for peace in the Middle East is still quite fragile

and a great deal of work remains to be done. It will be essential for the U.S. to have the capability to move rapidly to support activities which could further peace efforts in the area.

The utility of the Special Requirements Fund has been amply demonstrated:

- Syria aid program. The Fund was used in FY 1975 to initiate a new bilateral assistance program with Syria, to help the Syrian Government address its priority economic development problems and thereby improve the living conditions and general welfare of the Syrian people. $83 million was used for this purpose. Syria is a key element in our effort to bring about a peaceful solution of the Middle East conflict. In FY 1976, the Syria program is presented as a part of the Supporting Assistance request (see page 55).

- UNRWA program for Palestinian refugees. Special support to the United Nations Relief and Works Agency (UNRWA) program to assist Palestinian refugees was made possible by the Fund in FY 1975, under which a special U.S. contribution of $6 million was made to help UNRWA settle its large operating deficit. This deficit was not the result of expansion in UNRWA refugee activities but is attributable to world-wide inflation and general price increases. The United States was one of several nations, including Saudi Arabia, that assisted with special contributions to prevent UNRWA's financial collapse and the consequences that would follow such an occurrence.

- Jordan road project. A $10 million loan was provided to assist in the improvement of an important 74 kilometer link in the main north-south highway from the port of Aqaba to Jordan's capital city of Amman. The road improvement is important to achieve greater economic self-sufficiency. Jordan's economic progress and stability are key factors in achieving a just and durable peace in the Middle East.

PROGRAM SUMMARY
(In millions of dollars)

	FY 1974 Actual	FY 1975 Actual	FY 1976 Proposed	5th Q.
Special Requirements Fund	--	100.0	50.0	10.0

- West Bank and Gaza. The Special Requirements Fund also was used in FY 1975 to finance a number of small scale development projects on the West Bank and Gaza to benefit the people living in these territories. These projects are being implemented through U.S. private voluntary organizations (PVO's) already operating in the area. These projects include vocational training for men and women, nutritional education in the rural and urban areas, and small self-help rural development projects, such as construction of village access roads, irrigation systems, improvement in village water supply systems, and similar activities.

The Special Requirements Fund will continue to be useful as peace negotiations proceed

in situations where U.S. financial assistance can be instrumental in furthering peacekeeping efforts.

In FY 1976, $50 million is requested for the Special Requirements Fund to enable the U.S. to continue to play a constructive role in encouraging and supporting Middle East peace efforts:

- Some $20 million of this amount will be used to establish, equip and support U.S. civilian surveillance stations.

- An additional $13 million will be used to assist the Egyptian Government to establish and equip its own independent surveillance station, which it does not now have.

- $2 million is programmed for the West Bank and Gaza to support selected activities of U.S. private voluntary agencies active in the area.

- By the very nature of the situation in the area, it is not possible at this time to specify precisely how the remaining $15 million will be used. Congress will be provided a complete and timely explanation of proposed uses of these funds before obligations are incurred.

5th Quarter

In the 5th Quarter, $10 million is requested for the Special Requirements Fund

to finance special activities that may arise during this interim budget period.

CYPRUS

The July 1974 coup d'etat and subsequent Turkish military intervention dealt a heavy blow to Cyprus, leaving over 200,000 needy and displaced persons (about 182,000 Greek Cypriots and 30,000 Turkish Cypriots), and 40% of the island controlled by Turkish authorities.

According to Government of Cyprus estimates in May 1975, about 182,000 displaced people remained in the south of which about 36,000 were self-supporting and 146,000 were classified as needy and receiving food and cash allowances. Of this total, 8,000 were living in shacks and 18,000 in tents. The Government of Cyprus has undertaken a program to house tent-dwellers in permanent structures. A well-managed relief program is being carried out by the Government of Cyprus Office of Special Service for the Care and Rehabilitation of Displaced Persons with resources provided mainly by foreign donors.

Most foreign assistance to displaced persons has been provided through the UN High Commission for Refugees and the International Committee of the Red Cross.

-- The UN High Commission for Refugees (UNHCR) coordinates all UN and some bilateral relief to Cyprus and and has played a key role in channelling international contributions, estimating relief needs, arranging for purchase and shipment of food and relief items, and distributing in both northern and southern parts of the island camp beds, blankets, food, and medical supplies in cooperation with the local authorities, the International Committee of the Red Cross (ICRC) and the UN Force in Cyprus (UNFICYP).

-- The UNHCR mandate in Cyprus has been extended and expanded to include activities emphasizing employment and rehabilitation.

-- The International Committee of the Red Cross (ICRC) is concerned with treatment of detainees, protection of civilians, tracing missing persons and humanitarian matters such as providing food, shelter and medical assistance.

In FY 1975 the U.S. contributed $20.8 million* to UNHCR for Cyprus in response to UNHCR appeals to the international community for funds to cover the cost of continuing relief needs, and $4.2 million* to the ICRC. These funds together with about $25 million contributed by other donors (46 governments and private sources in more than 20 countries), will finance relief activities through December 1975.

FY 1976 and 5th Quarter Program

During FY 1976, there will be a continuing need for external aid to help deal with the problems of displaced persons in Cyprus. The U.S. plans to contribute $25 million in FY 1976 and $5 million in the 5th Quarter from Supporting Assistance for this purpose.

Under the expanded UNHCR mandate stressing self-sufficiency and employment for persons displaced by the civil strife, the U.S. would contribute to continuing feeding programs throughout the island, to provide continued UNHCR cash grants to local authorities for housing and other displaced persons allowances, and for employment creating projects such as reforestation.

The U.S. would also contribute the costs of continuing ICRC operations in Cyprus concerned with the protection of the civilian population, special relief assistance and the tracing of missing persons.

PROGRAM SUMMARY
(In millions of dollars)

	FY 1974 Actual	FY 1975 Estimated	FY 1976 Proposed	5th QTR
Supporting Assistance	0	25*	25	5

*Famine and Disaster Relief Funds

Country: CYPRUS

GRANT ACTIVITY DATA

TITLE	FUNDS	PROPOSED OBLIGATION ($000)	
Relief and Rehabilitation Activities	Security Supporting Assistance	FY 76 25,000	5th Q. 5,000
NUMBER	PRIOR REFERENCE	INITIAL OBLIGATION FY: 1975	SCHEDULED FINAL OBLIGATION FY: 1977
	*		

Project Target and Course of Action: To contribute to the relief of displaced persons in Cyprus.

Progress to Date: Since July 1974 the U.S. has contributed $25 million--about half of all foreign donations--for the relief of displaced persons in Cyprus. U.S. assistance through the International Committee of the Red Cross (ICRC) and the United Nations High Commission for Refugees (UNHCR) has helped meet emergency needs for tents, blankets, medicines and food for displaced persons and has supported continuing feeding and relief operations in northern and southern Cyprus.

The International Committee of the Red Cross has concerned itself with treatment of detainees, protection of civilians, missing persons and humanitarian matters such as providing food, shelter and medical assistance to displaced persons and returnees. In FY 1975 the United States gave the ICRC $4.2 million in cash and in the form of relief supplies.

The UN High Commission for Refugees, designated as coordinator for international relief on Cyprus, has played a key role in channelling international contributions, estimating relief needs in Cyprus, arranging for the purchase and shipment of food and relief items, and distributing in both the northern and southern parts of the island camp beds, blankets, food, and medical supplies in cooperation with the local authorities, the ICRC and the UN Forces in Cyprus.

The United States responded to UNHCR appeals beginning in September 1974 and by the end of FY 1975 had contributed $20.8 million emergency relief efforts as well as continued feeding programs, a housing program, assistance to schools, hospitals and old-age homes caring for displaced persons, and other relief and rehabilitation activities directly benefiting refugees in the north and the south.

FY 1976 Program: $25 million is requested in FY 1976 to provide continued U.S. support of displaced Cypriots. Of this amount, about $15 million would cover continued U.S. contribution to feeding programs for displaced persons through CY 1976. Total costs of feeding displaced persons in both zones of Cyprus are currently estimated at about $2 million per month, and we expect it to decline as persons are settled into permanent homes and reemployed. U.S. contributions cover more than half the costs of this program. Contributions to the UNHCR from more than 46 governments and private organizations make up the rest of the feeding costs.

U.S. DOLLAR COST (In Thousands)

	Obligations	Expenditures	Unliquidated
Through 6/30/74	-	-	-
Estimated FY 75	25,000	25,000	
Estimated through 6/30/75	25,000	25,000	-
Proposed FY 76	25,000	Future Year Obligations	Estimated Total Cost
Proposed 5th Quarter	5,000	15,000	70,000

Cost Components	OBLIGATIONS								
	Estimated FY 1975 *			Proposed FY 76			Proposed 5th Q.		
	Direct AID	Contract/ Other Agency	Total	Direct AID	Contract/ Other Agency	Total	Direct AID	Contract/ Other Agency	Total
U.S. Technicians	-	-	-	-	-	-	-	-	-
Participants	-	-	-	-	-	-	-	-	-
Commodities	20000	-	20000	15000	-	15000	3000	-	3000
Other Costs	5000	-	5000	10000	-	10000	2000	-	2000
Total Obligations	25000	-	25000	25000	-	25000	5000	-	5000

PRINCIPAL CONTRACTORS/ AGENCIES

* Famine and Disaster Relief Funds

Cyprus

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1974	TOTAL LONG REPAYMENTS AND INTEREST
	1973	1974	TOTAL 1946-1974		
I. ECONOMIC ASSISTANCE[a] - TOTAL	2.1	1.1	29.5	0.3	29.2
Loans	-	-	1.2	0.3	0.9
Grants	2.1	1.1	28.3	-	28.3
a. A.I.D. and Predecessor Agencies	-	-	1.6	-	1.6
Loans	-	-	-	-	-
Grants	-	-	1.6	-	1.6
(Security Supporting Assistance)	(-)	(-)	(-)		
b. Food for Peace (PL 480)	2.1	1.1	27.8	0.3	27.3
Title I - Total	-	-	1.2	0.3	0.9
Repayable in U.S. Dollars - Loans	-	-	-	-	-
Payable in Foreign Currency - Planned for Country Use	-	-	1.2	0.3	0.9
(Total Sales Agreements, excl U.S. Uses)	(-)	(-)	(2.0)	(-)	(2.0)
Title II - Total	2.1	1.1	26.6	-	26.6
Emergency Relief, Econ. Development, & World Food	2.1	1.1	25.7	-	25.7
Voluntary Relief Agencies	-	-	0.7	-	0.7
c. Other Economic Assistance	-	-	0.3	-	0.3
Peace Corps	-	-	0.3	-	0.3
Other	-	-	-	-	-
II. MILITARY ASSISTANCE - TOTAL					
Credits or Loans					
Grants					
a. MAP Grants					
b. Credit Sales under FMS					
c. Military Assistance Service-funded (MASF) Grants					
d. Transfers from Excess Stocks					
e. Other Grants					
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE					
Loans					
Grants					
Other U.S. Government Loans and Grants	-	-	4.1	4.2	-0.1
a. Export-Import Bank Loans	-	-	-	-	-
b. All Other	-	-	4.1	4.2	-0.1

NO MILITARY PROGRAMS

OTHER ECONOMIC PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1973	FY 1974	FY 1946-73
TOTAL	8.8	14.2	86.1
IBRD - World Bank	5.4	14.0	70.1
Int'l. Finance Corp.	3.9	-	2.9
UN Development Program	0.5	0.2	12.3
Other UN (CY)	-	-	0.8

DAC COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1972	CY 1973	CY 1960-73
TOTAL	2.0	1.2	75.8
U.K.	2.0	0.8	64.9
Germany	0.7	2.3	10.3
Other	0.3	0.3	1.6

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1973 (Calendar Year)	-
1974 (Calendar Year)	-
Cumulative thru 1974	-

[a] Less than $50,000.

[b] Official Development Assistance (ODA) - Official concessional aid for development purposes.

GREECE

Following the Cyprus crisis in July 1974, the seven-year-old military regime was replaced by an interim civilian government.

-- In November 1974, an elected Government was established, backed by a large parliamentary majority.

-- In December 1974, the Greeks voted to establish a republic.

-- In June 1975, a new constitution was approved establishing a parliamentary republic with a strong presidency, and the first president elected shortly thereafter.

The Government, besides its concern with the restablishment of democracy, has focused efforts on foreign policy issues, especially relations with Turkey and Europe, and restoring and broadening international economic relations, particularly with the European Economic Community to which Greece has applied for full membership.

The political convulsions which Greece has undergone have caused serious economic stress as reflected by:

-- domestic inflation,

-- a stagnating economy, and

-- medium-term balance of payments problem of serious proportions, caused partly by a rising import bill exacerbated by the world economic slump.

Without temporary bilateral and multilateral concessional assistance, the balance of payments situation is likely to impose serious constraints on the Greek Government's ability to promote economic growth and could contribute to social and political instability.

The Government plans to restructure industry and agriculture with greater export orientation. During this period of readjustment, Greece requires short-term foreign concessional aid which the Government is seeking from European bilateral and multilateral sources as well as the United States.

FY 1976 PROGRAM

To assist the new democratic Government of Greece during this period of restructuring, it is proposed that the United States provide temporary assistance in the form of a $65 million commodity import loan. Terms will be 25 years at 5 percent with a 5 year grace period. The purpose of this loan will be to assist in the revival of key industrial output through the provision of badly needed spare parts and new equipment.

PROGRAM SUMMARY
(In millions of dollars)

	FY 1974 Actual	FY 1975 Estimated	FY 1976 Proposed	Sth Q.
Supporting Assistance	-	-	65	-

Country: GREECE

LOAN ACTIVITY DATA

TITLE	FUNDS	PROPOSED OBLIGATION ($000)
Commodity Import Program	Security Supporting Assistance	65,000
	KIND OF LOAN: Commodity Import	INITIAL OBLIGATION FY: 1976

This commodity import loan will provide a wide range of commodities required for improved production in the agricultural and industrial sectors. The loan will provide short-run assistance to finance machinery, spare parts, equipment and essential materials and durable goods needed to assist the Greek Government's efforts to modernize and restructure agriculture and industry with a greater emphasis on export-oriented investment and the development of local energy resources. Loan terms will be 25 years at 5 percent with a 5 year grace period.

Greece

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LOAN REPAYMENTS AND INTEREST
	1973	1974	TOTAL 1946-1974	1946-1974	
I. ECONOMIC ASSISTANCE* - TOTAL	-	-	3,843.1	259.2	3,583.9
Loans	-	-	284.3	259.2	27.1
Grants	-	-	3,558.9	-	3,558.9
a. A.I.D. and Predecessor Agencies	-	-	3,061.2	71.4	989.8
Loans	-	-	99.0	71.4	27.6
Grants	-	-	962.3	-	962.3
(Security Supporting Assistance)	(-)	(-)	(281.9)		
b. Food for Peace (PL 480)	-	-	247.3	44.1	203.1
Title I - Total	-	-	109.4	44.1	65.3
Repayable in U.S. Dollars - Loans	-	-	28.8	19.9	8.9
Payable in Foreign Currency - Planned for Country Use	-	-	82.6	44.2	38.4
(Total Sales Agreements, incl. U.S. Use)	(-)	(-)	(137.8)	(-)	(137.8)
Title II - Total	-	-	137.8	-	137.8
Emergency Relief, Econ. Development, & World Food	-	-	3.6	-	3.6
Voluntary Relief Agencies	-	-	134.2	-	134.2
c. Other Economic Assistance	-	-	534.7	123.7	411.0
Peace Corps	-	-	-	-	-
Other	-	-	534.7	123.7	411.0
II. MILITARY ASSISTANCE - TOTAL	70.0	67.5	2,408.2	13.7	2,394.5
Credits or Loans	58.0	52.5	208.5	13.7	194.8
Grants	12.0	15.0	2,199.7	-	2,199.7
a. MAP Grants	3.5	-	1,596.0	-	1,596.0
b. Credit Sales under FMS	58.0	52.5	208.5	13.7	194.8
c. Military Assistance Service-funded (MASF) Grants	-	-	-	-	-
d. Transfers from Excess Stocks	4.9	-	150.4	-	150.4
e. Other Grants	7.1	15.0	453.3	-	453.3
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	70.0	67.5	4,233.3	269.3	3,964.0
Loans	58.0	52.5	496.8	269.3	227.5
Grants	12.0	15.0	3,736.5	-	3,736.5
Other U.S. Government Loans and Grants	34.8	11.1	160.3	134.0	26.3
a. Export-Import Bank Loans	4.3	9.3	57.3	48.8	8.5
b. All Other	30.5	1.8	102.9	85.2	17.7

OTHER ECONOMIC PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES' COMMITMENTS

TOTAL	FY 1973	FY 1974	FY 1946-74
	58.1	52.3	247.3
IBRD - World Bank	33.5	45.0	163.9
International Finance Corp.	-	-	14.5
UN Development Program	2.6	0.3	18.5
Other UN (CY)	-	-	1.2
EEC	-	-	49.2

O.E.C.D. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONORS	CY 1972	CY 1973	CY 1960-73
TOTAL	130.4	68.4	847.4
Japan	102.4	*	661.7
Germany	8.5	30.4	248.8
Canada	21.2	-	31.6
Italy	5.3	7.7	48.3
Other	0.9	4.5	33.0

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1973 (Calendar Year)	-
1974 (Calendar Year)	-
Cumulative thru 1974	84

*Less than $50,000.

**Official Development Assistance (ODA) - Official concessional aid for development purposes.

PORTUGAL

The U.S. Government began an assistance program to Portugal in FY 1975 in order to provide tangible U.S. support for efforts of the new Portuguese Government to return to democracy. Rapid political change and decolonization over the past year has contributed to substantial economic strain.

-- Portugal is faced with having to absorb about 350,000 refugees from Africa by end of 1975.

-- Unemployment has risen 10%.

-- The flow of workers' remittances from abroad is declining as are the revenues from tourism.

-- New foreign investment has dropped off sharply, as have foreign reserve holdings.

-- Inflation is averaging 30% per year; imports are rising and exports falling.

To demonstrate U.S. support to Portugal during this difficult period, Congress appropriated $25 million in FY 1975 for Portugal and its overseas territories, of which $10 million was reserved for the Cape Verde Islands and the other territories. The balance of $15 million was allocated to Portugal.

The FY 1975 program of aid for Portugal had three principal elements:

-- a $13.25 million low cost housing loan; terms were 25 years at 5 percent with a 5 year grace period.

-- a $1 million loan to finance the cost of feasibility studies and other consulting services.

-- $750,000 in grant funds for technical consultants and training.

-- $20 million housing investment guaranty was also provided in FY 1975.

FY 1976 Program

The economic problems Portugal faces will not be resolved in the short run. They will be complicated by the need to resettle and absorb into the economy a possible 350,000 Portuguese citizens returning from Angola. The influx of refugees is expected to cost the Portuguese Government a minimum of $160 million in direct payments and benefits this year alone, deepen an already serious housing shortage, strain health facilities and require increased import of basic food supplies.

FY 1976 Supporting Assistance to Portugal is currently projected as follows:

-- $35 million grant to assist programs for the relief, resettlement and employment of returnees from Angola.

-- $1 million grant for technical consultants and training in areas such as agriculture, rural development, community health, education and public administration.

-- $17 million in loans for potential projects in areas such as agricultural production, community health and sanitation, housing and urban development, transportation planning and modernization, and other initiatives in agricultural and industrial modernization.

PROGRAM SUMMARY
(In millions of dollars)

	FY 1974 Actual	FY 1975 Estimated	FY 1976 Proposed	5th Qtr
Supporting Assistance	-	15*	55	10

*Portugal portion of Section 496 availabilities.

PORTUGAL

-- A $2 million loan for feasibility studies and other consulting services.

PL 480 Title I credit sales of about 100,000 MT of wheat are planned at an estimated value of $15 million.

A Housing Investment Guaranty is also planned to support the Portuguese national housing program.

5th Quarter

A total of $10 million is requested to finance activities during this budget period.

Portugal

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1974	TOTAL LESS REPAYMENTS AND INTEREST
	1973	1974	TOTAL 1946-1974		
I. ECONOMIC ASSISTANCE[a] - TOTAL	-	-	159.9	67.6	92.3
Loans	-	-	90.6	67.6	23.0
Grants	-	-	69.3	-	69.3
a. A.I.D. and Predecessor Agencies	-	-	71.1	55.3	15.8
Loans	-	-	36.1	35.3	0.8
Grants	-	-	15.0	-	15.0
(Security Supporting Assistance)	(-)	(-)	(-)		
b. Food for Peace (P.L. 480)	-	-	108.8	12.3	96.5
Title I - Total	-	-	56.3	12.3	22.2
Repayable in U.S. Dollars - Loans	-	-	51.1	19.9	31.2
Payable in Foreign Currency - Planned for Country Use	-	-	5.4	2.4	3.0
(Total Sales Agreements, incl. U.S. Uses)	(-)	(-)	(7.1)	(-)	(7.1)
Title II - Total	-	-	34.3	-	34.3
Emergency Relief, Econ. Development, & World Food	-	-	-	-	-
Voluntary Relief Agencies	-	-	34.3	-	34.3
c. Other Economic Assistance	-	-	-	-	-
Peace Corps	-	-	-	-	-
Other	-	-	-	-	-
II. MILITARY ASSISTANCE - TOTAL	1.1	0.8	345.8	-	345.8
Credits or Loans	-	-	-	-	-
Grants	1.1	0.8	345.8	-	345.8
a. MAP Grants	1.1	0.8	323.5	-	323.5
b. Credit Sales under FMS	-	-	-	-	-
c. Military Assistance Service Funded (MASF) Grants	-	-	-	-	-
d. Transfers from Excess Stocks	-	-	8.0	-	8.0
e. Other Grants	-	-	14.3	-	14.3
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	1.1	0.8	505.7	67.6	438.1
Loans	-	-	90.6	67.6	23.0
Grants	1.1	0.8	415.1	-	415.1
Other U.S. Government Loans and Grants	12.9	33.1	117.3	54.3	63.0
a. Export-Import Bank Loans	12.9	33.1	117.3	54.3	63.0
b. All Other	-	-	-	-	-

OTHER ECONOMIC PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1973	FY 1974	FY 1946-74
TOTAL	-	-	57.9
IBRD - World Bank	-	-	57.5
UN Development Program	-	-	0.2
Other UN (CY)	-	-	0.2

DAC COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1972	CY 1973	CY 1946-73
TOTAL			

Not Applicable

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1973 (Calendar Year)	-
1974 (Calendar Year)	-
Cumulative thru 1974	-

[a] Less than $50,000.

[b] Official Development Assistance (ODA) - Official concessional aid for development purposes.

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ZAIRE

OBJECTIVES OF U.S. ASSISTANCE

The fundamental objectives of U.S. policy in Zaire are to help Zaire maintain its political stability and economic growth potential. Both are threatened by a severe foreign exchange cash flow problem. Since Zaire's independence in 1960, the US has recognized the importance of the unity and stability of Zaire internally as well as externally to all of Central Africa because of its size and location.

-- US public and private aid and investment has been generous.
-- The remarkable progress that has been achieved by Zaire both politically and economically during the intervening period and with our aid is now in jeopardy.

It is proposed that the U.S. economic assistance program be reoriented in FY 1976 to respond to Zaire's immediate and short-term financial needs, while concurrently moving forward with development projects that are being designed or are ready for implementation:

-- To prevent Zaire's severe short-term financial problems from causing economic disruption and undermining political stability.
-- To prevent Zaire's economy from further deterioration while steps are being taken to improve financial management and the anticipated upswing occurs in world copper prices, Zaire's primary export earner.
-- To prevent substantial American investment and resource development projects from floundering for lack of essential commodities and equipment, or of banking confidence.
-- To indicate through our example that other donors should also respond to Zaire's immediate financial needs.

ECONOMIC SETTING

Zaire's relative prosperity of recent years has turned to apprehension about short-term fiscal soundness. The downturn in copper prices and a need for better financial management has caused a short-term financial crisis.

-- Foreign exchange reserves have diminished.
-- Debt service requirements have increased.
-- Deficit budgetary spending has become necessary.

Steps are under way to alleviate this current financial problem:

-- The Government has announced austerity measures, instituted tight budgetary controls, placed curbs on importation of certain goods, and tightened debt service management.
-- Primary economic planning and resource allocation responsibility has been centralized in the Office of the Presidency.
-- The Government is consulting with the IMF on measures to improve Zaire's financial position, and exploring possibilities of external assistance to help meet short-term foreign exchange requirements.

PROGRAM SUMMARY
(In thousands of dollars)

FISCAL YEAR	Total	Food and Nutrition	Population Planning and Health	Education and Human Resources Development	Selected Development Problems	Selected Countries and Organizations	Security Supporting Assistance
1974							
Loans	-	-	-	-	-	-	-
Grants	1,091	218	340	533	-	-	-
Total	1,091	218	340	533	-	-	-
1975							
Loans	637	637	-	-	-	-	-
Grants	960	630	330	-	-	-	-
Total	1,597	1,267	330	-	-	-	-
1976							
Loans	20,000	-	-	-	-	-	20,000
Grants	3,343	-	593	-	-	-	2,750
Total	23,343	-	593*	-	-	-	22,750
5th Quarter							
Loans	7,500	7,500	-	-	-	-	-
Grants	450	450	-	-	-	-	-
Total	7,950	7,950	-	* Title X		-	-

ZAIRE

Recovery of the Zairian economy is of substantial importance to the United States.

-- US financial stake in Zaire (investment, loans, project contracts) is of the order of 750 million dollars.
-- At least six major US companies are involved in the development of Zaire's abundant energy and mineral resources, to which it is important that the US maintain access.
-- A strong economy will enhance Zaire's continued political stability and the stability of all of central Africa.

In FY 1976, a coordinated package of US assistance of about $60 million will demonstrate our support of Zaire's efforts to correct its financial difficulties.

--$20 million Export-Import Bank credits.
--about $20 million PL 480, Title I and CCC commodity credits.
--$20 million A.I.D. Commodity Import Program loan.
--$3.3 million A.I.D. Technical Assistance and Title X.

Developmentally, Zaire's food production has failed to keep pace with population growth over recent years. Importation of food stuffs has increased consistently over the past decade to approximately half the country's total requirements.

-- Malnutrition is endemic.
-- Disease is widespread.
-- Mortality and morbidity rates remain high, especially for children.

The once extensive transportation system has fallen into disrepair.

-- Despite major efforts to improve the system in the past few years, many areas of the country are isolated for lengthy periods during the rainy season because roads are impassable.

Zaire is seeking to combat long-term development problems in a coherent manner.

-- A framework for setting national development priorities and planning is being established with the aid of a multi-national team, staffed by the International Bank for Reconstruction and Development (IBRD) and financed by the United Nations Development Program (UNDP).

A.I.D.'s role in Zaire's economic development has been relatively modest in recent years.

-- However, while other donors (the IBRD and Belgian Government and the European Development Fund for example) are providing larger levels of resources, the A.I.D. program in Zaire has always been marked by its leading role in attacking the critical problems of the country; those remain transport and agriculture, with increasing concern about health and nutrition.

FY 1976 PROGRAM - 5TH QUARTER

In FY 1976, Security Supporting Assistance is proposed of which $2.75 million will continue grant support for technical assistance projects and $20.0 million will finance a Commodity Import Program Loan. Title X funds totalling $593,000 are also required.

In the 5th Quarter, Development Assistance will be required for grant funding of $450,000 of continuing costs of technical assistance projects and for funding a $7.5 million rural development loan, centering on maize production.

AGRICULTURE

Food production has not kept up with the expanding population.

-- Increasing quantities of food must be imported. Once self-sufficient in food crops, it is projected that Zaire will import over 325,000 tons of wheat, rice and maize in 1975.

The Government has given food production high priority. The development plan now being drawn up emphasizes agriculture. Steps to be taken to relieve some of the major

ZAIRE

constraints to agricultural production include:

-- training additional Zairois in agricultural disciplines and techniques,
-- improving and opening the country's rural transportation system,
-- distributing high yielding variety seeds and technology,
-- reclaiming exhausted soils through expanded use of fertilizer, and
-- expanding and strengthening research and extension services.

A.I.D. will help Zaire improve performance in the agriculture sector by assisting efforts to increase food production and combat malnutrition.

-- In FY 1976, these activities will require Security Supporting Assistance grants of $2.2 million.
-- In the 5th Quarter, Food and Nutrition funds both for grants of $450 thousand and a loan of $7.5 million are planned.

A.I.D. will help the Planning Bureau of the Ministry of Agriculture through the Planning and Management Services Project. This is an essential first step in anticipation that increasing levels of Zaire and other donor financing can be devoted to problems of food production and the needs of small farmers.

-- A five-man team will assist in program design, analyzing budgetary and production requirements, determining priorities, and allocating resources.

A.I.D. will also continue to assist the National Health Council develop a national nutrition strategy. Malnutrition is a major concern as a result of discrepancies between the protein needs of the people and available food supplies.

-- A contract team will assist the Government determine causes of malnutrition and prescribe means to improve the nutrition of the rural population.
-- The interventions identified will be tested for replication country-wide.

A.I.D. will support the National Maize Program through the North Shaba Rural Development grant project and, in the 5th Quarter, a $7.5 million loan. This program is designed to accelerate production and eliminate costly imports. Intensive assistance will be provided in the North Shaba Region as a pilot-area in this country-wide program.

-- Emphasis will be on introduction of improved agricultural inputs and technology with supporting rural transportation infrastructure, institutions, and training to be upgraded on a phased basis.

-- This project will include supporting ancillary social services in the region including health, nutrition and education.

A.I.D. will support efforts of fishing cooperatives in the Kivu Region. Fish provide the most important source of protein to inhabitants of the area.

-- This new project is expected to increase the volume and marketing of the fish catch.

POPULATION AND HEALTH

The Government is trying to deal with family planning needs within the context of overall health delivery systems. Zaire's rapid population growth has severely hampered the Government's ability to establish and maintain a viable health infrastructure essential to carrying out national health programs. At least seventy percent of the rural population have no access to health delivery services.

-- Zaire's population growth rate of 2.6% a year is creating demands for new jobs, more food, more schools, and a greatly improved and expanded social service program.
-- The new National Health Council has been charged with improving the planning and administrative procedures

so that health, population, and nutrition needs of rural Zaire may be fulfilled by integrated low-cost delivery systems.

A.I.D. is examining ways to support this initiative. In FY 1976, A.I.D. proposes $593,000 in population planning and $550 thousand in health activities.

A.I.D. will initiate a new project, Health Systems Management, to assist the National Health Council.

-- Work will be undertaken to design operational programs and procedures for monitoring and evaluating the effectiveness of integrated delivery systems.

A.I.D. will bring to conclusion an on-going population project aimed at maternal, child-health and family planning services. Successful pilot clinic demonstrations under this project have led to the Council's planning for replication of these integrated population and health services country-wide. The project involved:

-- maternal and child health and nutrition training,
-- dissemination of family planning information,
-- contraceptive distributions,
-- and the development of model clinics.

A.I.D. will help government face problems of endemic diseases such as malaria and trypanosomiasis. Both contribute greatly to Zaire's high mortality and morbidity rates. Each has a debilitating impact on most of the population.

-- Pilot efforts to determine how best to deal with these problems will be undertaken.

COMMODITY IMPORT PROGRAM

A.I.D. is proposing a $20.0 million Security Supporting Assistance loan in FY 1976 to enable Zaire to import essential commodities as it proceeds with economic recovery. This loan, in conjunction with PL 480 and CCC resources and Ex-Im Bank credit program, will help alleviate pressures on Zaire's critical foreign exchange position and at the same time allow important public and private development projects which face commodity shortages to proceed.

-- The selection of specific commodities for financing under this loan will be carefully coordinated with the provision of commodity assistance under the PL 480, CCC, and Ex-Im Bank program.

-- A range of commodities will be eligible, including agricultural inputs and machinery which are integral needs for Zaire's increased food production efforts.

-- Equipment and production supplies in support of American private investment interests will be financed.

OTHER ACTIVITIES

Foodgrain imports will be a heavy burden for Zaire until food requirements can be met domestically. PL 480, Title I is being requested in FY 1976 to help ease Zaire's import burden as a part of the special U.S. assistance package.

-- The commodities and amounts are presently under review. The combined PL 480, Title I and CCC credit will total in the order of $20.0 million.
-- Local currency generations will be utilized to support joint Zaire and A.I.D. agricultural development projects.

Housing and housing credits are problems to low-income workers. To help meet this need, in 1971 A.I.D. approved in principle up to $25 million for a Housing Investment Guaranty Program.

-- Of this, a $10 million loan guaranty is providing capital to support a new savings and loan bank and to finance 750 lower middle income housing units being constructed in Kinshasa.

Zaire

(U.S. Fiscal Years; Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS/OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1974	TOTAL LESS REPAYMENTS AND INTEREST
	1973	1974	TOTAL 1946-1974		
I. ECONOMIC ASSISTANCE[a] - TOTAL	9.2	4.5	648.4	24.4	624.0
Loans	4.7	-	159.8	24.4	135.2
Grants	4.5	4.5	288.8	-	288.8
a. A.I.D. and Predecessor Agencies	3.8	1.1	295.1	9.6	285.5
Loans	2.0	-	92.5	9.6	82.9
Grants	1.8	1.1	202.6	-	202.6
(Security Supporting Assistance)	(-)	(-)	(215.8)		
b. Food for Peace (P.L. 480)	3.3	0.5	144.2	14.8	131.4
Title I: Total	2.7	-	108.1	14.9	93.2
Repayable in U.S. Dollars - Loans	2.7	-	34.6	11.8	22.8
Payable in Foreign Currency - Planned for Country Use	-	-	73.5	3.0	70.5
(Total Sales Agreements, incl. U.S. Uses)	(-)	(-)	(85.0)	(-)	(85.0)
Title II: Total	0.5	0.5	36.1	-	36.1
Emergency Relief, Econ. Development, & Work Food	0.1	0.3	17.1	-	17.1
Voluntary Relief Agencies	0.4	0.3	21.0	-	21.0
c. Other Economic Assistance	2.4	2.9	7.1	-	7.1
Peace Corps	2.4	2.9	7.1	-	7.1
Other	-	-	-	-	-
II. MILITARY ASSISTANCE - TOTAL	6.4	3.9	53.5	0.3	53.2
Credits or Loans	6.2	3.5	25.0	0.3	24.7
Grants	0.2	0.4	28.5	-	28.5
a. MAP Grants	0.2	0.4	26.8	-	26.8
b. Credit Sales under FMS	6.2	3.5	25.0	0.3	24.7
c. Military Assistance Service-Funded (MASF) Grants	-	-	-	-	-
d. Transfers from Excess Stocks	-	-	1.7	-	1.7
e. Other Grants	-	-	-	-	-
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	15.6	8.4	501.9	24.7	477.2
Loans	10.9	3.5	184.6	24.7	159.9
Grants	4.7	4.9	317.3	-	313.3
Other U.S. Government Loans and Grants	42.4	130.7	175.3	3.2	172.1
a. Export-Import Bank Loans	42.4	117.3	169.9	3.2	166.7
b. All Other	-	13.4	5.4	-	5.4

OTHER ECONOMIC PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1972	FY 1973	FY 1946-73
TOTAL	58.1	55.1	409.6
IBRD - World Bank	-	-	121.4
Int'l. Finance Corp.	-	-	0.8
Int'l. Dev. Association	8.5	10.0	72.0
African Dev. Bank	2.5	3.3	5.8
UN Development Program	4.2	1.9	36.1
Other UN (CY)	1.5	-	6.5
EEC	21.4	19.9	168.8

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1972	CY 1973	CY 1960-73
TOTAL	98.0	191.3	1,092.4
Belgium	77.3	86.8	868.3
Italy	4.3	81.7	105.1
Japan	7.2	9.7	42.9
France	5.0	8.6	33.7
Germany	3.8	7.1	31.2
Other	4.2	8.8	10.8

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1973 (Calendar Year)	100
1974 (Calendar Year)	-
Cumulative thru 1974	100

[a] Less than $50,000.

[b] Official Development Assistance (ODA) - Official concessional aid for development purposes.

STATUS OF ACTIVE DEVELOPMENT LOANS SUMMARY

Authorized as of 12/31/74

(In Thousands of Dollars)

TABLE VI

COUNTRY: ZAIRE

Loan No.		Date		Grace Period (years)	Life of Loan (years)	Interest Rate (%)		Currency of Repayment	Amount Authorized	As of 12/31/74		
		Authorized	Loan Agreement			Grace Period	Amortization			Amount Disbursed	Principal Repayments	Interest Collected
660-H-011	Water Transport	5-30-70	11-30-70	5	30	2	3	U.S.	10,000	2,435	-	8
660-H-012	Road Transport	3-31-71	6-20-71	10	40	2	3	U.S.	10,000	8,864	-	145
660-H-013	Civil Aviation	1-10-73	5-25-73	10	40	2	3	U.S.	2,000	1,008	-	-
660-T-014	Water Transport - Engineering Design	1-20-74	-	-	-	-	-	U.S.	650	-	-	-

BAHRAIN

Bahrain became independent only in 1971 and is seeking to develop its economy to meet the requirements of a new nation in this modern age.

One of our principal interests in Bahrain

is the continued availability of port facilities for U.S. naval vessels in the Persian Gulf.

In our discussions with the Government of Bahrain (GOB) it has expressed interest in improving government administration, management practices and techniques.

Manpower development has a high priority with the Bahraini Government and they are interested in receiving U.S. consultants.

In this context we are proposing

the provision of U.S. advisors and technical experts to assist the Government of Bahrain to meet its development objectives.

FY 1976 Program

In FY 1976, $600,000 of Security Supporting Assistance funds are requested

to finance approximately 144 man-months of U.S. technical services which will assist the development of more effective government management systems and procedures in selected ministries and departments of the Government of Bahrain. Experts from A.I.D., other US agencies and the private sector will be provided to accomplish these objectives, in such fields as urban planning, public administration, housing, and medical administration.

U.S. technical assistance will be provided on a cost-sharing basis.

The Bahrain Government has agreed to share the cost of salaries for these personnel and pay local support costs of the program such as office space, housing, transportation, etc. Bahrain's contributions are estimated at 20 per cent of total project costs.

Fifth Quarter

A total of $100,000 is requested in this transition period to continue the technical advisory services described above.

PROGRAM SUMMARY
(In millions of dollars)

	FY 1974 Actual	FY 1975 Actual	FY 1976 Proposed	5th Q.
Security Supporting Assistance	-	.0	.6	.1

Country: BAHRAIN

GRANT ACTIVITY DATA

TABLE III

TITLE	FUNDS	PROPOSED OBLIGATION ($000)	
Development Administration	Security Supporting Assistance	FY 76 600	5th Q. 100
NUMBER	PRIOR REFERENCE	INITIAL OBLIGATION	SCHEDULED FINAL OBLIGATION
	Page 209, NESA FY 76 Budget Submission	FY: 1976	FY: 1977

Project Target and Course of Action: This project is designed to provide to the Government of Bahrain (GOB) a variety of U.S. technical expertise to develop and improve current systems of administration and management, to research and develop new management systems, and to train GOB counterparts in the techniques of modern administration and management. Specific organizations within the GOB will become responsive to development needs and operate programs adapted to the requirements of their constituencies. Key leaders will understand modern concepts of administration and management and will be able to assist their organizations in the development and implementation of effective administrative and managerial practices.

Background: A list of requirements for technical services is being prepared by the GOB for discussion with A.I.D. From that list specific areas will be selected and targeted for U.S. assistance.

FY 1976 Program: For FY 1976 a total of $600,000 is being requested to finance the services of up to ten U.S. technicians for assistance to the targeted areas agreed to by the GOB and A.I.D. These funds will provide for approximately 144 man-months of services.

5th Quarter: For the interim quarter, $100,000 is requested to continue ongoing programs.

469

U.S. DOLLAR COST (In Thousands)

	Obligations	Expenditures	Unliquidated
Through 6/30/74	-0-	-0-	-0-
Actual FY 76	-0-	-0-	
Actual through 6/30/75	-0-	-0-	-0-
Proposed FY 76	600	Future Year Obligations	Estimated Total Cost
Proposed 5th Quarter	100	400	1100

Cost Components	OBLIGATIONS								
	Actual FY 1975			Proposed FY 76			Proposed 5th Q.		
	Direct AID	Contract/ Other Agency	Total	Direct AID	Contract/ Other Agency	Total	Direct AID	Contract/ Other Agency	Total
U.S. Technicians	-	-	-	-	600	600	-	-	100
Participants	-	-	-	-	-	-	-	-	-
Commodities	-	-	-	-	-	-	-	-	-
Other Costs	-	-	-	-	-	-	-	-	-
Total Obligations	-	-	-	-	600	600	-	-	100

PRINCIPAL CONTRACTORS/ AGENCIES

Not yet selected.

Bahrain

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1973	1974	TOTAL 1946-1974	1946-1973	
I. ECONOMIC ASSISTANCE[1] – TOTAL					
Loans					
Grants					
a. A.I.D. and Predecessor Agencies					
Loans					
Grants					
(Security Supporting Assistance)					
b. Food for Peace (P.L. 480)	NO ECONOMIC ASSISTANCE				
Title I - Total					
Repayable in U.S. Dollars - Loans					
Payable in Foreign Currency - Planned for Country Use					
(Total Sales Agreements and U.S. Uses)					
Title II - Total					
Emergency Relief, Econ. Development, & World Food					
Voluntary Relief Agencies					
c. Other Economic Assistance					
Peace Corps					
Other					
II. MILITARY ASSISTANCE – TOTAL					
Credits or Loans					
Grants					
a. MAP Grants	NO MILITARY PROGRAM				
b. Credit Sales under FMS					
c. Military Assistance Service funded (MASF) Grants					
d. Transfers from Excess Stocks					
e. Other Grants					
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE					
Loans					
Grants					
Other U.S. Government Loans and Grants	NO PROGRAMS				
a. Export-Import Bank Loans					
b. All Other					

OTHER ECONOMIC PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1973	FY 1974	FY 1946-74
TOTAL	-	-	-

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1972	CY 1973	FY 1960-73
TOTAL	0.4	0.5	10.4
U.K.	0.4	0.5	10.3
Other	-	*	0.1

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1973 (Calendar Year)	-
1974 (Calendar Year)	-
Cumulative thru 1974	-

*Less than $50,000.

[1]Official Development Assistance (ODA) = Official concessional aid for development purposes.

TABLE V

GRANT ACTIVITY SUMMARY
(Dollar Amounts in Thousands)

COUNTRY: BAHRAIN

Project Title	*	Project Number	FY of Initial Obligation	FY of Scheduled Final Obligation	Through FY 1974			Actual FY 1975			Proposed Program FY 1976	Proposed 5th Q.	Future Year Obligations	Estimated Total Cost
					Obligations	Expenditures	Unliquidated Obligations 6/30/74	Obligations	Expenditures	Unliquidated Obligations 6/30/75				
Development Administration		New	1976	1977	-	-	-	-	-	-	600.0	100.0	400.0	1,100
				Total	-	-	-	-	-	-	600.0	100.0	400.0	1,100

*Detailed project narrative--See Table III.

NUMBER OF U.S. TECHNICIANS (Program Overseas)

TYPE OF TECHNICIAN	On Duty At Close of Year		
	Actual FY 1974	Actual FY 1975	Proposed FY 1976
A.I.D. employed	-	-	-
Participating agency	-	-	-
Contractor technicians	-	-	10
Total	-	-	10

NUMBER OF PARTICIPANTS

TYPE OF PARTICIPANT	Programmed During Year		
	Actual FY 1974	Actual FY 1975	Proposed FY 1976
Non-contract	-	-	-
Contract	-	-	-
Total	-	-	-

MALTA

Malta's position in the Mediterranean is important to the defense of Europe and specially to the security of the Mediterranean.

Military forces of the United Kingdom have been stationed there under agreements with the Government of Malta.

In June 1971, the Government of Malta began renegotiation of the financial and military arrangements with the United Kingdom to continue military presence on Malta.

The North Atlantic Treaty Organization (NATO) supported the negotiations. A new defense agreement was concluded between the United Kingdom and Malta. NATO members have agreed that a continued U.K. military presence on Malta warrants a substantial financial outlay by members of the Alliance.

As a result of the agreement signed March 26, 1972 between the United Kingdom and Malta, the Government of Malta will receive an annual payment of 14 million pounds sterling (about $37 million) for a seven-year period.

The U.S. share totals approximately $9.5 million annually (about 25 percent).

In addition to the annual payments, a $5 million loan from Supporting Assistance funds was extended to the Government of Malta in FY 1973 to purchase U.S. equipment and services in support of Maltese development programs which are aimed at achieving economic self-sufficiency for the Island by 1979.

Excess U.S. property has also been made available to the Maltese Government to support its development activities. During FY 1973-75 the Government of Malta selected U.S. excess property items located in Europe worth $3.6 million in original acquisition value. PL-480, Title II commodities worth approximately $250,000 were allocated to Catholic Relief Services in FY 1974 for distribution in Malta.

FY 1976 and Fifth Quarter Program

In FY 1976, $9.5 million and in the Fifth Quarter $4.8 million of Supporting Assistance funds are requested for the U.S. share of payments to Malta under the NATO agreement, payable at an annual rate of $9.5 million in two installments, usually made in August and March.

PROGRAM SUMMARY
(In millions of dollars)

	FY 1974 Actual	FY 1975 Estimated	FY 1976 Proposed	5th Qtr.
Supporting Assistance	9.5	9.5	9.5	4.8

Malta

U.S. Fiscal Years' Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1973	1974	TOTAL 1946-1974	1946-1974	
I. ECONOMIC ASSISTANCE* – TOTAL	14.7	9.8	42.1	–	42.1
Loans	5.0	–	5.0	–	5.0
Grants	9.1	9.8	37.1	–	37.1
a. A.I.D. and Predecessor Agencies	14.4	9.5	32.6	–	32.6
Loans	5.0	–	5.0	–	5.0
Grants	9.4	9.5	28.4	–	28.4
(Security Supporting Assistance)	(14.4)	(9.5)	(27.4)	–	
b. Food for Peace (P.L. 480)	0.3	0.3	4.1	–	4.1
Title I - Total	–	–	–	–	–
Receipts in U.S. Dollars - Loans	–	–	–	–	–
Payable in Foreign Currency - Planned for Country Use	–	–	–	–	–
(Total Sales Agreements, incl. U.S. Uses)	(–)	(–)	(–)	(–)	(–)
Title II - Total	0.3	0.3	4.1	–	4.1
Emergency Relief, Econ. Development, & World Food	–	–	2.4	–	2.4
Voluntary Relief Agencies	0.3	0.4	0.9	–	0.9
c. Other Economic Assistance	–	–	–	–	–
Peace Corps	–	–	–	–	–
Other	–	–	–	–	–
II. MILITARY ASSISTANCE – TOTAL	–	–	0.5	–	0.5
Credits or Loans	–	–	–	–	–
Grants	–	–	0.5	–	0.5
a. MAP Grants	–	–	–	–	–
b. Credit Sales under FMS	–	–	–	–	–
c. Military Assistance Service-funded (MASF) Grants	–	–	–	–	–
d. Transfers from Excess Stocks	–	–	0.5	–	0.5
e. Other Grants	–	–	–	–	–
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	14.7	9.9	43.1	–	43.1
Loans	5.0	–	5.0	–	5.0
Grants	9.7	9.9	38.1	–	38.1
Other U.S. Government Loans and Grants	0.2	0.2	1.2	1.1	0.1
a. Export-Import Bank Loans	–	–	–	–	–
b. All Other	0.2	0.2	1.2	1.1	0.1

OTHER ECONOMIC PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1973	FY 1974	FY 1946-74
TOTAL	0.4	0.1	10.8
IBRD - World Bank	–	–	6.0
UN Development Program	0.4	0.1	4.7
Other UN (CY)	–	–	0.1

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

SOURCE	CY 1972	CY 1973	CY 1960-73
TOTAL	8.2	14.9	211.8
U.K.	7.1	10.9	200.2
Italy	0.6	3.7	10.0
Other	0.4	0.3	1.7

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1973 (Calendar Year)	–
1974 (Calendar Year)	–
Cumulative thru 1974	45

[1]Less than $50,000.

*Official Development Assistance (ODA) - Official concessional aid for development purposes.

Spain

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1973	1974	TOTAL 1946-1974	1946-1974	
I. ECONOMIC ASSISTANCE[a] - TOTAL	3.0	3.0	1,020.7	212.9	807.8
Loans	-	-	334.5	212.9	121.6
Grants	3.0	3.0	686.2	-	686.2
a. A.I.D. and Predecessor Agencies	3.0	3.0	582.6	109.4	473.2
Loans	-	-	99.0	109.4	-10.4
Grants	3.0	3.0	483.6	-	483.6
(Security Supporting Assistance)	(3.0)	(3.0)	(469.5)		
b. Food for Peace (PL 480)	-	-	438.1	103.5	334.6
Title I - Total	-	-	247.4	103.5	143.9
Repayable in U.S. Dollars - Loans	-	-	-	-	-
Payable in Foreign Currency - Planned for Country Use	-	-	247.4	103.5	143.9
(Total Sales Agreements, incl. U.S. Use)	(-)	(-)	(488.0)	(-)	(488.0)
Title II - Total	-	-	190.7	-	190.7
Emergency Relief, Econ. Development, & World Food	-	-	1.8	-	1.8
Voluntary Relief Agencies	-	-	188.9	-	188.9
c. Other Economic Assistance	-	-	-	-	-
Peace Corps	-	-	-	-	-
Other	-	-	-	-	-
II. MILITARY ASSISTANCE - TOTAL	57.7	26.8	861.1	2.3	859.8
Credits or Loans	-	-	2.3	2.3	-
Grants	57.7	26.8	859.8	-	859.8
a. MAP Grants	11.6	4.7	644.3	-	644.3
b. Credit Sales under FMS	-	-	2.3	2.3	-
c. Military Assistance Service Funded (MASF) Grants	-	-	-	-	-
d. Transfers from Excess Stocks	0.8	-	27.4	-	27.4
e. Other Grants	45.3	22.1	185.8	-	185.8
III. TOTAL ECONOMIC AND MILITARY ASSISTANCE	60.7	29.8	1,881.9	215.2	1,667.6
Loans	-	-	336.8	215.2	121.6
Grants	60.7	29.8	1,544.0	-	1,544.0
Other U.S. Government Loans and Grants	122.7	38.3	1,138.6	361.4	785.1
a. Export-Import Bank Loans	122.7	38.3	1,229.5	351.0	767.0
b. All Other	-	-	8.9	10.4	-1.5

OTHER ECONOMIC PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES' COMMITMENTS

	FY 1973	FY 1974	FY 1946-74
TOTAL	20.1	5.4	648.1
IBRD - World Bank	10.0	-	426.8
Int'l. Finance Corp.	-	-	-
UN Development Program	0.1	0.2	9.2
Other UN (CY)	-	-	8.5
	-	-	1.6

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1972	CY 1973	CY 1960-73
TOTAL	68.9	56.8	685.2
Germany	34.3	42.9	367.0
France	3.3	3.9	85.0
Other	8.3	10.0	33.3

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1973 (Calendar Year)	-
1974 (Calendar Year)	-
Cumulative thru 1974	-

[a] Less than $50,000.

[a] Official Development Assistance (ODA) - Official concessional aid for development purposes.

Mr. PASSMAN. Let us state for the record at this point that the request that we shall consider this afternoon is the security supporting assistance program, and the estimate is $1,867,600,000; is that correct?

Mr. NOOTER. You are correct.

Mr. PASSMAN. And the 1975 program was $677,700,000?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Was that for the same general area and the same countries.

Mr. NOOTER. That is correct.

Mr. PASSMAN. Which is an increase of $1,189,900,000 over fiscal 1975?

Mr. NOOTER. That is correct.

Mr. PASSMAN. With an additional $30,200,000 for the transition period?

Mr. NOOTER. That is correct.

ALLOCATIONS UNDER THE CONTINUING RESOLUTION

Mr. PASSMAN. It is my understanding that during the first 5 months of fiscal 1976 that there have been no funds allocated to Israel, Egypt, or Syria out of the continuing resolution through October, with the exception of $2,500,000 for technical aid to Egypt; is that correct?

Mr. NOOTER. That is correct.

CIA INVOLVEMENT IN DECISIONMAKING

Mr. PASSMAN. I am a bit concerned, Mr. Nooter, about what appears to be some misunderstanding about certain parts of the Sinai package. We have had Secretary Kissinger, Acting Secretary Clemento, General Fish, all experts in their fields, appear before this committee. When we questioned them about military assistance for Israel, they said categorically and to the point that the Central Intelligence Agency, the National Security Council, the State Department, and the Defense Department, had all been involved in putting this package together. Do you recall that?

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Is that correct, that the CIA helped establish and eventually concurred in the formula used to request aid for the Middle East in fiscal year 1976?

Mr. NOOTER. That is my understanding, Mr. Chairman.

Mr. PASSMAN. That was my understanding. If these witnesses stated categorically that the CIA was in on the formulation of this request, and if these witnesses could answer any questions that the CIA people could answer, I see no reason to have representatives from that agency appear before the committee.

Mr. NOOTER. Yes, sir.

Mr. PASSMAN. Thank you very much, sir.

NECESSITY FOR EXECUTIVE SESSION

I might say I certainly want to be courteous and considerate, but we have had 2 days of hearings on the military assistance request, and it hasn't been entirely satisfactory at all. Either they did not have the

answers, or they said it was classified. In all probability it is going to be necessary for me to present to the committee for their recommendation that we have closed hearings and invite the military back. At that time the members of the committee could have all of their classified questions answered.

I yield to Mr. Shriver.

Mr. SHRIVER. Thank you, Mr. Chairman.

ADDITIONAL REQUEST FOR ISRAEL

Mr. Nooter, you mentioned in your statement an additional $15 million request which will be sent up here for Israel. This is a new item. What is that for?

Mr. NOOTER. This has to do with a revision of the package which was developed for Israel, and is intended to equalize, if you will, the basis on which the Egypt and Israel amounts were presented. Incidentally, I am talking about aid levels developed after the Sinai agreement was reached. The $15 million is an addition to put the Israel package, the $2.3 billion, which includes all items of assistance to Israel from several different categories with the exception of Public Law 480, on the same basis as the Egypt package, which was discussed as $750 million plus Public Law 480.

That request for an additional $15 million is at the present time under review by the Office of Management and Budget, and we expect action on it shortly after the President returns from China.

Mr. SHRIVER. My question really is, Why wasn't it included in the original package?

Here we are almost at the end of the calendar year.

Mr. NOOTER. Yes.

Mr. SHRIVER. And at the end of this session of the 94th Congress.

Mr. NOOTER. As you know, these packages were developed only a few months ago, and this one item was simply an overslight. The Secretary thought it was preferable to request this increase, even though it is unusual to do so, to avoid any misunderstanding.

Mr. SHRIVER. What is it for specifically, just to balance something out?

Mr. NOOTER. Of course, an amount of that size is small in relation to the total package, which is $2.3 billion.

Mr. SHRIVER. Evidently you have something in mind, or somebody has, as to how $15 million would be used?

Mr. NOOTER. You recall that at the time these levels and packages were announced, Prime Minister Rabin expressed some disappointment that some $60 million of items, were not included as part of the Israel aid level. They represented aid from other U.S. budget sources for Israel from the U.S. Government. On the basis of his request, we undertook a review and the Secretary decided that of the $60 million, the $15 million representing the Public Law 480 element was, in fact, something that should be outside of the $2.3 billion package, whereas the other $45 million should continue to be considered as part of that amount.

Mr. SHRIVER. Then it's the Public Law 480 amount?

Mr. NOOTER. It represents the amount equal to the Public Law 480, that is correct.

CONTRIBUTION TO MALTA AND UNF/CYP

Mr. SHRIVER. From an administrative standpoint, why is it necessary to appropriate a half year's funding for our contribution to Malta and the U.N. forces on Cyprus during the transitional quarter?

Mr. NOOTER. Those payments are made at 6-month intervals that fall in late September and then 6 months after that. One of those payments will be due during the period covered by the interim quarter.

EGYPT

DISGUISED UNEMPLOYMENT IN EGYPT

Mr. SHRIVER. The book says one element in the economy of Egypt is disguised unemployment. What does that mean?

Mr. NOOTER. That really is referring to underemployment or redundant employment, a condition which is not unusual in less-developed countries. The people are employed, perhaps, but are in relatively unproductive jobs, because, for example, materials aren't available for their use.

EGYPTIAN REVENUES FROM OILFIELDS AND SUEZ CANAL

Mr. SHRIVER. How much can Egypt reasonably expect in fiscal 1976 and the transitional quarter from revenues from the Abu Rudeis oilfields and increased use of the Suez Canal?

Mr. NOOTER. The rate of flow of oil from the Abu Rudeis fields produces oil worth about $300 million per annum. I was reading in the paper this morning that the first flow now accruing to Egypt started within the last day or two. It might take them a little while to get up to full production, but maybe a little more than half of the $300 million would accrue to them in this fiscal year.

EGYPT WHEAT IMPORTS

Mr. SHRIVER. Egypt imports 3 million tons of wheat annually according to the book. Where do they get that wheat?

Mr. NOOTER. Actually, Egypt's total wheat imports are higher, about 3.4 million tons a year. The United States, Australia, and the Common Market countries each provides about 1 million tons, and the remaining 400,000 tons come from Canada, Sweden, Argentina, and the Soviet bloc countries.

OTHER DONOR ASSISTANCE

Mr. SHRIVER. How much in economic assistance can Egypt expect from their Arab allies?

Mr. NOOTER. The Arab States have been quite generous to Egypt. We have no detailed information on their 1976 plans, but our best estimate is that $1,720 million was promised in 1975.

Mr. SHRIVER. How about any other donors?

Mr. NOOTER. Japan, Iran, and Western European countries committed an estimated $920 million to Egypt during fiscal year 1975. We have no detailed information on the plans of these other donors in 1976.

PROVISION OF TOBACCO UNDER PUBLIC LAW 480

Mr. SHRIVER. Our Public Law 480 program will furnish some of this wheat and it will also furnish 4,200 metric tons of tobacco. Is that a critical need in that country?

Mr. NOOTER. Well, the Egyptian cigarette industry is affected, as are many other industries in Egypt, by the acute shortage of foreign exchange with which to purchase from abroad the necessary, primary materials for manufacture. It was in this light that we provided the tobacco requested by the Egyptian Government. This is not the total amount of imported tobacco needed by their cigarette industry; they continue to purchase some American tobacco on commercial terms.

FEASIBILITY STUDY FOR ISMAILIA POWERPLANT

Mr. SHRIVER. You are already proposing $70 million for Egypt for an electric powerplant for which the feasibility study has not been completed. Isn't that request a little premature?

Mr. NOOTER. The request is well within the leadtime requirements for projects of this type. We had the benefit of a study of the Egyptian electricity needs by the Egyptian Electricity Ministry, and AID had a study underway by a prominent New York engineering firm. Increased electric generation and distribution needs have been apparent from a very early time; it has only remained to define them with the precision necessary to formulate specific project needs.

EGYPTIAN INPUTS FOR ISMAILIA POWERPLANT

Mr. SHRIVER. What are the Egyptian inputs for this powerplant?

Mr. NOOTER. In addition to the analysis of power requirements and siting of generation facilities which have been done by the Egyptians, we expect them to provide a large variety of construction and equipment erection services, and, of course, the construction of all buildings.

FUNDING FOR PORT EQUIPMENT

Mr. SHRIVER. You are asking for a total of $55 million for cargo handling equipment for the Port of Alexandria—that is a $30 million grant and a $25 million loan. Is that correct? Is that U.S. equipment?

Mr. NOOTER. The $30 million grant is not for the Port of Alexandria. This grant will be used to purchase equipment for ports in the Suez Canal area—almost totally Port Said. The $25 million loan will be, as you indicated, for equipment for the Port of Alexandria. The reason one is a grant and the other a loan is that all reconstruction projects are grant financed because they are to replace or rehabilitate plants and equipment destroyed in the wars, whereas new capital stock is loan financed.

Yes, we intend to purchase only U.S. equipment both with the $30 million grant and the $25 million loan.

DIKHEILA PORT

Mr. SHRIVER. You are requesting $100 million for Egypt for the "first phase" of a new port development project at Dikheila Bay. What do you have in mind for our later commitments for this project?

Mr. NOOTER. We have no specific future commitments in mind at the present time. The project for which we have requested funds is the "first phase" in the sense that it will be the first port developing activity in an area which offers an apparent potential for additional port development in the future. The area lies immediately adjacent to the present Port of Alexandria, and this first phase would amount to a westward expansion of currently operating Port of Alexandria facilities. As such, its construction is not necessarily linked with additional port expansion even though the master plan will identify opportunities for further expansion.

Mr. SHRIVER. What is the estimated total cost of this project—both our share and others?

Mr. NOOTER. Total costs, of course, would depend upon the extent of development of the port. It is expected the master plan would provide options and estimated costs for the long-range development of the area, which we anticipate could be in the range of $1 billion to $2 billion.

GRAIN STORAGE EQUIPMENT

Mr. SHRIVER. $30 million is requested for Egypt for the foreign exchange costs of grain storage and distribution facilities. Will that be U.S. equipment?

Mr. NOOTER. Yes; we intend that engineering, design, and equipment will be from U.S. sources.

PROJECT DEVELOPMENT

Mr. SHRIVER. On page 24 of the book it states that one of the most serious problems with the Egypt program is finding enough planned projects to soak up all the money from us and other donors. Why not put off some of this funding then? That's certainly what would be done at home.

Mr. NOOTER. What we intended to convey in our discussion on page 24 of the book was a sense of the difficulty which Egypt is having in getting underway development projects which are badly needed in the country. We—the United States—as well as the IBRD and the various Arab funds will not finance projects until their economic and technical feasibility has been studied and proven. The capability for making these analyses is not sufficiently widespread in Egypt to enable the Egyptians to present their projects in a manner which enables financing institutions to make rapid and positive decisions. The purpose of our technical and feasibility studies project is, therefore, to make it possible for the Egyptians to draw on the resources of U.S. institutions for carrying out studies on projects already identified as being of priority need but insufficiently analyzed for anyone to consider financing. The question is not one of soaking up funds, but rather of removing one of the constraints which prevents Egypt from taking advantage of potential foreign financing for worthwhile projects.

FEASIBILITY STUDIES

Mr. SHRIVER. While we're on the subject of feasibility studies funded by us for projects which may be funded by others, what kind of recognition does the United States get when such projects are com-

pleted? Do the people ever know we paid for the most important part of those projects—the technical and feasibility studies?

Mr. NOOTER. The people with whom we work on the studies do, of course, know who provides the funding. While the general public may have only a limited knowledge of our role, the leverage in obtaining project funding, which may run 50 or 100 times the cost of the initial study, is so great as to make such expenditures well worth while.

BANK OF ALEXANDRIA

Mr. SHRIVER. The $25 million loan to the Bank of Alexandria for relending sounds like it would be more appropriate for World Bank funding rather than bilateral funding. Is the World Bank contributing anything to that?

Mr. NOOTER. Yes, the World Bank has provided two IDA loans totaling about $40 million to the Bank of Alexandria. However, the Bank of Alexandria, which is the only institutional source of hard currency for private investment, has outstanding applications for financing which greatly exceed its currently available resources.

Mr. SHRIVER. What is "term lending" or "term investment" that this Bank of Alexandria will be doing with this money?

Mr. NOOTER. "Term lending" by the Bank of Alexandria involves short- and intermediate-term loans at an interest rate of 10 percent per annum. The AID loan will provide funds to the Bank of Alexandria for relending at this rate.

PROJECTED AID FOR EGYPT

Mr. SHRIVER. The total I get from the table on pages 31–33 of the book shows over $1 billion for Egypt, most of which is for fiscal 1976. Is that correct?

What would you project over the next 5 years as our foreign aid "commitment" to Egypt?

Mr. NOOTER. That is correct. When the $750 million we are requesting in fiscal year 1976 is added to the fiscal year 1975 level, the total is just over $1 billion.

With regard to the second part of your question, there is no foreign aid "commitment" to Egypt over the next 5 years or any other period. We anticipate that we will wish to continue to provide Egypt foreign economic assistance for some years to come as part of our continuing interest in preserving peace in the Middle East.

ISRAEL

ISRAEL—DECLINE IN FOREIGN EXCHANGE RESERVES

Mr. SHRIVER. Turning to Israel, why did their foreign exchange reserves decline by 38 percent in 1974?

Mr. NOOTER. The basic reason was that overall expenditure requirements exceeded available revenues, and foreign exchange reserves had to be drawn down to meet Israel's essential spending requirements. Although exports increased by 29 percent, imports rose by 60 percent. The aftermath of the 1973 war and quadrupled oil prices were major contributing factors.

ISRAEL—FOOD SUBSIDIES

Mr. SHRIVER. The book says Israel has reduced government subsidies on food items. Tell us about those subsidies.

Mr. NOOTER. The way the subsidy works is that the Israel Government directly reimburses food importers and processors for a portion of their costs so that the price the consumer has to pay is reduced. When the government reduces its subsidy payments, this raises the price paid by consumers and that discourages consumption. The subsidized commodities include sugar, eggs, milk, bread, cheese, and other basic foods.

ISRAEL—LUXURY IMPORTS

Mr. SHRIVER. What luxury imports have now been prohibited by Israel?

Mr. NOOTER. These restrictions were imposed in November 1974 and have subsequently lapsed. The Israel Government is presently considering reinstituting them. Prohibited commodities included automobiles, furniture, color television sets, refrigerators, and a variety of other luxury items.

ISRAELI IMPORTS FROM THE UNITED STATES

Mr. SHRIVER. What percent of Israeli imports come from the United States?

Mr. NOOTER. The United States provides an average of about 20 to 25 percent of Israel's total imports. In 1974 the precise figure was 23 percent.

Mr. SHRIVER. The book mentions that the United States is now using an expanded eligible commodity import list for Israel. What types of items have been added?

Mr. NOOTER. The items that have been added include fruits and nuts, pharmaceuticals, certain textile products, household appliances, and so forth. One of the largest items included last year was soybeans. We will further expand the list this year to include other U.S. food products such as corn, barley, sorghum, and so forth.

ISRAEL—PROGRAM GRANT

Mr. SHRIVER. Would you explain further how this $150 million cash grant to Israel will be used. Is that to buy oil from Iran?

Mr. NOOTER. The cash grant will be made available to Israel for general use in meeting the indirect foreign exchange costs resulting from implementation of the Sinai disengagement agreements. We have not earmarked the funds for oil procurement or any other specific items.

ISRAEL—COMMODITY IMPORT PROGRAM

Mr. SHRIVER. This request for Israel is for "an additional 12 months," according to the book. When is that 12-month period—our fiscal year ending in July 1976, or is it a calendar year?

Mr. NOOTER. The funding for this program will be provided on a fiscal year basis, but the supply and delivery periods will include the full calendar year 1976 period.

ISRAEL—U.N. ASSISTANCE

Mr. SHRIVER. How much does the U.N. development program give to Israel? How about Israel's Arab neighbors?

Mr. NOOTER. The U.N. development program operates on a 5-year planning cycle which sets the limits that each country is eligible to receive. The plan figures for Israel and its Arab neighbors for the period 1972–76 are as follows:

	Million
Israel	$5.0
Egypt	27.5
Jordan	15.0
Syria	15.0

BUDGET SUPPORT FOR JORDAN

Mr. SHRIVER. You are requesting $57 million for budget support for Jordan, and the book says we may have to do this for some time. About the only hope for their economy seems to be tourism, but they lost almost all of their tourist attractions in the West Bank area, did they not?

Mr. NOOTER. It is true that the Jordanians lost many of their tourist attractions, when Israel occupied the West Bank after the 1967 war. However, the Jordan Government has begun to revitalize the tourism industry on the East Bank. I believe that a general peace settlement in the area would have to be reached before any large-scale tourist trade involving European and American visitors could be developed. I agree with you that tourism is an important potential for Jordan, but I would rank it probably third in future importance to the Jordan economy, following further minerals and agricultural production.

CONTRACT UNDER THE DRYLAND CEREALS PRODUCTION PROJECT

Mr. SHRIVER. Have you selected yet the university or agribusiness firm which would receive the contract for the dryland cereal production project in Jordan?

Mr. NOOTER. No, not yet.

Mr. SHRIVER. That includes wheat production, does it not?

Mr. NOOTER. That is correct.

FAMILY PLANNING IN SYRIA

Mr. SHRIVER. There must be higher priorities than the $650,000 requested for family planning for Syria. The book says this will just provide vital statistics, with which you hope to convince Syrian leaders that they have a population problem. With a density of less than one-fourth that of Israel, that may take some convincing. Why is this project necessary at this time, and why is it funded from the security supporting assistance account?

Mr. NOOTER. We believe that it is important for almost all developing and developed countries to deal with their population pressure problems and Syria is no exception. With limited arable land and an annual growth rate of 3.3 percent, Syria will be faced with serious problems of feeding itself in coming years. We now have the first indi-

cation that Syria is interested in this problem, and we believe that it should be encouraged to pursue this interest.

The program is to be funded from the security supporting assistance account because we do not feel that the relatively small family planning project warrants a separate funding category.

SYRIAN FARMERS

Mr. SHRIVER. What is the total amount requested for agricultural or rural projects in Syria? How many farmers does Syria have?

Mr. NOOTER. The total amount requested in fiscal year 1976 for agricultural or rural projects in Syria is $84,850,000 of which $63,350,000 is for agricultural development.

The latest figures I have show that for 1973 about 857,000 persons, or 50 percent of the total labor force, were engaged in agriculture in that country.

AUB RECOMMENDATIONS FOR ENGLISH LANGUAGE TRAINING

Mr. SHRIVER. What were the recommendations of the American University of Beirut in regard to English language training in Syria?

Mr. NOOTER. AUB reviewed existing English language training facilities in Damascus with the purpose of determining the feasibility of providing, under an AID contract, English language training to potential AID participants and to limited numbers of other Syrian officials. The university found that Syria's existing English language training facilities may not be adequate to achieve desired results and recommended that it would be preferable to establish a new modern facility in a central location. In order to achieve training goals, AUB suggested a number of options, including variations of the following two basic approaches:

(*a*) A program designed only for training participants going to the United States that would include a full-time intensive section and a part-time section to accommodate different levels of English proficiency.

(*b*) An expanded version of (*a*) above that would include some resident government employees in addition to participants who would go to the United States for training.

AUB indicated that it would not be able to assist with any of its proposed approaches until about mid-June 1976. At present, we are weighing other possibilities which would allow start-up of English language training at an earlier date.

MIDDLE EAST SPECIAL REQUIREMENTS FUND

Mr. SHRIVER. Regarding the Middle East Special Requirements Fund, is the United States identified clearly as the donor in programs in the West Bank and Gaza areas which are administered by private voluntary organizations?

Mr. NOOTER. The United States is clearly identified as the donor as far as the participating institutions in the West Bank and Gaza areas are concerned. Also, the usual AID decals are used to identify U.S. equipment, food containers, and other things of this sort. However, it

is possible that in some cases individuals receiving assistance financed by our support may be unaware that the United States is the donor.

Mr. SHRIVER. Transition quarter requests are being postponed for the participants in the Middle East conflist pending progress toward peace. Why have you requested $10 million for this Special Requirements Fund for that period?

Mr. NOOTER. The country programs lend themselves to advance planning and scheduling, and for this reason we can postpone Supporting Assistance funding for these programs during the interim quarter. On the other hand, the Special Requirements Fund is designed to meet unexpected, emergency requirements, and we are requesting $10 million for the fund during the transitional period so that we will have the capability to respond to such special requirements that may arise during this period.

Mr. PASSMAN. Thank you, Mr. Shriver.

REQUEST VERSUS APPROPRIATION

Do you remember that grand old gentleman, Dr. Hannah, who was Director of the Agency for International Development for many years.

Mr. NOOTER. Indeed I do, Mr. Chairman.

Mr. PASSMAN. He used to make this statement, "Mr. Chairman, there is an asking price and a taking price. Let's get along with the questions. Look at our asking price. We will consider the taking price later."

Mr. NOOTER. I fully recall that.

Mr. PASSMAN. Do you agree with that philosophy?

Mr. NOOTER. We acknowledge that we don't always get the amount from Congress that we request.

Mr. PASSMAN. You do remember he put it right on the line, that there is an asking price and a taking price, and I think we are operating on the same basis now that we did in prior years, aren't we?

Mr. NOOTER. That is what Dr. Hannah said on that occasion, yes, sir.

AID TO VIETNAM

Mr. PASSMAN. You and I have been friends for a long, long time. Do you believe that overfinancing programs in South Vietnam caused those people to be soft and complacent, and that is why this conflict went down the drain. We poured $155 billion into South Vietnam, and it got those people so fat and sassy, a lot of them didn't want to work and evidently didn't want to fight either. Do you remember those days? Isn't it conceivable that we overfinanced them?

Mr. NOOTER. No, sir. I don't really think that.

Mr. PASSMAN. But you couldn't completely prove that that is not true. I was for them, mainly because you testified that we could see the end of the tunnel and that we were just on the verge of straightening everything out. We woke up one morning and found out the Communists had taken over. You remember those sad days, don't you?

Mr. NOOTER. Yes, I do.

Mr. PASSMAN. And some of the best testimony I ever listened to was from you for funds for Vietnam. It was a beautiful story, and I just thought sure that South Vietnam was going to be an example to the entire world. We are not getting back into a similar mess, are we, in the Middle East?

Mr. NOOTER. I think, Mr. Chairman, in Indochina we gave the Vietnamese a chance, which we had an obligation to do.

Mr. PASSMAN. Along with about $155 billion.

Mr. NOOTER. And we regret that it didn't work out, but at least we fulfilled our obligation to give them a chance.

TOTAL FOREIGN AID

Mr. PASSMAN. I am not quarreling with you, because a lot of people supported that policy. Let me put it on the line. Total foreign aid since its inception has cost us over $260 billion of our recent foreign aid recipients in East Asia. We have two friends left there that I can find, and they are Taiwan and Korea. All the others have either gone down drain or told us to get out.

IMPORTANCE OF THE MIDDLE EAST

Let's be realistic about this thing. With respect to the Middle East, I am taking a very positive position, that we are going to have to get peace in that part of the world, or God only knows what will happen. I recognize that if we don't support Israel, it's just a question of time until Israel would fall and the Soviets would dominate that entire part of the world.

Then when they do, there goes about 70 percent of the oil reserves of the world, the Red Sea, the Suez Canal, and much of the Mediterranean. I don't think we have any alternative but to face up to our responsibility, and support our allies.

Mr. NOOTER. I think that is a very good assessment, Mr. Chairman.

Mr. PASSMAN. But I do think we should be careful, and not be afraid to make reductions if they can be justified, because some of those nations are going to be poor 100 years from now, if history repeats itself, so let's be careful and not get ourselves into the same position that we got ourselves into in South Vietnam.

Dr. Long?

ADEQUACY OF REQUEST FOR ISRAEL

Mr. LONG. Thank you, Mr. Chairman.

Mr. Nooter, do you feel that the $2¼ billion in total aid proposed for Israel is adequate to maintain Israel's security, and to deter another Mideast war, in view of certain facts. I have here several tables which I would like to insert in the record. These show among other things, that in 1975 the three confrontation states—Egypt, Jordan, and Syria—outnumbered Israel approximately 3 to 1 in weaponry, and that there is an awful lot that is happening currently. Egypt, for example, is purchasing huge quantities of arms from abroad. Syria is getting substantial arms shipments from the Soviets. Total aid and

arms sales from the United States to all the Arab nations—I am talking about aid and arms sales just from the United States to Arab nations who participated in the 1973 Mideast war—is almost twice that to be provided to Israel in fiscal 1976. That is $6 billion compared to about $3.4 billion for Israel.

RATIO OF BALANCE OF MILITARY POWER AGAINST ISRAEL

	1975		1980 (assuming full funding of $1,500,000,000)	
	Confrontation states [1]	Confrontation area [2]	Confrontation states [1]	Confrontation area [2]
Combat aircraft	2.8 to 1	3 to 1	3.2 to 1	3.8 to 1
Tanks	2.7 to 1	3 to 1	3 to 1	3.6 to 1
Artillery	6 to 1	9 to 1	8 to 1	9 to 1
Armed forces (divisions)	4 to 1	5 to 1	5 to 1	6 to 1
SAM batteries	10 to 1	12 to 1	18 to 1	20 to 1

[1] Egypt, Syria, and Jordan.
[2] Confrontation states plus anticipated contribution by states outside confrontation area—Egypt, Syria, Jordan, Iraq, Saudi Arabia, Kuwait, Libya, Algeria, Morocco, Sudan, and Tunisia.

WHAT THE ARAB STATES ARE EXPECTED TO CONTRIBUTE IN A FUTURE WAR WITH ISRAEL

EASTERN FRONT—(SYRIA, JORDAN, IRAQ, SAUDI ARABIA, KUWAIT)

20 Divisions
1,000 Combat aircraft
5,400 Tanks
5,000 Armored personnel carriers
3,000 Artillery pieces
150 SAM batteries

WESTERN FRONT—(EGYPT, LIBYA, ALGERIA, MOROCCO, SUDAN, TUNISIA)

15 Divisions
1,150 Combat aircraft (840 from Egypt)
3,500 Tanks
3,850 Armored personnel carriers
2,800 Artillery pieces
250 SAM batteries

ARAB TRANSFER OF WEAPONS TO CONFRONTATION STATES

Since 1972, there have been nearly 60 known major arms sales to Arab states from the West and the Soviet Union. The most sophisticated weapon systems in production have been made available. The net worth of these sales from both West and East has conservatively been estimated at $10 billion, and as high as $14.5 billion.

Many of these sales have been financed by Arab oil-producing states. Saudi Arabia, Kuwait and the United Arab Emirates have pledged to transfer weapons to the confrontation states on Israel's borders should there be another war. Already, a number of weapons purchased by the oil-producing states have been delivered to confrontation states, particularly Egypt, which, for example, has recently displayed its new French F–1 Mirage fighter bombers.

Recently, there have been press reports alleging that Egyptian pilots are being trained by Iran to fly American-made F–4 Phantom fighter bombers.

The Department of State confirmed on November 18 that Saudi pilots flying U.S. made F–5 interceptor aircraft, participated in aerial maneuvers in southern Syria early in November and that all of the Saudi planes either took off from, or landed at, northern Jordanian air fields. Although the Department of State said that the Saudi action did not represent a violation of the Foreign Military Sales Act since no U.S. made equipment was actually transferred to a third party, the implications for Israel are clear. The billions of dollars

worth of arms Saudi Arabia is receiving from the United States should be regarded as a potential threat to Israel and raises doubts as to the wisdom of the magnitude of these sales and the technology being transferred.

SOVIET TRANSFERS OF WEAPONS TO EGYPT AND SYRIA

EGYPT

Immediately After the October, 1973 War

Combat aircraft	100
Tanks	1,000 (including 600 T–62)
Armored personnel carriers	Hundreds
Artillery pieces	Hundreds
SAM batteries	30

Since 1974: Egypt has received $1.5 billion worth of equipment from the U.S.S.R. including Mig–21, 25 Mig–23's, Sukhoi 20, spare parts and ammunition. Egypt is, at present, continuing to receive munitions and spares, and there have been reports of new arms deals with the Soviet Union, including Mig–25s.

In addition, Egypt is purchasing combat aircraft, helicopters, anti-tank missiles, and electronics from France, Great Britain, Italy, and Germany, financed by the oil-producing states. Night-vision equipment is also being bought from the West, although Egypt already possessed this materiel in its arsenal before October, 1973.

SYRIA

Immediately After the October, 1973 War

Combat aircraft	100
Tanks	Over 1,000
SAM batteries	15

Since 1974: Syria has also received 60 Mig–23's, armored personnel carriers, artillery, electronic equipment and a battalion of Scud surface-to-surface missiles. A new arms deal was concluded between the Soviet Union and Syria in October, 1975; the quantities involved are unknown.

Libya—The "Arab Weapons Supply Depot"

Libya is scheduled to receive between $6 and $8 billion worth of weapons from the Soviet Union and Mirage aircraft and helicopters from the West. It will form a huge arsenal from which the confrontation states can draw.

Libyan Arsenal

1975	by 1979
1,100 Tanks (600 T–62's)	88 Mirage F–1
15 SAM–6 batteries plus 11 in 1976	12 Super Frelon helicopters
TU–22 bombers	12 Missile boats (French)
100 Mirages	4 Missile-carrying Corvettes (Italian)
24 Mig–23's	700 Brazilian armored cars
	4 Spanish submarines

Mr. LONG. In 1980, assuming full funding of the proposals exported for military aid to Israel, the confrontation states will have increased their force ratio vis-a-vis Israel from approximately 3 to 1 to anywhere from nearly 4 to 1 to 6 to 1, 9 to 1 and 20 to 1, depending on the category of forces. I will put this in the record. I am not at liberty to give you the source. I regard it as an authoritative source, and of course the Department will have an opportunity to point out any errors that it thinks exists in that estimated ratio of balance of military power.

By your own indication Israel is in desperate economic condition, and the future promises to be even more desperate. We want to give Israel what it needs to survive, so I wonder whether you would answer that question for me, please.

Mr. NOOTER. Yes. I can say, Mr. Long, that the economic request, which we are considering here today, is what we would consider to be the bare minimum which Israel needs. We reviewed their request very carefully. We went over it for 3 lengthy and detailed days of discussions with the Israeli finance people in July, and the amount requested represents a level below which they would have a great deal of trouble sustaining their economy.

Mr. LONG. So you are not really saying that the proposed aid for Israel is adequate. What you are saying is that this a barebones minimum?

Mr. NOOTER. I think it is adequate.

Mr. LONG. You hope it is adequate?

Mr. NOOTER. We believe it is adequate, but it is not a figure that represents some level that can be cut without serious consequences. On the military side I would ask Mr. Atherton if he would like to comment on that.

Mr. LONG. Yes, sir.

RATIO OF ARMS BETWEEN ARAB STATES AND ISRAEL

Mr. ATHERTON. Mr. Long, of course it isn't entirely my field either, because I deal on the diplomatic side, but since we can't really separate these two, I would be happy to the extent that I am knowledgeable, to address myself to that part of the question.

I think your statement of the ratio of arms between the Arab confrontation states and Israel accords with our estimate, an estimate of a ratio of roughly 3 to 1, if you just take gross numbers of weapons.

Mr. LONG. If Israel has a chance here, it is qualitative?

Mr. ATHERTON. That is the point I was going to make. Very obviously, it is the qualitative factor.

Mr. LONG. That creates many unknowns.

Mr. ATHERTON. The ability to use the weapons systems, to keep a larger percentage of them operational, and not down for repair at one time, the number of trained pilots per aircraft, a lot of factors that it's very difficult to quantify entirely.

Mr. LONG. Isn't it also true that the Arabs showed enormous qualitative improvement between the 6-day war and the Yom Kippur war?

Mr. ATHERTON. I think that is correct.

Mr. LONG. And we can't expect the qualitative factor to necessarily remain the same?

Mr. ATHERTON. I think it is correct that the Arabs did show qualitative improvement. I don't think that they have begun to close the gap in any serious way at this point, but this underlines why it is important, of course, for Israel to continue to be able to acquire more modern weapons systems as they become available. The Israelis look to the quality of their weapons system as part of the offset, and that is why we feel it is important to be able to give them the means to acquire some next generation weapons as they come along.

PROHIBITING TRANSFER OF MATERIALS BETWEEN ARAB STATES

Mr. LONG. My calculations show that the United States is expected to provide more than $6 billion in aid and arms sales—some cash and

some credit—to the Arab States. It has been said that these Arab States are not allowed to transfer these weapons—that is to say Saudi Arabia, Kuwait, and others are not allowed to transfer that material to the confrontation states. Is that true?

Mr. ATHERTON. That is certainly true of anything they acquire from the United States.

Mr. LONG. That is the agreement?

Mr. ATHERTON. Yes.

Mr. LONG. Of course we would hope they wouldn't violate the agreement, but it is also true, isn't it, that they are allowed to put those weapons into the confrontation countries as long as they keep control over them?

Mr. ATHERTON. This would depend on the purposes for which they put it there, Mr. Long. There is no automatic bar to their, for example, stationing some of their units in another state with our equipment, as long as they do not transfer either control or title.

Mr. LONG. As long as they keep control?

Mr. ATHERTON. But the law is very specific in providing that our arms are provided for self-defense. If they awere put in another state and used for aggression that would be an entirely different story.

FREEING RESOURCES FOR TRANSFER TO ARAB CONFRONTATION STATES

Mr. LONG. Let me ask you this. What is to prevent these nonconfrontation states, Saudi Arabia, Libya , Kuwait, Morocco, Algeria, and others to say:

> All right, we are getting vast quantities of arms from the United States that we aren't allowed to transfer but this does enable us to free large quantities of our own arms which are under no such restriction.

They could send these arms—such as mirage fighters—to the confrontation states.

Doesn't this give them a great deal of freedom of action that they would not otherwise have, and enable them to put weapons into the confrontation countries?

Mr. ATHERTON. That would assume that they had weapons that they considered excess to their needs, and that they had acquired——

Mr. LONG. They do have weapons that they get from other countries, do they not?

Mr. ATHERTON. From other suppliers; yes, they do. The Saudi Arabians, for example, have some British aircraft, some French tanks, but the overwhelming bulk of their material does come from the United States, and when we agree with them on certain programs for weapons sales, we look at their totality. We don't sell things that we think are going to be excess to what they need for their self-defense purposes.

Mr. LONG. No, but it does enable them to shift their material around?

Mr. ATHERTON. It certainly gives them that theoretical possibility.

Mr. LONG. Right, that is the point I wanted to make.

Mr. ATHERTON. If they felt they had excess.

Mr. LONG. So we don't really get the assurance that we hope to get out of the agreement that they will not shift our materials. There have been a number of transfers of materials in the past.

I would like to quote this statement:

> Since 1972 there have been nearly 60 known major arms sales to Arab States from the West and the Soviet Union. The net worth of these sales from both West and East has conservatively been estimated at $10 billion and as high as $14.5 billion. Many of these sales have been financed by Arab oil-producing States. Saudi Arabia, Kuwait, and the United Emirates have pledged to transfer weapons to the confrontation states on Israel's border should there be another war. Already a number of weapons purchased by the oil-producing states have been delivered to confrontation states, particularly Egypt, which, for example, has recently displayed its new French F–1 Mirage fighter-bombers.

I read that to reinforce the point I made a little while ago that these safeguards, though theoretical, are not really as protective as they should be.

NUCLEAR SAFEGUARDS

Mr. LONG. Will the United States-Egyptian bilateral nuclear agreement for the sale of two reactors have a clause requiring U.S. approval for any transfer to third countries or for any reprocessing of plutonium produced in U.S. reactors, whether or not U.S. fuel is used in those reactors?

Mr. NOOTER. Yes; the United States-Egyptian bilateral nuclear agreement being negotiated has a clause requiring U.S. approval for any transfer to third countries or for any reprocessing of plutonium produced in U.S. reactors.

PREVENTING ARMS TRANSFERS

Mr. LONG. What power do we have to prevent countries such as Saudi Arabia, Iran, or Kuwait—to whom we are selling substantial amounts of arms—from transferring our arms to other countries attacking Israel in a future Mid-East war? The law requires that other countries seek our approval for such transfers, but how much control does that give us?

Mr. ATHERTON. In accordance with the Foreign Military Sales Act as amended, all countries which purchase defense articles from the United States agree not to transfer title to or possession of these articles to another country, or to permit the articles to be used for purposes other than those for which furnished, without first obtaining the consent of the President of the United States. These provisions are included in relevant agreements between the United States and most purchasing governments and are also restated as specific conditions in the "Offer and Acceptance" agreements governing each and every sale of defense articles. We believe that other governments do not take such obligations to the U.S. Government lightly nor do they willfully violate their formal, written agreements with us. If any country should substantially violate these provisions or agreements, the Foreign Military Sales Act provides that it shall become immediately ineligible for further cash sales of defense articles or credits or guarantees to purchase them. Continued eligibility could be particularly important to countries which need a steady flow of spare parts for major items obtained from the United States. Our Government could also consider various other types of remedial action should a transfer occur without our consent. We believe that this combination of legal provisions, written agreements, and available remedial actions protect U.S.

interests and give us considerable, effective control over transfers of defense articles which we sell.

ARMS SALES TO ARAB NATIONS

Mr. LONG. Since we really have little control over third country arms transfers, how can we sell billions in arms to Saudi Arabia, Kuwait, or Iran (who may join in a future Mid-East war) and pretend that these sales do not threaten Israel?

Mr. ATHERTON. Mr. Long, I cannot agree with you that we have "little control" over third country arms transfers nor that our arms sales to Saudi Arabia, Kuwait, and Iran "threaten Israel." I believe my answer to your previous question made clear that the United States does have the necessary control over third country arms transfers.

U.S. CONTROLS OVER THIRD-PARTY ARMS TRANSFERS

Mr. LONG. How can you say that "current legislation" on U.S. controls over third-party arms transfers is "adequate" in light of the recent Libyan arms transfers to Turkey over our protest?

Mr. ATHERTON. We believe that current legislation which prohibits third-party transfers without our consent and suspends further sales when substantial violations occur is as adequate as legislative measures can be in helping to control third-party transfers. Our inability to prevent the unauthorized Libyan transfer to Turkey of a few old aircraft is more reflective of the poor state of our relations with both governments at that time than of the inadequacy of our current legislation. Moreover, the Libyan case is a rare exception to the many third-country transfers which have fully complied with our laws.

CONTROLS OVER IRANIAN ARMS TRANSFERS TO EGYPT

Mr. LONG. Considering the huge numbers of arms already delivered to Iran, and the weapons plants under construction there and those which they partly control elsewhere, what practical constraints would we have over an Iranian transfer of F–4 Phantoms and other arms to Egypt in another Mid-East war?

Mr. ATHERTON. Iran has not transferred any U.S.-supplied defense articles to a confrontation state during any of the Middle Eastern wars, and we have no reason to suspect that during a future conflict in the region Iran would violate its agreements with us. In fact, during the most recent October 1973 war, Iran continued to supply vitally needed petroleum to Israel. Iran has transferred some U.S.-furnished defense articles to third countries with the consent of our Government.

PREVENTING ARMS TRANSFERS IN THE MIDDLE EAST

Mr. LONG. If "obviously . . . no absolute assurances . . . (against) unauthorized transfers" of arms can be given, wouldn't it be wiser to forego the bulk of our Mid-East arms sales rather than supply nations which have a record of active support for the confrontation states against Israel?

Mr. ATHERTON. The quotation to which you refer, from our letter to Senator Case, is an honest statement of obvious fact. The admin-

istration is well aware that there are no absolute assurances regarding the use and disposition of defense articles which we furnish, but we do not believe that we can escape this reality by refusing to furnish arms to countries in the Middle East. The United States, after all, is not the only source of supply of modern weapons, particularly for wealthy nations. The absence of absolute assurance does, however, compel us to be extremely careful in furnishing defense articles to any country, and we are. All proposed arms sales are fully scrutinized and evaluated by the executive branch within well established policy guidelines, taking into account the many political, economic, and military considerations involved. All major cases are approved by senior officials and most are also submitted to the Congress prior to extending a formal offer of sale in accordance with the Nelson amendment.

RESPONDING TO IRANIAN ARMS TRANSFERS

Mr. LONG. There have been press reports that Iran might eventually ship some of its F–4 Phatoms to Egypt, once it receives our F–14's, and that Iran is now giving serious consideration to transferring its F–5's to Jordan; how would you respond to an Iranian transfer request in each case.

Mr. ATHERTON. Iran did transfer a limited number of its older F–5's to Jordan when it received newer models. In each case these transfers were approved by the executive branch and prior notification was submitted to the Congress in accordance with U.S. law. We neither know of, nor would we anticipate, an Iranian request to transfer F–4's to Egypt.

ARMS SALES TO SAUDI ARABIA AND IRAN

Mr. LONG. Why are the projected sales of $4 billion in arms to Saudi Arabia and Iran in our national interest?

Mr. ATHERTON. We do not have any such projections regarding future military sales to Iran and Saudi Arabia. These cash sales are dependent in the first instance on the buyers' future decisions regarding defense articles and services that they wish to obtain. However, we would anticipate that sales to these two countries, which are making major efforts to strengthen their defensive capabilities and modernize their armed forces, would continue at fairly substantial levels for the next several years. We would also expect that, as in past years, better than half of the dollar amounts of military sales to these two countries would be for training, services, support facilities, and, particularly, construction rather than for actual arms.

Decisions on future sales of defense articles to Iran and Saudi Arabia will of course be made on a case-by-case basis as I explained previously. As Secretary Kissinger has noted, in approving arms sales to these conutries we primarily seek affirmative answers to the following questions:

Whether a threat to the security of the country exists in the mind of the country;

Whether the United States considers this a realistic appraisal;

Whether the United States has an interest in the stability and security of the country concerned; and

Whether, if the United States does not supply these weapons, the country would remain without weapons.

Mr. LONG. With regard to these arms sales to Saudi Arabia and Iran, in a world of floating exchange rates, do not balance-of-payments considerations cease to have the importance they had under a fixed exchange rate regime?

Mr. ATHERTON. Secretary Kissinger has made clear on numerous occasions that, although the economic benefits to the United States from the sales or coproduction of arms, especially to countries such as Iran and Saudi Arabia, are significant, these remain secondary and would never decide an issue. The controlling decision in these cases is not a commercial one, it is the political one that I explained previously.

ASSISTANCE FOR THE POOR

Mr. LONG. If a goal of our security assistance program for Egypt is the "economic betterment" of the general population, as it should be, would not light capital technology be more appropriate than a large cement plant or a 300 megawatt industrial power plant which would "better" only an elite few?

Mr. NOOTER. The two large projects you mentioned are part of our assistance to the Egyptians in their effort to reconstruct the war damaged Suez area. There is a shortage of cement in Egypt and this shortage will become more acute in the next few years. One reason for this shortage is the accelerated pace of constructing housing for the population returning to the area. The Government has already built in the Canal area and continues to build considerable housing for rental to those at the lower income levels.

The 300 mega watt power plant will be tied into the grid for general use with the demand for most of this power expected to be from industries setting up in the Canal area. There will be all types of industry which will provide employment for all classes of Egyptians. It is this basic infrastructure which is needed for general economic development in Egypt.

Mr. LONG. Thank you. The gentleman from Wisconsin.

ISRAEL'S OIL IMPORT REQUIREMENT

Mr. OBEY. Thank you, Mr. Chairman.

Just one question on what you are supposed to be here to be testifying on, before I get to some other things which have been brought up by other questions. I was somewhat confused on one point in looking through the justifications. In light of our commitment to provide Israel with its petroleum needs and to provide them with the ability to increase their storage capacity for oil, my question is simply this. Has the administration taken into account Israel's oil import requirements, in preparing the package now before us? If so, what dollar amount does that represent? If not, how is it going to be handled, and what price tag would be attached to it?

Are any funds in the present package devoted to the construction of oil reserve facilities? If so, which funds and in what dollar amounts? Again, if not, how will this be handled and what is the anticipated price tag?

Mr. NOOTER. The administration agreed to take those cost factors into account when it made its proposal to the Congress, we told Israel that we recognized that the giving up of the oilfields in the Sinai

would reduce oil availability of a value of around $300 million per year. In fact to replace that oil from foreign sources with freight charges and so on might cost Israel about $350 million a year.

In the case of the oil storage costs, which were estimated by the Israelis, to be about $200 million spread over a 4-year period, $50 million each year, we said that we did not intend to provide specific financing of this amount. Rather, we would take it into account when we calculated the overall aid requirement.

Therefore, when we arrived at the figure of $800 million plus the $15 million that has been discussed, we included in that package a $150 million cash grant element, which normally we prefer to stay away from. We had in mind the kinds of requirements that Israel would have flowing from these various actions related to the agreement; the movement of their troops in the Sinai, the construction of oil storage, and so on.

These considerations were part of the basis for arriving at the overall figure, but the funding that we are providing is not specifically designed to finance those individual items.

Mr. OBEY. So your position is that the commitment contained in those agreements is fulfilled by the amounts which you have requested us to approve in the package before us now?

Mr. NOOTER. That is correct.

Mr. OBEY. And about what dollar amount would that represent in this total package, if you were to peg it?

Mr. NOOTER. The extra oil cost is about $350 million per year, of which a portion would apply to this fiscal year, but not in full, because they have the use of the oilfields for a few months of this year.

The oil storage costs this year would be around $50 million. The cost of the withdrawal of troops in the Sinai the Israelis estimate to be around $150 million, not all of this would be a foreign exchange cost. Those are factors that formed the background of the overall request, but as I said, we did not try to identify specific items. We looked at Israel's overall foreign exchange requirements, assuming that these things would happen as a result of the agreement.

Mr. OBEY. I have a couple of other questions on that point which I will supply which you can answer for the record.

ISRAELI MILITARY POSITION

Mr. OBEY. I am afraid that what we have here is more or less a debate between members of the committee, rather than anything else. There is nothing wrong with that, but I am not so certain that we are structured, given who we have on that side of the table, to really get into what we ought to be getting into if we want to extend this to the whole package.

The Chairman, before he left, in questions to you, asked whether it was true that the CIA and the Defense Department, as well as the State Department—I don't remember his exact words—had been in on all considerations of this package. Your answer to that was yes. Let me ask you this question.

You would not say, however, would you, that either the CIA or the Defense Department would disagree with Secretary Kissinger's state-

ment before this committee last week, that when you take into account the weapons presently scheduled for delivery in the pipeline now, under previous appropriations, that Israel is in a stronger position today vis-a-vis the Arabs than they were before the 1973 war?

Mr. KOCH. Will the gentleman yield on that just so the record is correct?

The statement was vis-a-vis the 3 confrontation states?

Mr. OBEY. That is right.

Mr. KOCH. That is not what you just posed.

Mr. OBEY. Thank you for the correction.

Mr. NOOTER. I would have to check the record to be certain but I recall that the Secretary made a statement along that line during previous testimony.

Mr. OBEY. My point is that you would not say either the Defense Department or the CIA would disagree with the Secretary's statement on that, would you?

Mr. NOOTER. Again let me say this is really outside of my area. What I was responding to, in response to terms of the chairman's question, was that I recalled previous testimony of the Secretary and others here, along that line. I believe the answer to your question is that they would not disagree with that assessment.

Roy, would you like to add to that?

Mr. ATHERTON. I don't believe there is any disagreement on the assessment so far as the present relative military strengths are concerned.

Mr. NOOTER. Let me say that the Secretary also added, however, in testimony, if not before this committee, that the resupply problem which arose in 1973 was one which we wouldn't like to see repeated.

MIDDLE EAST AID PROJECTIONS

Mr. OBEY. I recall his testimony. Let me ask you something else. You say that CIA and the Defense Department were in on and fully informed on all aspects of this agreement. When General Fish was before us 2 days ago, when it was pointed out that Secretary Kissinger had suggested that this committee would be asked to provide aid in the same amounts in the bill year, each year for the next 4 or 5 years, he replied that that was the first that he knew of that.

I would like to get some explanation of that. Was he just personally uninformed, or is there a lack of communication between the State Department and the Defense Department? Why would he be in a position where he would say that he was not aware that the Congress could expect to be facing this kind of commitment each year for the next 4 years or more?

Mr. NOOTER. I think if you will check the record on that, Mr. Obey, the questioning had to do with what the general level of aid would be in that part of the world, and the Secretary, in order to be as forthcoming as possible, made a general statement giving his view of what the need was going to be. I don't think in any sense he was intending that to be a specific comment on exact amounts, or amounts by country, for example. I think he was trying to be responsive in a general context to the question. Obviously this is out in front of the budgetary process.

Mr. OBEY. Certainly the Secretary of State doesn't make an offhand comment or commitment like this without implied agreement of Defense, does he?

Mr. NOOTER. Let's consider the alternative. For the Secretary simply to have said, "We have no idea what the levels will be in future years" would, I think, be considered by most Members of Congress to be not a very forthcoming statement. He would be expected to have a view on the order of magnitude in future years, and I think that is what he was trying to address. He was not trying to preempt the budgetary process, which indeed he would not be in a position to do.

Mr. OBEY. I am not criticizing him for it. I am simply asking why the General would first respond that he could not give any indication to Mr. Shriver as to what the general aid level would be expected to be over the next few years. I know I have exceeded my time. I will get back to this later.

NEED FOR MILITARY WITNESSES

Mr. LONG. I think the gentleman from Wisconsin is implying that the witnesses are not qualified to talk about military aid and arms sales. Isn't it true, though, that the State Department has final authority over military aid and arms decisions?

Mr. OBEY. I am not implying a lack of qualification on anyone's part. I am merely suggesting that the specific purpose of this hearing is security supporting assistance, not military, and that I would feel more comfortable if we did have in fact representatives of the Defense Department as well as a couple of other agencies present, if we are going to get into the military aspects of the program.

Mr. LONG. Of course the supporting assistance is all wrapped up with the military aspect. They can't be completely separated. I certainly would recommend that we do accept the suggestion of the gentleman from Wisconsin and have the military people here.

Mr. OBEY. I would like to suggest something although the chairman isn't here at this time. I asked Secretary Kissinger a number of questions, the answers to which are largely classified, pertaining to the evaluations of State, Defense and any other agency on the military aspects of this program. I would personally like to see, I would like to get into the record my request that this committee obtain in toto a briefing from all 3 agencies before we mark up this bill.

Mr. LONG. As the gentleman knows, that is up to the Chairman.

Mr. OBEY. That is right.

Mr. LONG. Who has decided that this committee does not have jurisdiction over some of the intelligence agencies?

Mr. OBEY. I don't think there is any question of jurisdiction. Let me also put in the record that I would appreciate assistance of any members of this committee in persuading the chairman to change his mind.

ISRAEL—DEBT SERVICING

Mr. OBEY. What percentage of its annual total foreign exchange inflows (export earnings, capital account, and so forth) does Israel's annual debt servicing requirement represent?

Mr. NOOTER. In 1975, some 18.7 percent of Israel's total foreign exchange inflows went for debt servicing. Israel's total debt service payments have risen from some $750 million in 1973 to $1,270 million in 1975, an increase of 70 percent.

Mr. LONG. I would suggest we take a 5-minute recess, in order to vote.

[Recess taken.]

Mr. LONG. The committee will come to order.

Mr. Koch of New York, I call on you for 5 minutes.

Mr. KOCH. Thank you, Mr. Chairman.

ADEQUACY OF AID TO PORTUGAL

Mr. Nooter, I would like to zero in on Portugal. As I indicated yesterday, I don't know whether you were there or read the testimony. I am distressed that we are not doing enough to support a government which at this moment has been able to successfully prevent a Communist takeover. Mr. Obey, Mr. Early and myself were in Portugal in the latter part of August of this year. At that time it was all up in the air, and the Communists seemed to be winning, and we met with Mr. Soares, the head of the Socialist Party in Portugal. He told us that he was certain that the non-Communist forces would win, and he was right, at least up to the present time.

As I understand it, the request for moneys was made some time ago and does not take into consideration the current situation in Portugal of trying to shore up and assist an economy which was rather weak as a result of the internal strife.

I wonder whether you would comment on whether the amount that you are asking for—and tell us what that is—is adequate and takes into consideration current events.

Mr. NOOTER. Yes, Mr. Koch. We are requesting $55 million for supporting assistance. We also plan to provide some Public Law 480 food aid, at the level of about $15 million. That is all we have planned for this year.

Mr. KOCH. Let me interrupt to say at this point the administration spokesman yesterday said, by way of defense, if that is the appropriate word, that the Portuguese Government had not made any additional request, as one of the reasons why the State Department was not moving to increase the amount. I wonder whether, in view of the problems that the Portuguese Government is having at this moment, in maintaining a government that is non-Communist, whether we shouldn't pick up the telephone and get in touch with them.

Mr. NOOTER. If I might answer that in another way, while obviously there is a question of whether the government wants assistance from us and that is basic to any assistance program, in addition to that, the situation there has been touch and go. Even 10 days ago the situation looked like it was very much hanging in the balance. Today it looks much better.

Our people out there, and the people back here, are watching the situation very closely. We do want to be supportive. We also want to avoid an over involvement of the United States at a level that could be, if I may use that famous word, counterproductive. However, we are very much aware of the issues that you mentioned.

Considering the uncertainties in the situation, I think our present aid request is a sound one. In addition to the political situation, there is the question of putting together programs that will be effective. With the political difficulties going on, it has been difficult for the Portuguese Government to concentrate on how to deal with the economy.

Therefore, for the moment, we are standing on this request. Obviously, if things change and we see where additional aid might be of significant importance and appropriate, we would act accordingly.

HUMAN RIGHTS

Mr. KOCH. Let me ask a brief question and a relatively brief answer if you will because I am sure my 5 minutes are expiring. I also raised yesterday the question of the Harkin amendment. The Harkin amendment, as you know, is now in conference; and as I understand it, it is basically that which was voted by the House some time ago. I will explain the Harkin amendment if you are not totally familiar with it.

It would basically prohibit foreign assistance to a government that is overall, overwhelmingly repressive vis-a-vis its own citizens, unless the President certified that it was necessary in the national interest of the United States to do so.

Do you support that concept?

Mr. NOOTER. The whole question of human rights is an extremely difficult one, and there is no short answer that would do it justice. I do think you have to consider what position it would place the President in, to be making judgments about other countries as to whether they are or are not repressive to their own citizens.

Mr. KOCH. What position would it place him in other than that of being a humanitarian?

Mr. NOOTER. I think there is the question of the degree to which we appear to be interfering in the internal affairs of other countries. This would be the way it would be looked at in other places around the world.

Mr. KOCH. Let me get to that. As Dr. Long said yesterday, you could make the argument that we cannot, should not, whatever language you want to employ, require a government to take a position vis-a-vis its own citizens different than that which it wants to take, but as Dr. Long pointed out, that does not also mean that we have to support that government when it does things that we think are against a humanitarian interest.

Mr. NOOTER. Of course.

Mr. KOCH. Wouldn't you agree with that?

Mr. NOOTER. Of course.

Mr. KOCH. Therefore, the President simply cannot say, "I wash my hands. Let them do what they want to do," can he?

HUMAN RIGHTS AS FACTOR IN FOREIGN POLICY

Mr. NOOTER. But the process is extremely important. For one thing, as the Secretary has pointed out, whenever we make a judgment about assistance to another country, we make it in relation to the full range of our interests in regard to that country. Certainly human rights

questions are part of that judgment, but first, to hinge the entire decision on that one question would be——

Mr. KOCH. But aren't you begging the question? I haven't suggested that he hinge it on the one question of whether or not they are repressive, because he, under the Harkin amendment, as I understand it, can make a decision that, notwithstanding all the barbarism that takes place there, he is willing to certify it is in our national interest to provide aid.

Mr. NOOTER. That is precisely the point. In the process of reaching that decision, he would have created certain difficulties. The act of putting ourselves in the position of a public judge of other countries would, in itself, have an adverse effect. It seems that these are areas where the United States should make a judgment, should take these things into account, but in a way that does not place ourselves in the position of appearing to be playing God for the rest of the world.

Mr. LONG. Will the gentleman yield?

Mr. KOCH. I yield.

Mr. LONG. I am not quite sure I understand your answer to Mr. Koch. All the administration has to do is simply not come in with an aid request for that country. It doesn't even have to put the President in the position of saying that "Notwithstanding this country's repressive measures, it is in the national interest to give them aid." They don't have to push it to that point.

Mr. NOOTER. That would only be satisfactory, however, when these other considerations did not——

Mr. LONG. It seems to me when you say otherwise, that in order not to make judgments of one country against another, we have got to give aid to every country in the world.

Mr. NOOTER. No, sir.

Mr. LONG. We don't do that now and I don't see how you can argue that we should.

Mr. NOOTER. No, indeed we should not.

Mr. LONG. Mr. Conte?

NUCLEAR AGREEMENT APPROVAL

Mr. CONTE. On November 5, Secretary Kissinger and Foreign Minister Fahmy initialed a statement of agreement of cooperation in the field of peaceful uses of atomic energy. Will any such final agreement be brought before this committee?

Mr. NOOTER. As I understand the procedure, when the agreement on nuclear cooperation is finally negotiated, it will be submitted to the Joint Committee on Atomic Energy, and that committee will make a report to both Houses of Congress. Since AID has not been requested to finance an Egyptian nuclear project, we are not aware of any procedure which would specifically bring this matter to the Appropriations Committee.

NUCLEAR SAFEGUARDS

Mr. CONTE. What safeguards would be provided for?

Mr. NOOTER. The nuclear cooperation agreement with Egypt will include the most stringent safeguards we have ever secured. These will be applied by the International Atomic Energy Agency and include,

among other restrictions, an express prohibition against "peaceful nuclear explosives." There will also be a clear provision that the United States is to have acccess to IAEA information regarding the implementation of the safeguards and, in the event of noncompliance with the safeguards or other provision, we can suspend or terminate the agreement and require the return of U.S. equipment and material.

EGYPTIAN ENERGY PROBLEM

Mr. CONTE. From the charts on pages 31, 32, and 33, I get a total of $175 million going to energy producing or distribution facilities in Egypt. Now we hear of giving them nuclear power as well. Why should we go to such lengths to solve the energy problem of an Arab nation when the Arab oil states are the ones who caused the energy constraints in the first place?

Mr. NOOTER. The projects you refer to are to provide conventional electric power generating capacity to Egypt. The need for power in Egypt does not result from action by the OPEC nations. Egypt requires these new power sources to replace plants that were destroyed during the 1967 and 1973 wars, and to provide the power needed for industrial development.

TRAFFIC AT EGYPTIAN PORTS

Mr. CONTE. How much traffic do the ports at Dikheila, Alexandria, and Said handle presently?

Mr. NOOTER. Actual tonnage through the Port of Alexandria in 1974, exports plus imports, amounted to 8.5 million tons. Given the increase in import levels in 1975 it is likely that the 1975 tonnage through this port will show a level well over 10 million tons. The theoretical capacity of the port, based on recent calculations by Frederic R. Harris, Inc., is 9 million tons. Dikheila is still undeveloped as a port area, and, thus, receives no traffic at the present time. Port Said, which has been pressed into service following the 1973 war, is still unable to handle more than about 900,000 tons annually. Actual tonnage during 1975 for Port Said will probably amount to some 700,000 to 800,000 tons.

Mr. CONTE. How much would that increase with the assistance you request on table V on page 32?

Mr. NOOTER. The assistance proposed for the Port of Alexandria would not alter the basic capacity of the port, but would make it more possible for the port to operate at its capacity without the diseconomies now involved in lengthy waiting periods for ships and resulting high demurrage charges and without the current levels of port congestion which delay the arrival of goods at their final destination. The expansion of port capacity through construction of new berths at Dikheila would add capacity for approximately 1 million tons of bulk cargo. The equipment proposed for Port Said could enable an increase in that port's handling capacity from its present levels to a projected 1.2 million tons annually.

ISRAEL ECONOMY—IMPACT OF COMMODITY IMPORT PROGRAM

Mr. CONTE. What effect did the $324.5 million we appropriated last year have on the Israeli economy?

Mr. NOOTER. While it would be very difficult to precisely quantify the impact U.S. aid has on any country's economic performance because of the many other variables involved, it is nonetheless clear on aggregate terms that our assitance of $324.5 million last year was very important in helping Israel meet its overall resource requirements. The full amount of $324.5 million was used to finance civilian commodity imports from the United States, and this assistance constituted about 6 percent of Israel's estimated total civilian imports in 1975.

TRAINING OF JORDANIAN OFFICIALS

Mr. CONTE. On page 43, there is an item of $450,000 for training of government officials in Jordan. Where will this training take place?

Mr. NOOTER. It will take place principally in the United States. A few participants will receive training in third countries.

DEVELOPMENT OF JORDAN'S MINERAL RESOURCES

Mr. CONTE. We are also asked to provide $1.3 million toward development of, among other things, Jordan's mineral resources. What minerals are these?

Mr. NOOTER. Phosphates and potash are two of the minerals being looked at, but further study is needed to identify additional mineral resources for exploitation.

Mr. CONTE. Would the United States have access to them?

Mr. NOOTER. That would depend, of course, on what minerals are found to be economically exploitable for export, and the interest of U.S. investors. As a general principle, the answer would be "Yes."

AGRICULTURAL PRODUCTION IN MIDDLE EAST COUNTRIES

Mr. CONTE. In Egypt, Israel, Jordan, and Syria there seems to be a chronic shortage of wheat. What efforts have been made to increase their ability to produce such commodities?

Mr. NOOTER. All of the countries are devoting a great deal of attention to the development of their agricultural sectors in order to reduce the level of their food import requirements. However, none of these countries can be expected to reach full and continuing self-sufficiency in wheat and other basic agricultural production in the near future. May I illustrate the problems with a few brief comments on each country.

Egypt has a very serious land constraint in that agricultural land is less than 3 percent of its total land area. Consequently, Egypt is concentrating much of its development efforts in this field on measures to intensify and improve production from the existing arable land. Expanded and improved irrigation systems figure prominently in Egypt's agricultural development plans. With respect to wheat, the

Egypt Ministry of Agriculture has been working with the Ford Foundation for a number of years to develop and introduce improved and high-yielding strains of wheat. A USDA team has just completed a survey of Egyptian agriculture for the purpose of identifying further areas in which the United States can provide assistance.

As for Israel, a variety of efforts are underway, and have been for some time, to increase wheat and other agricultural production. These include very intensive use of existing farmland, adaptive research to develop improved crop varieties, measures to improve utilization of water resources and similar measures. However, while in the long run these efforts will increase Israel's ability to produce more of the country's food requirements they will not make Israel self-sufficient in food in the near future and Israel will continue to have a food import requirement for some years to come.

With respect to Jordan's wheat production, we have provided the Jordanians assistance in research on wheat under a contract with Oregon State University. The results of Oregon State's efforts are now under review. As for other crops, the Jordanians are expanding their research and extension services, and taking a number of measures to improve agricultural production. We are assisting in many of these efforts.

Syrian wheat and other agricultural production fluctuates widely due to heavy dependence on rainfall and the frequent occurrence of drought conditions as this country is so heavily dependent on dryland farming. The Syrians are strongly committed to the development of their agricultural sector and a major element of their planning is the expansion of the country's irrigation networks. A key element in this endeavor is the Syrians' plan to develop the Euphrates River Basin, an effort to which AID is proposing assistance during 1976.

JORDAN'S ECONOMIC GROWTH RATE

Mr. CONTE. Prior to the 1967 war, Jordan has achieved a 10-percent annual economic growth rate. We have a request for $57 million from the United States and a pledge of $300 million from Arab oil producing nations. What is the present growth rate? If we cut this item would the Arab countries take up the differences?

Mr. NOOTER. Jordan's present annual growth rate has averaged about 6 percent over the past couple of years. With respect to the $300 million in pledges from other Arab States, I presume this refers to the so-called "Rabat payments." These funds are to be used to help Jordan meet its defense needs. It is not clear how much of the stated amount has actually been delivered. The $57 million we are requesting is for direct economic support, and cannot be used to support the Jordanian military. In my opinion, it is doubtful that the Arab States would take up the slack if our request were to be reduced.

JORDANIAN IRRIGATION DAM PROJECT

Mr. CONTE. On table IV on page 51 there is an item for $1 million for a Jordanian irrigation dam project. If this will increase the total arable land, what will be grown there? Will it reduce the need for Public Law 480?

Mr. NOOTER. The funds we are requesting will be used to finance pre-investment studies for the dam. Our present estimates are that the dam would bring an additional 15,000 hectares under cultivation, and improve irrigation for 21,000 hectares presently under cultivation, bringing the total to 36,000 hectares. Crops that would be grown include vegetables, citrus, and cereal crops. In the long run, the project could reduce Jordan's need for Public Law 480 assistance, but it is really too early to predict when and by how much.

OTHER DONOR AID TO SYRIA

Mr. CONTE. What aid is Syria receiving from third countries?

Mr. NOOTER. Syria historically has looked for assistance toward a combination of donors including other Arab States, Communist bloc countries and Europe. In 1975, Syria received about $1.5 billion from these sources, of which some $1.1 billion came from the Arab States. $350 million from the bloc countries, and the remaining $35 million from the DAC countries.

PEACE OBJECTIVES

Mr. CONTE. What indications do we have that security aid to Syria would further peace objectives in the Middle East?

Mr. ATHERTON. Syria is a key country in bringing about realization of our continuing efforts to secure a just and lasting peace in the Middle East. Over the past 18 months, mutual confidence has developed between our countries, creating an atmosphere which we hope will be conducive to achieving a lasting peace settlement in the area. The extension of the agreement for the stationing of U.N. peace keeping forces in the Golan Heights was helpful in this regard.

WEST BANK AND GAZA

Mr. CONTE. On page 72 of your justification there is a $2 million item programed for West Bank and Gaza. Will this be applied to resettlement, food, development or what?

Mr. NOOTER. These funds will be used to support selected activities of U.S. private voluntary organizations active in the area. Activities presently under consideration include vocational education, rural development activities, health and education and other projects.

MIDDLE EAST SPECIAL REQUIREMENTS FUND

Mr. CONTE. Will any of the Middle East Special Requirements Fund go to the United Nations Relief and Works Agency?

Mr. NOOTER. We don't presently plan to use any of the Special Requirements Fund for UNRWA. However, we would consider using the fund to meet any extraordinary funding requirements of the United Nations Relief and Works Agency that might arise during fiscal year 1976. As you may recall, the Special Requirements Fund was used last year to assist UNRWA defray its large 1975 operating deficit.

SINAI SURVEILLANCE STATION

Mr. CONTE. When will the Sinai Surveillance Station be fully operational?

Mr. NOOTER. The American Sinai Support Mission is scheduled to be at full operational surveillance capability by February 22, 1976. Completion of all required construction is expected by July 1, 1976.

Mr. CONTE. Regarding the Sinai Surveillance Station, will the $20 million cover the personnel expenses and equipment? How much is devoted to personnel and how much to equipment?

Mr. NOOTER. The $20 million will be used for salaries, equipment and construction costs. We estimate that roughly half of the total amount will be required for construction and startup costs and half will be used for operational costs. A team will be going to the Sinai later this month to conduct onsite surveys, and we will have more precise estimates when the team returns.

THE ECONOMY OF CYPRUS

Mr. CONTE. The economy of Cyprus was severely set back by the invasion and most of the refugees are unable to find any employment. Would it not make sense to provide some economic stimulus to create jobs for the refugees, thereby reducing the need for relief aid?

Mr. NOOTER. Employment creation is one of the important elements of the economic recovery effort in Cyprus. The government is seized with this problem and has been developing plans which emphasize employment creation.

At the same time, many refugees have a continuing need for basic essentials which must be met. As the pressing needs of the refugees are taken care of, we will be able to turn more of our attention to rehabilitation needs.

In fiscal 1976, the UNHCR which administers our contribution to Cyprus, will place greater emphasis on employment creating activities such as housing and reforestation.

UNITED NATIONS FORCES IN CYPRUS (UNFICYP)

Mr. CONTE. Is the entire 3,548-man United Nations forces in Cyprus necessary to prevent further hostilities?

Mr. NOOTER. The United Nations force in Cyprus plays a pivotal role in assuring peace on the island by closely monitoring activities along the cease-fire line. Its other mission, protection of minority groups in each sector, has diminished since the vast bulk of minority members in each sector has left.

Since the hostilities over a year ago, UNFICYP has reduced its forces from a high of 4,335 to its current level of 3,063. This is, no doubt, at least a partial response to the reduced need for troops to protect minorities. We do not have an independent judgment as to whether or not the current troop strength could be reduced further without jeopardizing UNFICYP's first objective.

UNFICYP HUMANITARIAN ASSISTANCE

Mr. CONTE. What type of humanitarian assistance does the United Nations force provide there?

Mr. NOOTER. The UNFICYP is helping with the distribution of food. The food, which is donated by a number of countries, is carried by UNFICYP trucks to remote areas of Cyprus. UNFICYP also provides some general administrative assistance to UNHCR.

COMMODITY LOAN TO GREECE

Mr. CONTE. Where will the bulk of the commodities purchased by Greece with our $65 million come from?

Mr. NOTER. The commodities purchased by Greece with this commodity loan will be purchased in the United States.

IMPACT OF PORTUGUESE REFUGEES

Mr. CONTE. What impact is the influx of refugees having on the Portuguese economy?

Mr. NOOTER. The most serious consequence of the refugee influx has been a sharp increase in already serious unemployment. About 275,000 workers, some 10 percent of the labor force, were unemployed at midyear. The refugees are estimated to have raised unemployment to 13 percent, and the figure is still rising. The Portugese Government must provide both short-term relief for the refugees plus resettlement assistance, including tools and materials to enable them to practice their previous trades. The program will cost at least 152.4 million at mid-1976. Furthermore, assistance aimed at a thoroughgoing revitalization of the Portugese economy will be needed if the central problem of unemployment is to be solved.

Inflation has surged to 30 percent per year, substantially adding to labor unrest and feeding demands for wage increases which could price Portuguese goods out of international markets.

PORTUGUESE AID TO FORMER TERRITORIES

Mr. CONTE. I have been interested in the situation of the former Portuguese colonies. Is Portugal giving them any financial assistance?

Mr. NOOTER. Portugal has tried to retain a close, special relationship with its former overseas territories, and the governments of these now-independent countries have looked to Portugal for assistance. Portugal's own economic problems, however, have greatly limited its response. Mozambique has not received any Portuguese financial aid since its independence as far as we know, although the two countries reportedly signed an agreement for technical assistance in October 1975. We know of no Portuguese aid to Angola since the latter's independence on November 11, 1975. Cape Verde received a pledge of $14 million loan in early 1975 and it received food subsidies but nothing further since its independence in July 1975, as far as we are aware. Portugal also pledged an $8 million loan to Guinea-Bissau in mid-1975.

SOVIET AID TO PORTUGAL

Mr. CONTE. What is the level of Soviet aid to Portugal?

Mr. NOOTER. The Soviets late in 1974 and early in 1975 offered technical assistance for Portgual's fishing industry and for coal mining and one heavy industry. They also offered credits for the sectors that would receive the technical assistance. There are unconfirmed reports

that one group of Portuguese fishing industry trainees actually went to Kiev early in 1975, but no other government-to-government aid has been delivered, so far as we are aware, except for the contribution of one Ilyushin 62 airplane to the Angolan airlift in September and October 1975. The Soviets have apparently supplied considerable aid to the Portuguese Community Party, easily the best-financed political party in Portugal.

ZAIRE SUPPORTING ASSISTANCE

Mr. CONTE. Will any of the money going to Zaire be channeled to one of the factions in Angola?

Mr. GRIFFITH. No. Actually money will not change hands. Only commodities will be provided under the proposed $20 million program loan or through the Public Law 480, title I program and Commodity Credit Corporation credits. The terms of our agreements with the Government of Zaire will prohibit the reexport of these commodities, and we will make every effort to see that this provision is complied with.

ZAIRE SUPPORTING ASSISTANCE

Mr. CONTE. Will any of the loan in table VI on page 105 of the justification concern rail transportation in Zaire?

Mr. GRIFFITH. Yes. Loan 660–H–011, water transport, which is primarily for water transport equipment, has a telecommunications component, a portion of which will assist in the control and operation of railroad train movements as well as providing cargo identification information between the port of Matadi and Kinshasa.

Mr. CONTE. Are we supplying arms to Angola by laundering them through Zaire?

Mr. GRIFFITH. U.S. military equipment provided to Zaire under the FMS program, and earlier under MAP, has been provided for use by the Zairian military. The normal prohibition against transfer to any third party without prior approval of the U.S. Government has applied to these transactions, and the Government of Zaire has been reminded of this in recent discussions of our FMS program.

As Secretary Kissinger has indicated, the United States has given some assistance to support efforts of Angolan groups trying to oppose a military takeover there by the MPLA, backed by Soviet arms and Cuban soldiers. The nature and extent of that assistance have been fully explained to the appropriate committees of the Congress.

Mr. LONG. Mr. Bevill?

HARKIN AMENDMENT AND U.S. INTERESTS

Mr. BEVILL. Thank you, Mr. Chairman.

The Harkin amendment as I understand it requires the President to indicate that it is to the best interests of the United States that a particular country receive foreign aid.

Isn't the President really doing that when he sends a budget request to us? It is my understanding that all requests for money by the State

Department indicate to us an assumption of how the best interests of the United States can be furthered.

Mr. NOOTER. That is correct.

BANK OF ALEXANDRIA

Mr. BEVILL. For example, the money requested for Egypt. I notice that the Bank of Alexandria is to get $25 million in this bill.They are going to turn around and loan it to some industrial association, which will in turn loan it to some industry. The President is, in effect, saying that it is to the best interests of the United States to appropriate this $25 million to Egypt.

Mr. NOOTER. That is correct.

HARTKIN AMENDMENT POLICY IMPLICATIONS

Mr. BEVILL. So really the Harkin amendment is not adding anything new, is it?

Mr. NOOTER. Indeed it is, to the extent that it forces the President to make a public declaration in cases where there are human rights questions. It would require him to certify that the national interest caused us to set aside those considerations.

Mr. LONG. Would the gentleman yield?

Mr. BEVILL. Yes.

Mr. LONG. But only in the case where the President has put himself in that position by allowing an appropriation request to be made for that country. The President doesn't have to put himself in that position.

Mr. NOOTER. But he has only two unpleasant choices in cases where the national interest would dictate that the aid should be provided. Those choices are either not to provide it, even though we think it should be provided, or to make a declaration of a kind that could well be offensive not only in the eyes of the country in question, but in the eyes of other countries in the world that might resent the fact that the United States is playing this sort of role.

Mr. LONG. The country to whom we are giving the aid as a result of a Presidential waiver is certainly not going to object. The countries that are going to object are the countries for which we decide not to make that Presidential waiver, isn't that true? They are the ones that are going to feel hurt, and that hurt can be avoided by not putting in the appropriation request to begin with.

Mr. NOOTER. But my point is this procedure alone will create problems, the fact of requiring a public declaration of this kind.

LOANS AND GRANTS FOR EGYPT

Mr. BEVILL. Why are we making this a grant to Egypt rather than a loan?

Mr. NOOTER. The Egypt program is a combination of grants and loans. About $510 million out of the $750 million would be in the form of loans. The balance would be in the form of grants.

Mr. BEVILL. What is the interest rate on the loans?

Mr. NOOTER. It would be concessional loans at AID's regular loan terms—2 percent during a 10-year grace period and 3 percent interest during a 30-year repayment period.

BANK OF ALEXANDRIA

Mr. BEVILL. How much interest will the bank of Alexandria——

Mr. LONG. I will declare a recess for 5 minutes.

[Recess.]

Mr. LONG. Mr. Bevill of Alabama will resume his questioning.

Mr. BEVILL. How much interest will the Bank of Alexandria pay the U.S. Government for this $25 million?

Mr. NOOTER. The bank itself makes loans to its clients at something more nearly a commercial rate, and that bank is, I am quite sure, a government-owned bank, and so it is really an intergovernmental transaction.

Mr. BEVILL. Would you find out and put in the record how much interest they will be paying?

Mr. NOOTER. I will.

Mr. BEVILL. And also how much interest the bank will be netting for the money when it will, in turn, loan to the Association of Industries or whatever the name is?

Mr. NOOTER. Right.

Mr. BEVILL. And then how much interest the association will get when it makes a loan to the industries?

Mr. NOOTER. We will provide that for the record.

[The information follows:]

BANK OF ALEXANDRIA LENDING POLICIES

Under the proposed project, the Egyptian Government will relend the proceeds of the A.I.D. loan to the Bank of Alexandria at a rate of 8 percent per annum. The Bank of Alexandria's relending rate to subborrowers will be at 10 percent interest giving the Bank of Alexandria a 2 percent spread for administering its loan operations. The Bank of Alexandria lends directly to the enterprises concerned, whether public or private. We expect that 65 percent of the funds in our loan will go to the private sector.

AID TO EGYPT AND PEACE IN THE MIDDLE EAST

Mr. BEVILL. I understand this money for Egypt is for a number of projects, such as gas turbine generators, improvement of rural health services, and water uses. I am wondering though how this will help to bring longterm peace to the Middle East.

Would you have any comment on that, sir?

Mr. NOOTER. Yes; that reference refers more to the overall relationship between our various countries—in this case to the United States role vis-a-vis Egypt as compared to the situation several years ago, where the Soviet Union was the principal outside supporting force, both for military assistance and economic assistance to Egypt. As the relationship between Egypt and the Soviets has cooled, there has been a vacuum to some extent. What we are suggesting here is that our economic assistance is an integral part of the relationship between ourselves and Egypt, and in that sense it strengthens our ability to deal with Egypt, to appear to be in a position of being a more evenhanded if not and a direct participant at least an interested party in that part of the world.

Mr. BEVILL. Are you saying that this will increase the political leverage that the United States has in Egypt?

Mr. NOOTER. I think it would be a mistake to use that term in a specific sense. I prefer to describe it as strengthening relationships. Also Egypt has many pressing economic needs which are real. The economy is not in good shape after many years of limited outside resources flowing into the country in the way of machinery and so on. Certainly one aspect of the aid is the impact which economic progress will have, the fact that such progress will strengthen the government there, the fact that it will give the people some hope of satisfying their economic aspirations as a substitute for warlike aspirations is all part of the equation.

I prefer not to suggest that a specific amount of aid buys a particular result, because the situation is almost always more complex than that. That certainly is the case in Egypt.

Mr. BEVILL. Would it be fair to say that this, in your judgment, will increase the goodwill we share with Egypt?

Mr. NOOTER. That certainly would be the case, yes.

FOREIGN AID AND GOODWILL TOWARD THE UNITED STATES

Mr. BEVILL. We have given foreign aid to 127 countries and 6 territories, and yet look at what the United Nations is doing to us.

Do you really feel that our foreign aid program is bringing in the expectations that we hear from the State Department every year?

Mr. NOOTER. I am not prepared to say that foreign aid always buys good relations everywhere. What I was addressing was the fact that this foreign aid request, in relation to Egypt, will in my opinion improve the feeling of goodwill between our two countries, and I believe that is a valid statement. Certainly I am not implying that that necessarily is the situation in every country around the world where we have a foreign aid program.

IMPACT OF REDUCTION IN AID TO EGYPT

Mr. BEVILL. In your judgment what would be the response from Egypt if this committee decided to reduce the suggested appropriation to Egypt? What would be the result?

Mr. NOOTER. That is difficult to say. I would say that no doubt Egypt must look at the relationship with us as one that has many facets, of which foreign aid is only one. I wouldn't say that it would completely cool the relationship or lead to a totally negative relationship.

I do think that it would be unfortunate, at a time when President Sadat has staked a good deal of his personal prestige on strengthened ties with the United States, his personal ties with the President and the Secretary of State. But I think that the reaction on the whole would have to be viewed in the context of the overall relationship. It would be difficult to predict with great accuracy exactly what any particular aid level would do in terms of the relationship.

Roy, would you like to add to that?

Mr. ATHERTON. Yes, if I may, Mr. Bevill. I think one has to start with the observation that really for the first time in many, many years the United States and Egypt have found a common objective, which is to work for a just and lasting peace in the Middle East. It seems to me that for President Sadat to have made this decision, and in a way given

leadership to much of the Arab world to move in this direction, deserves our recognition and some signs of support and confidence in him that will, in turn, give him confidence in us.

I think a reduction in the program this year would have the effect of raising question marks at least in his mind about the wisdom and durability of this course that he has chosen and about his confidence in us. It would be that kind of an effect that I would fear.

DATES OF ECONOMIC DEVELOPMENT PLANS

Mr. BEVILL. I am going to ask that the rest of my questions be put in the record and answered for the record.

Would you supply for the record the dates that these countries have for their 5-year programs, 10-year programs, 20-year programs, and whatever programs they have for obtaining economic self-sufficiency? Every ambassador to whom I have ever asked the question has such a date, a 5-year, a 10-year, a 15-, or a 20-year program.

Would you supply those dates for the record?

Mr. NOOTER. Are you referring to, say, a 5-year economic development plan that a country might have?

Mr. BEVILL. Yes; not just 5 years.

Mr. NOOTER. Whatever it is.

Mr. BEVILL. The Ambassador of Pakistan told me the other day they have a 20-year plan, and they expect to be on their own in 20 years. This is what I am asking for. I am sure that if you are giving this money to these countries, you would know what their economic self-sufficiency program is. I would like to get that in the record for each of these countries.

Mr. NOOTER. Where that exists we will be glad to provide it.

Mr. BEVILL. If it doesn't exist, just say it doesn't exist.

Mr. NOOTER. I think, for example, in Israel, where the uncertainties of the security situation are such that it makes it almost impossible to predict.

Mr. BEVILL. The countries all seem to have that information every time I ask them, but when I ask the State Department I can't ever get an answer.

Mr. NOOTER. We will certainly get whatever we can.

Mr. BEVILL. I have been trying to get it for 2 years now. I would appreciate it if you would put that in the record.

[The information follows:]

MULTI-YEAR DEVELOPMENT PLANS IN THE MIDDLE EAST

Three of the four Middle East countries for which aid is being requested have multiyear development plans. Syria is completing its third 5-year plan (1971–75) and the fourth 5-year plan (1976–80) is currently in preparation. Jordan is completing a 3-year plan (1973–75) and has drafted a 5-year plan (1976–80). Egypt has prepared the first part of a 10-year plan (1973–82) broken down into two five-year periods. The entire plan is currently undergoing extensive revision. The Government of Israel does not have an overall multiyear development plan but does have a five-year agricultural plan (1971/72–1975/76) and a 5-year industrial plan (1974–78). None of the countries in the Middle East has a 20- or 25-year "prospective" plan such as those of Pakistan and India.

OTHER DONOR AID TO EGYPT

Mr. BEVILL. If you will, list in the record the other countries that gave money to Egypt last year, how much they gave, and also whether they are going to increase their contribution to Egypt this year, since the United States is increasing its contribution.

Mr. NOOTER. Yes, we will.

[The information follows:]

OTHER DONOR AID TO EGYPT

The following table lists other countries that gave money to Egypt last year with corresponding estimated amounts committed or promised for calendar year 1975.

Country	*Millions*
OPEC:	
Kuwait	$833
Saudi Arabia	1,250
United Arab Emirates	226
Qatar	115
Iran	350
Bilateral:	
Japan	227
Germany (FRG)	50
United Kingdom	20
Denmark	9
The Netherlands	6
Multilateral:	
IBRD/IDA	212
IMF	60
UN	28
Communist: China	92
Total	3,478

Mr. BEVILL. Thank you, Mr. Chairman.

Mr. LONG. Thank you, Mr. Bevill.

The gentleman from Pennsylvania.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Let me say first I know this is a very difficult way to hold hearings. We have a major tax bill on the floor with some amendments that are so complicated that they defy understanding. I apologize that I have not been here for the entire hearing.

In connection with the assistance that we are providing to Egypt, you indicate that this is a multidonor program.

Who are the other donors that are involved in this program, and how much are they contributing?

Mr. NOOTER. There are quite a number of other countries giving aid to Egypt this year. The Arab oil producing countries are substantial donors, Kuwait, Saudi Arabia, the United Arab Emirates, Iran, but also Japan, Germany, United Kingdom, the World Bank, the IMF. Those are the most substantial donors there.

Mr. COUGHLIN. Would you give me an indication of the magnitude of the aid that is being provided by the other Arab countries?

Mr. NOOTER. Yes. The aid from the Arab countries this year is $2.8 billion for Egypt. This is aid which will not necessarily all be

delivered in this year, but which has been promised this year. In some cases it will be delivered but in other cases, such as with our aid, it requires some time before it is fully disbursed. The $2.8 billion partly in this year and partly in next year. The Arab oil producing countries have been substantial donors to Egypt this year.

Mr. COUGHLIN. Is that primarily grant aid or if not grant how much is loan aid?

Mr. NOOTER. It is a combination of grants and loans. I don't think I have an exact breakdown of that particular amount, but Egypt's overall aid from others is about two-thirds loan and one-third grant, which incidentally is about the same proportion which we are proposing for Egypt. They are getting help from others, but the needs of that economy are quite immense, given the years of stagnation that have taken place there.

U.S. PERSONNEL IN EGYPT

Mr. COUGHLIN. How many U.S. technicians do you envision being in Egypt under this program?

Mr. NOOTER. We have a relatively small staff there now, perhaps 10 or 12 people which we intend to increase to 20 in the next couple of months, but we know that as this program gets underway with a larger amount for this year, we will need a larger staff than that. We don't have an exact number yet, but it will have to expand.

Mr. COUGHLIN. What ballpark figure would you anticipate?

Mr. NOOTER. I would say we would certainly keep it under 100, but it will have to be larger than the 20 that we now have in mind, if we are going to provide adequate controls, audits, as well as to do the project preparation and working with the Egyptians on developing programs.

AID TO SYRIA

Mr. COUGHLIN. With respect to Syria, I did not realize that they had received some $83 million last year.

Mr. NOOTER. That is correct.

Mr. COUGHLIN [continuing]. Of U.S. assistance?

Mr. NOOTER. That is correct. That came from the Middle East Special Requirements Fund.

Mr. COUGHLIN. We got them aid one way or another.

Mr. NOOTER. We said at the time we presented our request last year that the principal use of the Middle East Special Requirements Fund was intended to be for Syria. We submitted the details of the Syria program to the Congress for review. This year, since the program is already underway, we have included it as part of the regular supporting assistance program.

Mr. COUGHLIN. I suspect it has already been asked, but is it anticipated that this aid this year would go to Syria regardless of whether there are further movements?

Mr. NOOTER. The aid is not intended to be tied to specific agreements. In fact, neither is the aid to Israel and Egypt. This is considered part

of our overall relationship there, and is not intended to be something that we are saying will buy a specific item.

Mr. COUGHLIN. Regardless of whether or not there was any movement.

Mr. NOOTER. Certainly the relationship in the whole situation will have a bearing on it, but let's say that it is not related to specific actions on their part, such as an agreement.

SYRIA'S POSITION IN NEGOTIATIONS

Mr. COUGHLIN. Syria sort of appears to have been the most intransigent of the countries over there. It is a little difficult to see us providing aid in this amount without some kind of movement in terms of their intransigence.

Mr. NOOTER. May I make just one comment on that, Mr. Coughlin? I agree that the Syrian-Israeli phase of the negotiations over a settlement is certainly one of the most difficult, but Syria is also obviously one of the key countries and an essential country, if there is going to be progress and an ultimate settlement. I think one has to remain engaged with the Syrians, keep the dialog open, and keep working at it.

Mr. COUGHLIN. Do you feel there is real hope that that will occur with the Syrian Government?

Mr. NOOTER. I think the hope is there. We haven't found the precise formula that will get the negotiations moving, but we are by no means giving up, and I think that the objective of this Syrian Government is to continue to work toward a settlement, if we can just find the path.

AID TO ZAIRE

Mr. COUGHLIN. With regard to Zaire, I note that many programs have been funded in Zaire through AID in the past. Why are we suddenly now going to the security supporting assistance, and then back to the AID in the transition period?

Mr. NOOTER. I would like Mr. Mulcahy from the African Bureau of State to respond to that, please.

Mr. MULCAHY. Sir, as you have noted, the programs of assistance that we have been carrying out in recent years in Zaire have been under development assistance. There were security supporting assistance programs in Zaire, I believe, until 1967. In 1967, by virtue of a fiscal reorganization, with the return of stability under the government of President Mobutu, and with the enormous prosperity that the country enjoyed, we put our programs on a development assistance basis wisely, and we were actually getting to a fairly low tapering off point, when this current financial disaster, caused by the pricipitate decline in copper prices, struck Zaire. Our present efforts are devoted to help Zaire over this short-term financial crisis.

We felt it was the most honest way to enlist the Congress' support for a special program to meet the special need. We are hoping that this will be a very short-term requirement, and that next year we will be able to go back to development assistance.

Mr. COUGHLIN. At a considerably lower level?

Mr. MULCAHY. At a considerably lower level, sir.

Mr. COUGHLIN. Thank you, Mr. Chairman. I think I have consumed my 5 minutes.

Mr. LONG. Thank you, Mr. Coughlin. Mr. Early?

ZAIRE SUPPORTING ASSISTANCE

Mr. EARLY. I notice you are seeking a total of $60 million in loans for Zaire. One of the reasons you give for Zaire's economic difficulties is overly expansionary fiscal policies. Would you please elaborate?

Mr. GRIFFITH. The $60 million package which we are proposing includes a $20 million security supporting assistance program loan, a $20 million EX–IM Bank letter of credit, an $8 million Public Law 480 title I loan, and $11 million in 3-year Commodity Credit Corporation credits.

During 1973 and 1974, Zaire enjoyed record trade export receipts resulting primarily from exceedingly favorable prices for copper from which Zaire receives about 60 percent of its foreign exchange earnings and is the major source of government revenues. During this period public debt rose substantially with large Eurodollar borrowings and Zaire's debt-service ratio increased from 8.8 percent in 1973 to 14 percent in 1974. With the increase in debt and export receipts there was a sharp increase in demand affecting both the volume and price of Zaire's imports. In conjunction with their external problems, government expenditures were allowed to increase 108 percent in the 1972–74 period, and in spite of an 80-percent increase in tax receipts, the overall budgetary deficit rose to an unprecedented level in 1974, equivalent to 11 percent of Zaire's gross domestic product.

Mr. EARLY. I notice in this month's Time magazine that Zaire has already defaulted on several million dollars in loans and millions more in obligations are due soon. Is this loan wise in light of some of President Mobutu's fiscal policies?

Mr. GRIFFITH. In view of dim export prospects in 1975 and the amount of outstanding short-term credits falling due, the Government established in early 1975 a comprehensive foreign exchange budget to allocate export earnings on a priority basis for essential imports and payments. In September, the Government of Zaire established a stabilization commission with public and private sector membership whose twofold purpose was to define the problems affecting Zaire's past and present economy and to recommend solutions. During November the International Monetary Fund studied the results of the commission's efforts. The commission's diagnosis of Zaire's economic problems has been characterized by the International Monetary Fund as hard hitting and totally honest, and the solutions presented, if implemented, would allow Zaire to achieve an economic recovery. During his recent national day speech President Mobutu stated the willingness of the Government of Zaire to accept the commission's recommendations and implement an International Monetary Fund stabilization plan. We feel confident that the Government of Zaire and International Monetary Fund will sign a memorandum of agreement in the near future that will allow the program to begin. These measures

should enable the Government of Zaire to meet the new obligations which we are proposing.

Mr. EARLY. According to the presentation, one of the steps to be taken in order to improve Zaire's agriculture is to train additional Zairois in agricultural disciplines and techniques. Is this feasible when as you state in the justification 78 percent of the labor force is already in agriculture?

Mr. GRIFFITH. The proposed training is not designed to bring additional people into the agricultural sector, but rather to upgrade the skills and technologies of those already involved with agriculture. Most farmers employ traditional farming methods and skills. With training, they can be more efficient and productive resulting in a substantial increase in small farmer income.

Mr. EARLY. On page 103 under rural development you mention some of the items for which this money is to be used. One of these is Land Rovers. Why isn't it feasible to use Jeeps?

Mr. GRIFFITH. Government of Zaire agencies operating in remote areas of the country use Land Rovers almost exclusively. What servicing and maintenance capability that exists in the rural regions is for Land Rovers. Jeeps will be procured for AID-supported rural development projects only if there is a reasonable assurance that they can be adequately maintained and serviced.

CAUSES OF UNDERUTILIZATION OF INDUSTRY

Mr. EARLY. Why is Egypt suffering from underutilization of existing plants and a low level of production?

Mr. NOOTER. Chief causes of underutilization in the industrial plant is due to the lack of investment in replacement machinery and parts as well as normal maintenance during the past 10 years, and a continuing shortage of raw materials needed for manufacturing.

Some of the most seriously affected industries that are a key to economic expansion are textiles, engineering, building materials, food processing, and the metallurgical industries.

ARAB AID TO EGYPT

Mr. EARLY. Could you provide this committee with the amount of financial assistance which has been provided or promised by Arab countries for Egypt?

Mr. NOOTER. Our records indicate that OPEC commitments for calendar year 1975 total $2.8 billion. A breakdown of this amount by country is as follows: $833 million from Kuwait; Saudi Arabia—$1,250 million; United Arab emirates—$226 million; Qatar—$115 million; and from Iran $350 million.

CONVENTIONAL POWERPLANT

Mr. EARLY. Will the proposed powerplant for Egypt—$70 million—be nuclear?

Mr. NOOTER. No; the proposed plant will be a conventional steam-driven thermal electric generation plant.

EGYPTIAN TOBACCO SHIPMENTS

Mr. EARLY. Why are we supplying 4,200 metric tons of tobacco to Egypt?

Mr. NOOTER. The Egyptian cigarette industry is affected by the acute shortage of foreign exchange with which to purchase from abroad the necessary primary materials for manufacture. It was in this light that we provided the tobacco requested by the Egyptian Government. The amount that we are supplying is by no means the total amount of imported tobacco needed by their cigarette industry, and they will continue to purchase American tobacco on commercial terms.

ENGLISH LANGUAGE TRAINING

Mr. EARLY. What is the purpose of training Syrians in English?

Mr. NOOTER. There are a number of reasons. First, this will help to prepare Syrians for later higher level educational training in the United States. Second, English has become an international language and Syrian Government leaders, professional and business people, want to learn and improve their English for this reason. Frankly, on our side, we think English language training by introducing Syrians to American culture and thinking, will strengthen U.S. and Syrian relations and thereby have a beneficial effect on our peace efforts in the area.

JORDAN GRAIN STORAGE

Mr. EARLY. In the case of Jordan, where we are supplying $18 million in capital loans, could you tell me why it is that $11 million of this is going for storage?

Mr. NOOTER. Jordan's port of Aqaba has taken on renewed importance with the reopening of the Suez Canal, both for domestic imports and transit cargos. Grain will be one of the more important and highest volume commodities flowing through the port, and at present there are no grain storage facilities at the port of Aqaba. Our assistance will help provide for grain storage and handling equipment to improve the efficiency of this operation.

UNITED NATIONS RURAL RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

Mr. EARLY. Could you provide this committee with a breakdown of what countries support the UNRWA for Palestinian refugees and could you also outline what services this Agency provides?

Mr. NOOTER. I have the list of donors with me, but the list is rather long so with your permission I will not read it but instead will leave a copy with you for the record.

Relief services include expenditures for shelter, food, and camp improvements and maintenance. Other UNRWA activities include health services such as special programs for mothers and young children, and public health measures. UNRWA also devotes a large proportion of its budget to education.

[The table follows:]

CONTRIBUTIONS TO UNRWA FROM GOVERNMENTS

	1973	1974
Abu Dhabi	(1)	(1)
Australia	$240,213	$321,000
Austria	35,000	50,000
Bahrain	10,000	10,000
Belgium	261,766	674,000
Brazil		10,009
Canada	2,050,000	2,094,000
Cyprus	713	697
Denmark	889,792	1,051,000
Egypt		7,680
European Economic Community	6,891,245	24,027,770
Finland	210,000	258,340
France	1,269,365	1,335,000
Gaza Authorities	77,925	78,190
Germany, Federal Republic of	4,967,589	2,937,000
Ghana	4,000	4,000
Greece	134,100	17,000
Haiti	1,000	1,000
Holy See	2,500	3,000
Iceland	12,000	12,500
India	14,903	15,493
Indonesia	5,500	6,000
Iran	1,8000	18,000
Iraq		[2] 255,222
Ireland	80,000	100,000
Israel	403,422	1,370,000
Italy	160,321	152,905
Jamaica	3,000	3,000
Japan	350,000	[3] 5,750,000
Jordan	289,083	246,401
Kuwait	220,000	400,000
Lebanon	64,797	69,750
Liberia	5,000	5,000
Libyan Arab Republic	600,000	600,000
Luxembourg	4,560	5,900
Madagascar	586	612
Malaysia	1,500	1,500
Mauritius		989
Mexico	7,500	
Monaco	215	1,600
Morocco	57,000	51,236
Netherlands	135,135	564,574
New Zealand	81,844	146,298
Nigeria	6,080	
Norway	845,433	1,401,664
Oman	25,000	25,000
Pakistan	20,805	21,804
Philippines	1,250	1,250
Qatar		60,000
Republic of Korea	7,000	10,000
Republic of Viet-Nam	3,000	3,000
Saudi Airabia	397,000	650,000
Sierra Leone	10,400	10,400
Singapore	1,500	1,500
Spain	827,586	1,000,000
Sri Lanka	1,000	1,000
Sudan	5,761	5,740
Swaziland	660	660
Sweden	3,718,600	4,193,338
Switzerland	1,232,726	1,604,049
Syrian Arab Republic	102,192	102,192
Thailand	10,619	13,000
Trinidad and Tobago	1,810	2,900
Tunisia	6,000	7,000
Turkey	20,000	20,000
United Arab Emirates	220,000	250,000
United Kingdom of Great Britain and Northern Ireland	4,960,000	4,760,000
United States of America	23,200,000	27,400,000
Yugoslavia	35,000	25,000
Total	55,269,051	84,215,163

[1] Included with the contribution from the United Arab Emirates reported in this table.
[2] Includes $118,220 for 1973.
[3] Includes rice valued at $750,000 pledged by Japan in 1973 and allocated by the Agency to its operations in 1974.

ISRAEL—LOAN TERMS

Mr. EARLY. What rate of interest will Israel be paying on these loans?

Mr. NOOTER. These loans will be provided on regular AID loan terms, with a 40-year repayment period, including a grace period of 10 years, and an annual interest rate of 2 percent during the grace period and 3 percent thereafter.

ISRAEL ECONOMY

Mr. EARLY. How long does the State Department estimate it will take Israel's economy to stabilize?

Mr. NOOTER. The Israel economy is heavily burdened by defense requirements, and will require external assistance as long as these extraordinary requirements persist. Defense expenditures are on the order of 40 percent of Israel's national budget or about $4.7 billion. Israel's trade deficit runs at about $3.5 billion to $4 billion annually, and defense imports are about 25 to 30 percent of total imports. However, the Israel economy is basically strong and if a permanent peace is achieved in which case defense requirements will not be so large, the economy should reach a healthy equilibrium.

ISRAEL—MILITARY SELF-SUFFICIENCY

Mr. EARLY. When do you expect Israel to become militarily self-sufficient?

Mr. ATHERTON. If you mean in the sense of providing for all of its military requirements from within, not in the foreseeable future.

ISRAEL—OTHER DONOR ASSISTANCE

Mr. EARLY. Could you tell this committee what other countries are supporting Israel? Could you also include the amounts?

Mr. NOTTER. Yes; in calendar year 1975 Israel received assistance from the following donors in addition to the United States:

(Estimated amount in millions of U.S. dollars)

Donor:	
Germany	55
World Bank/IMF	235
UNDP	1
Japan/Other DAC[1]	(2)

[1] Includes Austria, Belgium, Denmark, Italy, Netherlands, Norway, Portugal, Sweden, and Switzerland.
[2] Less than one-half million.

Mr. LONG. Thank you, Mr. Early.

ISRAEL AND THE BALANCE OF POWER

Mr. Obey raised some questions which I think he meant to carry the query: Hasn't Israel improved its position sufficiently relative to the confrontation states since the Yom Kippur war, so that it doesn't really need all this help?

I am not quite sure exactly what he meant, but I think he did carry the idea that there had been a considerable relative improvement since then.

Is that your understanding of Mr. Obey's intent?

Mr. NOOTER. I really think I have already testified more in regard to the military request than would be justified by my lack of expertise in that area.

Roy, would you care to comment?

Mr. ATHERTON. That was my understanding of what Mr. Obey's point was, but I think the problem is one has to look at this not as a static situation.

Mr. LONG. Exactly.

Mr. ATHERTON. It is a dynamic situation, and many of the things that Israel is going to need have a long leadtime, and one has to begin now to place orders and to make down payments, to be in a position to keep that position of military strength over time.

Mr. LONG. Of course. Would you agree or not agree that the big unknown is the degree of the qualitative improvements on either side?

Mr. ATHERTON. That is very hard to measure, yes.

Mr. LONG. And of course the military situation of surprise and everything else that might occur, in the event of another war, how well the two sides had been supplied, and so on.

ISRAELI CASUALTIES IN THE YOM KIPPUR WAR

Wasn't the Israeli victory in the Yom Kippur war, if you can call it that, purchased at the expense of very heavy casualties? Do you happen to know what the casualties were?

Mr. ATHERTON. My recollection is that there were somewhere in the neighborhood of 9,000 of which about 2,300 were killed in action.

Mr. LONG. And is it not true that to equate those to our own situation, you would have to multiply that by 70? We are approximately 70 times as big as Israel. That would be about 600,000 casualties, equivalent to our losses in World War II.

Mr. ATHERTON. Very heavy in terms of the Israeli population.

Mr. LONG. And isn't it true that other calculations that have been made show that if Israel won the next war, it could be at the expense of up to the equivalent for us of 2.5 million casualties, or about 40,000 casualties?

Mr. ATHERTON. I believe there are some projections that have been made in defense studies. I am afraid I don't recall precisely the figures but they are large, certainly larger than the October 1973 war.

OBJECT OF AID TO ISRAEL

Mr. LONG. The object of our help to Israel, I believe, is not to enable them to just barely survive.

Would you say that is true?

Mr. ATHERTON. I would say the object of our——

Mr. LONG. We are not trying to cut aid to the point where a country just barely survives.

Mr. ATHERTON. No. We want them to have a feeling of security as well as to be secure. But the object ultimately of the help, of course,

is to help make peace, but also to be in a position if war should come to——

Mr. LONG. Wouldn't it also be the purpose to give them sufficient strength to deter another war?

ADEQUACY OF ECONOMIC AID TO ISRAEL

Mr. ATHERTON. That is a very important consideration, yes.

Mr. LONG. Do you feel that the economic support that we are giving, approximately $800 million, is adequate to deal with Israel's economic problems? I believe that her external debt is a large fraction of her gross national product; isn't that so?

Mr. ATHERTON. I think that is correct.

Mr. NOOTER. Yes, it is about that order of magnitude.

Mr. LONG. It would be as if we owed $1 trillion, and we owed it not to Americans but to foreigners. To understand Israel's economic situation you would have to put it in those terms, that it has double the relative debt of the United States, and instead of it being owed to its own people and therefore collecting taxes being collected on the interest paid, and all that kind of thing, it is owed abroad. That is a staggering burden, is it not, for the country to carry?

Mr. NOOTER. They have a very heavy debt burden.

Mr. LONG. Isn't it true that Israel has an income tax burden which is one of the highest that has ever existed anywhere in the world at any time, let alone now?

Mr. NOOTER. Yes.

Mr. LONG. And that she is living under conditions of great austerity.

Do you feel, in view of that, that the $800 million in supporting assistance that is being requested by the administration can in any way be regarded as excessive or as being larger than what Israel needs?

EGYPT'S INTENTIONS

Mr. NOOTER. It is by no means excessive, Dr. Long.

Mr. LONG. In giving our aid to Egypt, do we have a strong feeling of Egypt's peaceful intentions for the future?

Mr. ATHERTON. I think there is no question about the intentions of this Government of Egypt, and I think about the thrust of public opinion in Egypt. This is based upon 2 years of very close dialog with Egypt and our reading of Egyptian opinion, not just what we are told, but what we judge the situation to be.

Mr. LONG. I think we all hope that that would be so.

Mr. ATHERTON. I think it is true of this Government of Egypt today, yes.

Mr. LONG. Of course there are other interpretations that could be put. One of them would be that it is possible that Egypt, in consenting to this kind of agreement, is buying time, in order to improve its military power, and that in asking for nuclear reactors, there is a distinct possibility, is there not, at least hasn't it been alleged, that Egypt may well be moving toward nuclear weaponry?

Mr. NOOTER. I don't think there is any prospect that their obtaining nuclear reactors, under the kind of agreement safeguards contemplated, would pose a threat with regard to nuclear arms.

NUCLEAR SAFEGUARDS

Mr. LONG. I understand there are safeguards there. Can we really be sure of those safeguards?

Mr. NOOTER. First of all, they are the most stringent safeguards imposed in any nuclear agreement in the world today. Incidentally, the same terms would apply to Israel, where we are working on a similar agreement. We think they do provide an adequate level of safeguards to assure that this doesn't happen. We don't have any reason to think that the Egyptians are thinking of this as a way of achieving nuclear weapons.

Mr. LONG. Of course I have pointed out in another connection, and I believe it has not been denied, that, whatever Egypt's intentions are now, giving Egypt nuclear technology, nuclear expertise, engineering, know-how and so on, means that if any time they wanted to go ahead with nuclear weaponry, they could order us out and go ahead with it, isn't that true?

Mr. ATHERTON. Certainly I think——

Mr. LONG. They ordered the Russians out.

Mr. ATHERTON [continuing]. This is always a risk that one runs, but I think the essential point here, Mr. Long, is that it isn't a case of whether or not Egypt is going to acquire nuclear power facilities and nuclear technology. They have made that decision. Really the only question is whether we are going to be in on the ground floor as the supplier with the very strong interest we have in establishing a set of safeguards that will be as airtight as any safeguards can be, and that will be enforced as we feel they must be. That is really the question, the decision we are faced with.

Mr. LONG. I want to make the point that there are no airtight safeguards on any nuclear agreement. I have made this in other connections, on debates on the floor and so on. I think it would take too long to bring it out in questioning. Right now we have a vote on the floor. I am going to declare a recess for the appropriate amount of time.

[Recess.]

AID TO SYRIA

Mr. LONG. The committee will come to order. What actions has Syria taken to justify its receiving $90 million in economic aid in fiscal 1976 as you propose?

Mr. NOOTER. I would like to ask Mr. Atherton to respond to that question, Mr. Chairman.

Mr. ATHERTON. I am sorry, I was getting off a phonecall. I did not hear the question.

Mr. LONG. What actions has Syria taken to justify the $90 million in economic aid that you propose in fiscal 1976?

Mr. ATHERTON. Well, as Mr. Nooter has pointed out, we don't try to identify specific actions with specific aid programs. It is more within the general context of our relationships that our aid programs are conceived.

Mr. LONG. Is Syria, which strikes the casual observer as being pretty belligerent, is Syria making sufficiently reassuring moves to justify our giving her what is really quite a substantial amount of aid considering what a small country it is?

Mr. ATHERTON. So long as we are going to continue our efforts to bring about a negotiated peace, Syria is essential to that. There won't be a negotiated peace unless Syria is part of it

Mr. LONG. I agree with that.

SYRIA'S POLICY

Mr. ATHERTON. The Syrians are still, by their policy, committed to continuing the efforts. They have said this both publicly and privately to us. We certainly are continuing our dialog with them.

Mr. LONG. They have agreed to an extension of the United Nations presence in the Golan, is that right?

Mr. ATHERTON. They agreed to a 6-month extension of the United Nations presence as part of the Security Council decision last Sunday. We have not yet found, or come to an agreement, with the Syrians, or more precisely an agreement between the Syrians and Israelis, where we are trying to act as the middleman.

SYRIA'S GOALS

Mr. LONG. They have made a number of rather inflammatory statements. What is the State Department's feelings as to their longrun goals?

Mr. ATHERTON. We operate on the premise that the Syrian Government, having accepted the basic Security Council resolution which is the framework for the negotiations, having declared that its objective is to try to reach a negotiated settlement, that this is their stated policy and this is their actual intention, until we have evidence to the contrary. I would not say that we have evidence to the contrary.

We have many difficulties in engaging the Syrians and the Israelis in the negotiating process. The Syrian position is not one that the Israelis find acceptable and the Israeli position is not one that the Syrians find acceptable. I think we have found the formula. I think we have to move in this direction until we have evidence that this is not working. So we will continue to work in that direction.

AID TO SYRIA

Mr. LONG. I would think we need something more assuring than that, in view of the things Syria has been saying. Is our aid to Syria expected to move the Syrian Government toward a more compromising position vis-a-vis Israel or is this more sort of a holding payment?

Mr. ATHERTON. I would not say that the aid is being offered or that we are responding to their desire for aid in the context——

Mr. LONG. These things have to be done with delicacy, I understand. You couldn't put it quite so crudely. But still there ought to be in the back of our minds some practical result that we are hoping to get for this substantial sum of money.

Mr. ATHERTON. There clearly is. We think that result requires a relationship between us and Syria of which this aid relationship is a part. That is really in substance what it is all about.

Mr. LONG. We don't expect that Syria is simply saying, well, 6 months longer of the U.N. in the Golan is worth $90 million?

Mr. ATHERTON. No, sir.

Mr. LONG. We are paying a high price for a 6-month delay.
Mr. ATHERTON. I would not make that equation.

AID TO JORDAN

Mr. LONG. You are proposing $77½ million in economic aid to Jordan, together with $185 million in military aid. Jordan is also projected to buy $390 million in arms from the United States. Why does Jordan need our economic aid if it can purchase such large amounts of weapons such as this $390 million?

Mr. NOOTER. My understanding is that Jordan is receiving two kinds of aid from the OPEC countries, some economic and some marked for military procurement. I am not exactly positive of those arrangements but our understanding is that those funds are not necessarily interchangeable. The aid that goes in on the economic side fills a certain objective and purpose in regard to the economy and that which goes for military purchases is in a separate category.

Mr. LONG. You regard these as separate, watertight compartments but can they actually be so regarded?

Mr. NOOTER. There is always some possible element of fungibility in any resource transfer.

Mr. LONG. Money is money.

Mr. NOOTER. When it is provided as money. But we understand some of the OPEC aid to Jordan is actually earmarked and directed to be spent only for certain purposes. To that extent it is compartmentalized, at least to a degree.

OTHER DONOR AID TO JORDAN

Mr. LONG. What amount of aid is Jordan receiving this year from the Arab oil producers and also from other donors?

Mr. NOOTER. Our figures indicate that the OPEC countries are providing about $127 million in economic aid to Jordan. The total from all countries, including OPEC aid, is $237 million. We don't have any figures on the military aid, which would be additional.

AID TO ARAB NATIONS

Mr. LONG. I must say I am a little bit puzzled as to why we are giving so much to the Arab countries if what we hope to get is longrun peace. It seems to me that it is in our interests to strengthen Israel. I don't know many people in Congress who feel our job is to strengthen Israel's adversaries which are already pretty strong. Yet, our philosophy seems to be that we achieve a stability there by strengthening both sides. Does this really operate in a constructive way toward producing a durable peace or does it just simply make both sides stronger so that the next war can be more ferocious?

Mr. ATHERTON. I would say our objective is a peace settlement between Israel and its adversaries. Part of that, keeping Israel strong, is essential. Also, as part of that, having relations between ourselves and the Arab states of the kind that permit us to play a peacemaking role is also essential. Strengthening them economically, it seems to me, is essential. The principal part of this package on the Arab side is economic assistance to Egypt.

Mr. LONG. Is this aid being given to the Arabs so that Sadat and the heads of the other Arab States can go back to their extremist people, the right wingers, et cetera, and say here's what I brought home so I have not really completely sold out? Is this part of the picture?

Mr. NOOTER. Basically I think it is for them to be able to demonstrate——

Mr. LONG. They got something out of it?

Mr. NOOTER [continuing]. That the policies of moderation they are pursuing and which are criticized by many in the Arab world are indeed policies that bring some benefits to their countries.

ARMS SALES TO SAUDI ARABIA AND IRAN

Mr. LONG. I think the thing that baffles us, is why the sales should be so enormous—projected sales of $4 billion in arms to Saudi Arabia, $2.7 billion in sales of arms to Iran. I find it hard to see why these are in our national interest.

Mr. NOOTER. You are referring to commercial sales of arms in these cases?

Mr. LONG. That is right. There may be some credit sales involved there too. Buy anyway, those are huge arms purchases. I fail to see who the enemy of Iran is and what the military threat is there. I can see where Iran would be a real military threat to the countries around it. If I were head of a nation next door to Iran I would be pretty frightened.

Of course, this gives Saudia Arabia provocation and justification for purchasing vast amounts of weapons to protect itself. It would not be very hard for me to figure out, if I were the head of Saudia Arabia, what Iran has in mind in getting awfully strong.

Mr. ATHERTON. I think Iran is outside of the Arab-Israeli conflict and cannot be reviewed in that context. Iran has a long-range program for its own internal security and its building up and modernizing of its defense forces against what it perceives as potential threats.

TRANSFER OF U.S.-SUPPLIED FIGHTERS FROM IRAN TO JORDAN

Mr. LONG. In that case why did the United States approve a transfer of U.S.-supplied F–5 fighters from Iran to Jordan?

Mr. ATHERTON. This was very much in keeping with our policy of encouraging cooperative relations among those states in the area which are following policies compatible with ours and which are friendly. We have tried to encourage the states of the area to look to themselves in the first instance for their security and for their defenses. There are very close relations between Iran and Jordan and between each of them and us. It seemed to us quite compatible with our policy toward both of these countries, when they wanted to do this, to agree to it. It is done, of course, under the same terms as would be sales directly from us; namely, that the transfer could only take place with our approval and that they will not be transferred by Jordan to another country without our approval. But it was a need which we judged was a valid one on the part of Jordan to acquire these aircraft.

JORDAN'S ACTIONS AGAINST ISRAEL

Mr. LONG. But Jordan in the last war did, I believe, conduct military operations. They didn't actually constitute a third front against Israel. They were in sectors which did pin down Israel's military forces and therefore were a factor which Israel had to take into consideration.

Mr. ATHERTON. Jordan sent a brigade to the Syrain front, I believe. Jordan, of course, was under great pressure.

Mr. LONG. Two of their best armored units, the 40th and 60th Brigades.

Mr. ATHERTON. It was two brigades. Jordan was under great pressure at the beginning of that war to open a third front.

Mr. LONG. They sent those forces to Syria.

Mr. ATHERTON. Given the political interactions in the area, it is very difficult for one regime to appear to be standing aside when there is a war between Israel and other Arab governments. Jordan, I think, made a major effort to resist those pressures. But this was the step it felt was politically minimal.

MILITARY SALES TO MOSLEM COUNTRIES

Mr. LONG. I understand the position which those Arab countries' leaders are in. They are all holding a very delicate balancing operation. As a practical political matter, if war breaks out they almost have to use what forces they have against Israel or allow them to be used against Israel in some way. That is why I am a little bit baffled as to why we put ourselves into a position of selling 2½ times as much weapons to these Moslem countries as we are selling to Israel when they are already very, very strong.

Mr. ATHERTON. "Strong" is a relative term, of course, Mr. Long.

BALANCE OF POWER IN THE MIDDLE EAST

Mr. LONG. On the figures, certainly on hardware they have already three times as much strength admittedly by our own figures, as Israel does. Israel's only hope lies in the qualitative factor, which is hard to assess. That, in the end, is up to those countries. We can't transfer qualitative factors. Aren't we really contributing to the imbalance there which is already heavy?

Mr. ATHERTON. No, sir. We watch the balance very carefully in making decisions on what we provide and what we do not provide. I don't believe it would be responsible of us to make the kind of sales that would change the overall balance in the area. I think we always have to ask ourselves what the alternative is. If we start with the premise that it is important to the overall interests of the United States to have good relations with countries such as Saudi Arabia and Jordan, those relations have to take into account their perceptions of their need as well as ours. Their perception clearly is that they need to have what they feel is an adequate defense force.

The Saudis have an enormous territory to protect. They have been attacked in the past from the south in an earlier era. They are determined and they have the wherewithal to build an adequate defense

66-317 O - 76 - 34

force. We simply think that it is in our interest to be the ones that cooperate with them in this because it gives us some ability to help them do this rationally and to do it in accordance with policies that are more parallel to ours.

CONTROL THROUGH ARMS SALES

Mr. LONG. I understand the theory. The theory is that if we sell arms to them we exert somewhat more control than if somebody else sells arms to them. I am not sure it has worked out that way. Russia turned out not to have such great control over Egypt. We don't have great control by selling arms. Gratitude is an expectation of favors to come, not what you have done for them in the past. It seems to me this is something we ought to concern ourselves with.

Mr. ATHERTON. I think it is a valid concern, of course, Mr. Long. I think ultimately if weapons that we provide were to be used in violations of understandings under which they were provided, it would be a major decision by that country to risk a fundamental change in its relationship with the United States which I think is a consideration which would weigh very heavily.

Mr. LONG. We live in a volatile world in which those things happen every day, isn't that so?

Mr. ATHERTON. I think we have had a fairly consistent relationship with Saudi Arabia and Jordan.

Mr. LONG. About 90 countries in the world took that risk when they voted against us in the United Nations on the Zionist measure. That didn't seem to bother them a bit, the fact that they had kicked us in the shins, so to speak.

Thank you very much for your responses. Our distinguished chairman is back now and I turn the gavel back to him.

COMMENDATION OF DR. LONG

Mr. PASSMAN. You are a great chairman, Mr. Long. You do your homework. I don't know of any person who has any greater knowledge of the aid program than my good friend, Dr. Long. He is very understanding and we are very fortunate to have him as a member of this committee.

He advises us often on matters pertaining to the foreign aid bill. As a usual thing we are pretty close together in our thoughts with respect to foreign aid.

HISTORY OF FOREIGN AID

Most of us will remember that in 1947 during the administration of our former great President, Harry Truman, that the foreign aid program began. It took members well fortified in seniority to walk into the well and address the Chair. They said, "Mr. Speaker, we are now embarking on a program that conceivably could take us into 17 foreign nations and it may require 5 years to complete and the cost could reach $15 billion." You could have heard a pin drop.

Now let's contrast these initial 17 nations with the actual number of motions that we have been involved with in some type of aid program. We have provided aid to 128 nations and 8 territories of the world. Did you recognize that, Mr. Secretary?

Mr. ATHERTON. I had not realized the number.

Mr. PASSMAN. One hundred and twenty-eight nations and eight territories. We got into nearly every nation on the face of the Earth. Not 5 years, but we are into the 28th year and growing bigger. Not $15 billion, but over a half trillion dollars if you pick up the money we have appropriated in the Defense Department budget. I sat here for 21 years working with my friends in the Defense Department and working with Mr. Nooter who worked on Vietnam. I will not pull your leg on that too much. I thought we had saved them and it would be the showcase area. Then I got my paper that morning and found it was going down the drain.

We poured billions of dollars into Southeast Asia. Of our aid recipients, maybe we have two friends left in that general area, I think they are our friends; that is, China—and it looks like we are trying to pull the rug out from under them and I am not going to be a party to it—and Korea. The rest went down the drain.

I understand a lot of our people have been out there begging and crying saying, "Please don't do us that way." I am talking about Thailand. They ought to be ashamed of how they insulted us after all we have given to them.

AID TO THE MIDDLE EAST

So I hope after embarking on this new and expensive program for the Middle East that we all work together and know what we are doing. Now we have had programs for most of these countries in the Middle East in the past. Take Israel, we really have had no grant aid program for Israel because they were not considered a developing nation. You considered them developed, did you not?

Mr. NOOTER. Yes, we did.

Mr. PASSMAN. They were not even listed. I am very sympathetic to the cause of Israel. But you can never bring peace to that part of the world by having only one friend. You agree with that; don't you?

Mr. NOOTER. That is right.

Mr. PASSMAN. We have to have more than one friend. But we have to have one strong friend that we can tie to. I think that strong friend is Israel. I hope Israel will remain strong and determined, as they certainly are.

TOTAL FOREIGN AID

Now there are a lot of questions that will be asked about this bill when we reach the floor of the House. Therefore, I am going to have to ask some questions. If you don't have the answers, I hope that you will be able to dig them up for us so that we can be informed.

The total for foreign aid for fiscal 1976, when you put all the pieces together, is about $15 billion. Some of it is good. Some of it is not quite so good. But if you pick up the 21 pieces and put it together, it is about $15 billion. So many people think in terms of foreign aid as just being that portion administered by AID. But let me run this by you:

If you add all of the funds which we contribute to the multilateral lending institutions, the Peace Corps, the Food for Peace Program,

the Military Assistance Program, and our AID programs it will be about $15 billion in fiscal year 1976. So we have to look at the total request.

With respect to the security supporting assistance part of this bill, this is not for military assistance, it is economic assistance to help a number of nations judged to have an immediate, critical need.

Mr. NOOTER. That is right.

SECURITY SUPPORTING ASSISTANCE

Mr. PASSMAN. How many nations will receive aid under this security supporting assistance program?

Mr. NOOTER. Ten nations.

Mr. PASSMAN. Maybe at this point in the record would you name the nations? What is in this bill for Israel?

Mr. NOOTER. Including the $15 million budget amendment in process and referred to earlier, we are requesting $755 million for Israel in economic aid.

Mr. PASSMAN. How much for Egypt?

Mr. NOOTER. $750 million; Jordan, $77.5 million; Syria, $90 million; Malta, $9.5 million; Cyprus, $25 million; Greece, $65 million; Portugal, $55 million; Zaire, $22.8 million. Then there is a request for UNFICYP, the peace-keeping forces from the United Nations, for $9.6 million.

Mr. PASSMAN. So that goes to Cyprus?

Mr. NOOTER. Yes, sir. Then there is a small technical assistance program to Bahrain which would be $600,000. Then there is a request for operating expenses of $22.6 million.

U.S. PUBLIC DEBT

Mr. PASSMAN. When I came here 28 years ago after World War II, we had a public debt of $259 bilion. The following 28 years have been the most prosperous in the history of our Nation. The amount of revenue accruing to the Treasury was fantastic. However, we not only spent all of that money, which goes into the trillions of dollars, but we also have borrowed money and increased the public debt from $259 billion to about $578 billion.

NEW STARTS

Do you realize every dime of the increase has been foreign aid? I think it is good for you to know this. Do you realize that in our great flood control program, rivers and harbors, channelization, and levees, in the year of fiscal 1976, there was not 1 dime in the budget for a new construction start? Did you know that? You ought to know it because you are going to have a lot of projects all over the world. But in the President's budget there was not 1 dime for a new public works construction project. Yet you have over 700 similar projects that will be going out in many of the 100 nations that you will have a foreign aid program. That is pretty hard to explain to the people when you don't provide for one new construction start in our own country, but we are permitting it in other countries.

These questions will be asked on the floor. Would you have a good answer for that for me as to how we could start, maybe 700 of these similar projects all over the world, and we are not permitting one new start in the United States?

What would be your answer to your constituents?

Mr. NOOTER. I think, Mr. Chairman, the tradeoffs for the domestic programs are always difficult. Obviously, there is a budget requirement that relates to the U.S. interests abroad and our relations with other nations.

Mr. PASSMAN. That has a priority over American projects.

Mr. NOOTER. Obviously, it doesn't have a priority over all American projects.

Mr. PASSMAN. We give it a priority by the fact that we recommend funds for similar projects in foreign countries, but we deny our people in our own country.

Mr. NOOTER. Well, there are tradeoffs within our domestic program.

Mr. PASSMAN. You trade domestic programs that are badly needed for foreign projects; is that your answer?

Mr. NOOTER. I was referring to tradeoffs within those domestic programs.

Mr. PASSMAN. We traded off so much that not one new construction start was permitted within the President's budget in the United States for fiscal 1976, not one. These are the things I want you people to tell me how to handle when they start asking these questions. Will you think of something and get it into the record?

Mr. NOOTER. Well, Mr. Chairman, we will try.

[The information follows:]

PROJECT STARTUPS

Ultimately, Mr. Chairman, I do not think it is particularly illuminating to compare project startups in the United States to project startups under our foreign aid program. As I have suggested there are tradeoffs within our domestic programs as there are within our foreign aid programs and between the two. I am not in a particularly good position to analyze the tradeoffs between domestic and foreign programs. Moreover, this is obviously the kind of decision where different people of high competence would be apt to come to different conclusions.

I believe a useful way to approach the subject is in terms of programs. The President has decided, and we hope that the Congress will concur in that decision, that foreign aid is in the national interest of the United States and that particular country programs contribute significantly to our national interest. A number of these programs are in the area of my geographical responsibility. A number of these, in the Middle East and in Portugal for example, require project start-ups simply because the situations which occasioned the resumption of United States aid are of recent origin. In a number of other cases new project start-ups are required as component parts of well-conceived on-going programs. I think it is legitimate to question the national interests of the United States in regard to particular programs in particular countries. It is also, of course, legitimate to question the magnitude of these programs. And there can be no doubt that the particular merit of each project should be thoroughly examined. But I do not believe that it is productive to question individual projects and to compare their individual merit vis-a-vis projects in our domestic programs.

We should also remember that it is not only our security which is inextricably linked with that of the rest of the world but also our prosperity. Without a forward-looking foreign policy, of which our aid programs are an important part, world-wide economic conditions will worsen causing our domestic economic difficulties to be greatly magnified. In a very real sense our efforts overseas are in the interest of all Americans.

Mr. PASSMAN. You better do more than that because in this fiscal year, regardless of how prosperous we are, regardless of what the intake is in the U.S. Treasury, Mr. Secretary, we now have established that the minimum deficit we can have for this 1 fiscal year is $74 billion. Do you know that?

Mr. ATHERTON. Yes, sir.

Mr. PASSMAN. Isn't that frightening? We are spending money we don't have for things we don't need, trying to be everything for everybody all over the world on borrowed money and at the expense of unborn generations. Now so much for that.

FISCAL YEAR 1975 SUPPORTING ASSISTANCE OBLIGATIONS

Mr. Nooter, were all of the funds appropriated for security supporting assistance in fiscal year 1975 obligated?

Mr. NOOTER. Yes; they were in the supporting assistance category.

SUPPORTING ASSISTANCE PIPELINE

Mr. PASSMAN. Could you tell the committee the amount of funds in the pipeline out of supporting assistance for the 10 nations you have named?

Mr. NOOTER. Yes, Mr. Chairman. As I said, all of the funds were obligated. These funds take time to go through the process to final disbursement.

Mr. PASSMAN. Yes; I understand that. You have a lot of time. I have heard that question answered 4,000 times the same way. But how much do you have on hand as of the last estimate?

Mr. NOOTER. The pipeline for Egypt——

Mr. PASSMAN. No, the totals for all of them, for the 10 nations you named.

Mr. NOOTER. I will have to add that up.

Mr. PASSMAN Take your time and add it up because I will make a mental note of it.

Mr. NOOTER. Mr. Chairman, if my arithmetic is correct, it is $431,600,000.

Mr. PASSMAN. Almost a half billion dollars?

Mr. NOOTER. That is correct.

Mr. PASSMAN. That is a sizable amount, isn't it?

Mr. NOOTER. Yes, but not unusual for a program that is obligated in 1 fiscal year to carry over in that magnitude into the next fiscal year.

FISCAL YEAR 1975 SUPPORTING ASSISTANCE DEOBLIGATIONS

Mr. PASSMAN. How much have you deobligated from supporting assistance in the last fiscal year?

Mr. NOOTER. None in these countries. There were some deobligations in the Indochina program.

Mr. PASSMAN. I am talking about these countries.

Mr. NOOTER. No.

Mr. PASSMAN. You do have some that you anticipate you will deobligate later and maybe reobligate?

Mr. NOOTER. With the completion of the Indochina programs, where those funds are not available to fund these programs, this year there would not be deobligated funds available.

Mr. PASSMAN. I am familiar with the fact that you might have funds. What I am talking about, you do have some projects in this particular area of these 10 nations that you expect subsequently to deobligate funds and reobligate, for different projects?

Mr. NOOTER. Not in this case and not in those programs. Most of those deobligations came out of the Indochina program.

Mr. PASSMAN. But you have always had reobligations and deobligations; have you not?

Mr. NOOTER. Until this year.

Mr. PASSMAN. You are only 4 months into this fiscal year. You don't know whether you will or not. You may have, isn't that correct?

Mr. NOOTER. We don't think so. In the case of Egypt, for example, these are new programs which would not go to a deobligation phase in this fiscal year.

AID TO ISRAEL

Mr. PASSMAN. Mr. Nooter, how does your team put together such a tremendous sum in such a short period and then be able to tell the committee that this is a carefully thoughtout program and this is the exact amount needed? Isn't it more or less a guess as to actually whether you need this much or need more? Since we are moving back into Israel—and I certainly endorse it and I am going to vote for the legislation and defend it—but Israel has been more or less carrying itself for a long time with the exception of military aid. When I look at the record I find they are a very good credit risk. But we are going into Israel with a very large economic aid program, aren't we?

Mr. NOOTER. Yes; we are.

Mr. PASSMAN. How are you able to establish this being the true requirement?

Mr. NOOTER. In the case of Israel, we had some very detailed and lengthy discussions with the Israeli financial people, reviewing their projects of balance-of-payments requirements, foreign exchange requirements, based on the needs in that economy. That number was arrived at only after 3 or 4 days of discussions, not only with ourselves but with representatives from the State Department, Treasury, the National Security Council, and CIA economic experts.

Mr. PASSMAN. So as to help you along with this program, that has been true ever since you have had a foreign aid program. All these people that you name are involved in every country where you have a program, are they not? This is not something new, is it, that you ask the nation, the recipient, and you get together with their people and you firm up a program with the help of the Ambassador?

Mr. NOOTER. That is correct.

PRAISE FOR KISSINGER, SADAT, AND ISRAEL

Mr. PASSMAN. Let me say this: I think Henry Kissinger is one of the greatest Secretaries of State we have ever had. I could never hold Henry Kissinger responsible for all this detail. We will work that out.

I think the world will be much safer if we can have peace in that part of the world. It is going to cost somebody a lot of money. I hope we are not going to embark upon a program that is costing maybe tens of billions of dollars without knowing it is going to be wisely spent.

I have a lot of praise for President Sadat. It looks like he wants to assist in bringing about peace. You have to commend Israel for their willingness to cooperate and give up the oil fields. They put a lot of faith in us. I think we are going to have to make good on this.

ECONOMIC AID FOR ISRAEL AND EGYPT

Now some of the people feel that possibly there could be some jealousy and feel that this program may be weighted heavily in favor of Israel. That would only be true if you look at the military. If you look at the economic part of it, it is just about even, the same amount for Egypt as you have for Israel.

Mr. NOOTER. That is correct.

Mr. PASSMAN. The "weight," if you want to use that expression, would have only to do with military aid. Of course, Egypt is getting their military elsewhere, aren't they?

Mr. NOOTER. That is correct. Israel has very little outside aid other than the United States whereas Egypt does receive support from other countries. So we think the program represents a reasonable balance between Egypt and Israel the way it is presently presented.

Mr. PASSMAN. You can't have peace in that part of the world with just 1 out of 10 wanting peace.

Mr. NOOTER. That is right.

Mr. PASSMAN. Regardless of how "pro" this and "anti" that we are, we are going to have to get along with a lot of people if we ever want to bring about peace. Do you agree with that?

Mr. NOOTER. Yes; I do.

PROSPECTS FOR PEACE

Mr. PASSMAN. Do you think that the prospects at the present time look good for peace in the Middle East?

Mr. ATHERTON. I think they look better than they have looked in the whole history of this conflict, Mr. Chairman.

EGYPT-ISRAEL RELATIONSHIP

Mr. PASSMAN. How about the relationship between Egypt and Israel, is that improving?

Mr. ATHERTON. The answer, I think, clearly is that they have negotiated two agreements in the last 2 years and have kept those agreements meticulously. They are a long way from normal relationships. But they are both, I think, committed to trying to work in that direction.

Mr. PASSMAN. There had to be some agreement between Israel and Egypt. Otherwise, Israel would never have returned the oil fields to Egypt. They must be talking with each other.

Mr. ATHERTON. They meet and talk in various forums where these problems are discussed.

Mr. PASSMAN. But at this time you think that the situation is improved and is improving?

Mr. ATHERTON. I think if one takes the long view, that is true.

Mr. PASSMAN. How about the short view? You don't expect war to be declared again tomorrow, do you?

Mr. ATHERTON. No. But there are always ups and downs in this process. There are some tensions in the area now. But I still think that the basic conditions for working toward a settlement are better. That is partly because you have the key parties on both sides having declared that this is their intention. For many years there was not even that. Now I think my judgment would be that the prospects are better than they have been since this conflict began.

TOTAL U.S. AID TO THE MIDDLE EAST

Mr. PASSMAN. Mr. Secretary, of course we have to borrow this money we give away. We are talking about billions of dollars. I would hope that we would get more than just a little encouragement that there is a possibility in the future that the relations will be better. I certainly hope that we are not going to get ourselves involved with a program of this magnitude without having some indication that progress is being made. Aren't we really thinking in terms of about a $10 billion package to the Middle East when we pick up all spigots of foreign aid? These people also come in for Public Law 480, do they not?

Mr. NOOTER. Yes; they do.

AID PROJECTIONS

Mr. PASSMAN. Aren't we thinking in terms of a 3-year program?

Mr. NOOTER. Well, there are no——

Mr. PASSMAN. You are only asking for 1 year. But there is some talk about this being a 3-year program, isn't that correct?

Mr. NOOTER. There hasn't ever been a particular time limit placed on it in that way.

Mr. PASSMAN. But there has not been any understanding that it is only a 1-year deal, either, has there?

Mr. NOOTER. No.

Mr. PASSMAN. What do you anticipate for the second year?

Mr. NOOTER. The Secretary speculated that a program of similar magnitude would be required over the next several years.

Mr. PASSMAN. Now I want to know where we are going. My friend Tom Bevill has been trying to get an answer to questions like this, and you people know it, for 2 years now. How many years are "several"? Can you put a cap on what "several" will be?

Mr. NOOTER. Until we go through the budgetary process and get approval we are really not in a position to make a statement about what the administration would be prepared to do in any future year.

Mr. PASSMAN. You said "several years at this magnitude." I guess you would assume at about the same level. That is in the record. Since that is in the record, we would like to find out what you mean by several years now, whether it is 5 years, or 10 years.

Do you have any idea how many "several years" would be?

Mr. NOOTER. No, I really would not be in a position to try to be more precise than that.

Mr. PASSMAN. You mean this could go on for many, many years at this level?

Mr. NOOTER. We would review it, as indeed the Congress would review it, each year to decide what we thought would be in the U.S. interest.

Mr. PASSMAN. You said, "about this level for several years."

Mr. NOOTER. That would be a rough guess of what we think might happen. But we would not make a specific request until we knew that it was sensible on the light of events at that time.

Mr. PASSMAN. I know that, Mr. Nooter, but you have answered my question; that we are now embarking upon a new and broad and expensive program in the Middle East that could soar into the tens of billions of dollars. We might as well make the record so we will be prepared for it, prepared for the request, anyway.

MILITARY ASSISTANCE FOR THE MIDDLE EAST

Could you tell the committee if the United States is committed to providing Israel, Egypt, and Syria with U.S. military assistance or is it limited just to Israel?

Mr. ATHERTON. We have commitments in this respect only with regard to Israel, Mr. Chairman. We have no commitments with respect to military aid for Syria or Egypt.

Mr. PASSMAN. Am I assuming correctly when I say that all nations, rich or poor, are going to have some kind of a military force?

Mr. ATHERTON. I think that is absolutely correct, yes.

FREEING RESOURCES FOR MILITARY EXPENDITURES

Mr. PASSMAN. What is the difference between giving them military equipment and economic aid? If you give a country substantial economic aid, that assistance releases their resources, does it not, to be used to pay for military support.

Mr. ATHERTON. I would say it depends upon the economic condition of that country. But Mr. Nooter is more of an economist than I am.

Mr. PASSMAN. You said that all nations, large or small, rich or poor, are going to have a military establishment. If we furnish them with economic aid, that makes it possible for them to use their resources to buy military equipment and to maintain their military forces, does it not?

Mr. NOOTER. Perhaps to some extent.

Mr. PASSMAN. To what extent, Mr. Nooter? Let's get some common sense in these hearings. If they have a military regime they have to buy that military equipment somewhere, haven't they?

Mr. NOOTER. The ability to buy military equipment in any one year would depend on their foreign exchange resources flow.

SYRIA'S MILITARY EXPENDITURE

Mr. PASSMAN. Take Egypt, don't they have a substantial military establishment?

Mr. NOOTER. That is my understanding.

Mr. PASSMAN. We are furnishing them with economic aid, are we not?

Mr. NOOTER. Yes, we are.

Mr. PASSMAN. Then they have the right to take their resources and to pay for military equipment, do they not?

Mr. NOOTER. It does make it easier for them to make that kind of decision if they should so choose.

Mr. PASSMAN. Where would they get the money if they didn't take it out of their resources? We are not going to give them $750 million to buy military equipment, are we?

Mr. NOOTER. No.

Mr. PASSMAN. Where do they get the money to pay for the military equipment they purchased?

Mr. NOOTER. They might get this in the form of aid from some of the other Arab countries, for example. However the needs of their own economy might be such that the aid which we give them, plus the foreign exchange which they have available——

Mr. PASSMAN. Is what?

Mr. NOOTER. I say the needs of their civilian economy may be such that even with the aid we give them, their resources don't permit them——

Mr. PASSMAN. That is a good answer if they didn't already have a big military force and they didn't continue to buy military equipment. We are trying to establish whether or not they are going to be able to take this $750 million and buy military equipment. That is not permitted, to take the $750 million and buy military equipment, is it?

Mr. NOOTER. That is correct.

Mr. PASSMAN. But there is nothing in any agreement with them that they can't take their own resources and buy military equipment from other sources, isn't that true?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Why don't we put it in the record like it is? We will get along better if we make the record positive. I am not quarreling that they should not have military equipment. I am pointing out that we are foolish to say we are not providing military equipment to Egypt but say we will give them economic aid to pay their bills so they can take their own resources and buy military equipment.

ARMS SALES TO THE MIDDLE EAST

There is a big profit in the sale of military equipment, isn't there?

Mr. NOOTER. I suppose in some cases.

Mr. PASSMAN. I imagine the manufacturer makes a profit, doesn't he?

Mr. NOOTER. I assume so.

Mr. PASSMAN. And the exporter?

Mr. NOOTER. I assume so.

Mr. PASSMAN. Then why not sell them military equipment if we are going to do the equivalent? Look at it realistically. Why let these people go to the United Kingdom or France and spend hundreds of millions of dollars for military equipment and let the other countries make the big profit and let us pick up the tab? Why not look at this

realistically and recognize that all countries are going to have a military establishment?

EGYPT'S MILITARY EQUIPMENT

We will be picking up the tab no doubt for Egypt's military equipment because their former source of supply is being cut off; isn't it?

Mr. NOOTER. Yes, it is.

Mr. PASSMAN. So they have to take it out of their own resources. I don't think it is wrong to establish that in the record. I am just as anxious to help Egypt as I am Israel because we have to have them both to work this thing out and bring about peace. But I don't think we should kid ourselves and say, No; we give them economic aid but no military aid. But it is the equivalent.

DIPLOMATIC RELATIONSHIPS

Mr. Nooter, do we presently have diplomatic relationships with all the countries scheduled to receive security supporting assistance in fiscal 1976?

Mr. NOOTER. Yes, we do.

AID TO SPAIN

Mr. PASSMAN. I note on page 1 that you plan to submit a request for security supporting assistance for Spain at a later time.

Could you please tell the committee when this request will be submitted to the Congress and approximately how much it will be?

Mr. NOOTER. Mr. Rowell from the Department of State can answer that.

Mr. ROWELL. Mr. Chairman, the base negotiations which are presently under way with Spain, we would hope would be concluded within the next few weeks. But because of the change in government, we can't promise that. When that negotiation is complete and we have the text of an agreement, which would be the basis for what we would request under security supporting assistance, both will be submitted to the Congress for its action.

U.S. BASES IN SPAIN

Mr. PASSMAN. Who do those bases protect; the United States or Spain?

Mr. ROWELL. The United States uses the bases.

Mr. PASSMAN. I know they use those bases, but also those bases protect Spain, do they not? Isn't it an asset to them to have these bases?

Mr. ROWELL. That is correct. The bases belong to Spain.

Mr. PASSMAN. Then they have a reasonably strong economy in Spain, do they not?

Mr. ROWELL. Yes, sir; they do.

Mr. PASSMAN. Why don't we sometimes talk to these nations about letting them spend their own money? We built these bases and gave them to them. They should maintain them and give us certain rights. They are closer to the enemy than we are if you happen to think of Russia as being the enemy.

Isn't Russia closer to Spain than to Washington, D.C.?

Mr. ROWELL. Yes, sir.

Mr. PASSMAN. Do you know of any religion or philosophy that is any more opposed to communism than the religion that is predominant in Spain?

Mr. ROWELL. The Spanish are strongly opposed to communism.

Mr. PASSMAN. OK. Why do you people get so soft? Why don't you go over and say, these bases are here to protect you more so than the United States. You know they have a strong economy in Spain. Why we should get drawn in on all these things, I don't know, because we have to borrow this money. I don't know how much longer America is going to tolerate a program of this type.

MULTILATERAL ASSISTANCE FOR THE MIDDLE EAST

Mr. Nooter, could you tell the committee what sort of multilateral response has been received concerning assistance to the Middle East countries?

Mr. NOOTER. Yes, I would be glad to submit the details for the record, Mr. Chairman. But in general the Middle East countries are Egypt, Jordan and Syria. They are getting substantial assistance from other countries. Israel is getting only a small amount from other countries besides the United States.

[The information follows:]

OTHER DONOR ASSISTANCE SELECTED MIDDLE EAST COUNTRIES

The following data summarizes the sources and levels of economic assistance to selected Middle East countries in fiscal year 1975:

ECONOMIC ASSISTANCE COMMITMENT TO SELECTED MIDDLE EAST COUNTRIES

[In millions of dollars]

Donors	Recipient country			
	Egypt	Israel	Syria	Jordan
OPEC countries	1,380		1,132	127
Communist countries	100		353	
Other bilateral (excluding United States)	360	55	35	97
Multilateral	310	190	84	13
United States (including Public Law 480 title I and II)	367	353	105	99
Total	2,517	598	1,709	[1] 336

[1] This is exclusive of $3,600,000 in Public Law 480 title II assistance to West Bank and Gaza.

Mr. PASSMAN. You are with the AID agency, are you not?

Mr. NOOTER. Yes, I am.

Mr. PASSMAN. You are going to handle all these different spigots under AID for the Middle East?

Mr. NOOTER. That is correct.

AMERICAN UNIVERSITY OF BEIRUT

Mr. PASSMAN. Let's take the American University of Beirut. It is a very fine institution. I understand, at one time, they had over 300 donors and everything was just sailing along. Then we included AUB on our list of aid recipients. I think we initially gave them $100,000.

They got a taste of it, you understand, and it went on up to $500,000 and then a million dollars and then $2 million. Then they said, "We want a medical school." The State Department and administration said, "No." But we slipped it in and it was headed then for a medical school. So as not to get too much criticism, we named it a teaching hospital. Now we moved on up to $3 million and then $4 million and $5 million and then on up to $6 million. The people who they had been soliciting funds from, they dropped the efforts and came to Uncle Sam for pretty much all of it. I thought it was ridiculous that we reached the point where we would give AUB $6 million a year budgetary support. Now, I understand, some people are soliciting $8.5 million more from the State Department for this program. Have you heard about that?

Mr. NOOTER. Yes, I have.

Mr. PASSMAN. You had better look at that long and hard. I have been there, friend. But you are doing those people a terrible injustice, Mr. Nooter. There won't be another outfit contributing to AUB if you people keep raising this thing. I am going to ask you please to be very careful about making any more commitments to AUB than the $6 million.

THE WEIZMAN INSTITUTE

I think the Weizman Institute is one of the finest on the face of the earth; do you agree?

Mr. NOOTER. Yes, it is.

Mr. PASSMAN. You are not giving them any kind of money, are you?

Mr. NOOTER. No.

Mr. PASSMAN. They are not stopping their efforts to raise money, are they?

Mr. NOOTER. No.

Mr. PASSMAN. Don't you people go overboard on this thing. If I have it within my capacity, I am going to make it cost you if you do. I have been there, friend, but the time has come now not to let these people just rob the U.S. Treasury.

PUBLIC LAW 480 ASSISTANCE

Could you supply for the record a list showing what Public Law 480 assistance will be provided to countries under the security supporting assistance program?

Mr. NOOTER. Yes; we will be glad to submit that.

Mr. PASSMAN. Do you have a total on it at this time?

Mr. NOOTER. Yes; $230.2 million, Mr. Chairman, for the supporting assistance countries.

Mr. PASSMAN. Could you give us a breakdown on it at this time? Let's start with Israel.

Mr. NOOTER. For Israel, $14.7 billion; for Egypt, $168.2 million; for Jordan, $5.9 million; for Portugal, $15 million; for Syria, $19.1 million. Excuse me, we had Morocco in this total and that is not supporting assistance. That is $7.3 million which should be subtracted from the total I gave you. That would make the total $222.9 million.

Mr. PASSMAN. You must add that to this request and to the severa' others; is that correct?

Mr. NOOTER. Yes, sir.

ELIGIBILITY FOR MULTILATERAL AGENCY LOANS

Mr. PASSMAN. Are those countries eligible for loans under the International Finance Corporation and the International Development Association?

Mr. NOOTER. Yes. Not all of them are eligible for IDA loans. Egpyt is eligible for an IDA loan. I believe Jordan is, but not Israel.

Mr. PASSMAN. How about the World Bank?

Mr. NOOTER. They would all be eligible for World Bank loans, I believe.

Mr. PASSMAN. And they would all be eligible for the International Finance Corporation, wouldn't they?

Mr. NOOTER. For IFC loans, yes, sir.

Mr. PASSMAN. So when you look at all these 21 spigots and put it together, we are only looking just at part of your program here; is that correct?

Mr. NOOTER. To the extent that U.S. contributions would flow through those institutions, that would represent it.

PUBLIC LAW 480 ASSISTANCE

Mr. PASSMAN. You picked up a quarter of a billion dollars there just on Public Law 480. You will have to borrow that money.

Would you place in the record at this point what Public Law 480 commodities would be available under this program?

Mr. NOOTER. Yes; we will.

Mr. PASSMAN. Maybe you could tell the committee at this time.

Mr. NOOTER. In Egypt we would have wheat and tobacco.

Mr. PASSMAN. Go ahead. Well, you don't have to name the countries. But under the program, is it all agricultural commodities? Are there any exclusions at all?

Mr. NOOTER. The three commodities would be wheat, rice, and tobacco.

TOBACCO FOR EGYPT

Mr. PASSMAN. How much tobacco for the Middle Eastern countries?

Mr. NOOTER. 4,200 metric tons of tobacco.

Mr. PASSMAN. They must be pretty heavy smokers over in Egypt. I note you are going to give them 4,200 metric tons of tobacco at a value of $150 million.

Mr. NOOTER. No, sir, that dollar figure is wrong.

Mr. PASSMAN. That includes the total?

Mr. NOOTER. I think the tobacco part is worth about $15 million.

Mr. PASSMAN. They smoke like the devil, don't they?

Mr. NOOTER. They do import a good part of their tobacco.

PUBLIC LAW 480 RECIPIENT COUNTRY EXPORTS

Mr. PASSMAN. It is my understanding that certain nations where we have a Public Law 480 program, if we may just pick one commodity, say rice, that they may produce rice that they could export at a price double what they would need to buy rice from some foreign country like the United States. Maybe you are looking at the very finest long grain that they would grow in their country, export it, and for each ton

sold they could take that money and buy 2 tons of a cheaper rice. Would the law permit that?

Mr. NOOTER. I wouldn't like to generalize, because this gets——

Mr. PASSMAN. Will you put something in the record?

Mr. NOOTER. This gets into some marketing technicalities.

Mr. PASSMAN. The country would have to produce rice of a very high quality?

Mr. NOOTER. I understand the question.

Mr. PASSMAN. They could export it and get twice as much for it as they could buy a ton of rice for from some other country that meets their needs. Will you get something on that for us?

Mr. NOOTER. We will. Generally we try to avoid a situation where they will export rice which competes with our own rice exports.

[The information follows:]

PUBLIC LAW 480 SALES

Public Law 480 does not specifically prohibit Title I sales to countries exporting the same or like commodities. Section 103(c) of Public Law 480 does, however, require ". . . that reasonable precaution be taken to safeguard the usual marketings of the United States and assure that sales under this title will not unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries." As a general policy we do not permit the export of the same or like commodities by countries entering into Public Law 480, title I sales agreements. Requests for exceptions to this policy are reviewed on a case-by-case basis and only those countries which have an exporting history prior to receiving Public Law 480, title I commodities are considered within the context of section 103(c). There have been very few exceptions to this policy granted. Among these is one case of aromatic rice exports from India, which were allowed since these were traditional export to the Persian Gulf area.

LEGISLATIVE/EXECUTIVE RELATIONSHIPS

Mr. PASSMAN. As we look at the Constitution, we must recognize that the Founding Fathers intended for the Congress to make the laws. We are supposed to know what we are doing, because we are the elected representatives of the people; is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. So they hold us responsible for the laws that we make. Then we turn them over to the Executive to administer; is that correct?

Mr. NOOTER. That is correct.

Mr. PASSMAN. Why do so many people think it is a sin for a Member of Congress maybe to call the Executive about what may be a minor matter, once they get what they want? It's becoming more obvious all the time that too many people downtown figure that we are a nuisance, and hold us more or less in contempt. The way I think of it, it is a partnership basis. We are specifically charged with the responsibility of making the laws as we want them made, and after we make them we turn them over to you people to administer; is that correct?

Mr. NOOTER. That is correct.

AID TO ZAIRE

Mr. PASSMAN. Some people don't see that as you do. I am going to ask some questions about Zaire.

On October 15 you sent the subcommittee a letter indicating that you planned to provide immediate assistance to Zaire, and the letter was in the form of a section 113 notification. On October 20 the subcommittee sent a letter indicating that this immediate assistance should be held up until the subcommittee could hold regular hearings on the entire program.

Could you tell the committee how much aid has thus far obligated to Zaire in fiscal 1976?

Mr. GRIFFITH. Are you asking with respect to the section 113 notification?

Mr. PASSMAN. No, how much you have obligated to the country.

Mr. GRIFFITH. I believe it's nothing this year, sir.

Mr. PASSMAN. Then you did respect the position of the committee?

Mr. GRIFFITH. Yes, sir.

Mr. PASSMAN. You have not obligated any funds for the country?

Mr. GRIFFITH. I believe it's nothing this year, sir.

Mr. PASSMAN. Then you did respect the position of the committee?

Mr. GRIFFITH. Yes, sir.

Mr. PASSMAN. You have not obligated any funds out of the program to which you addressed this subcommittee?

Mr. GRIFFITH. That is correct, sir.

Mr. PASSMAN. If the committee does approve of the advance assistance to Zaire, could you tell the committee how much you plan to obligate under the continuing resolution?

Mr. GRIFFITH. We would hope to obligate $20 million. That would be $22.7 million. That would include the technical assistance element of the conventional development assistance program.

Mr. PASSMAN. Would you obligate that before March 31, 1976?

Mr. GRIFFITH. We would hope to.

Mr. PASSMAN. Why would you hope to?

Mr. GRIFFITH. Because the $20 million supporting assistance loan is designed to be responsive to the present economic conditions prevailing in Zaire. We would hope that we could obligate these funds as quickly as possible, which was the reason for the section 113 notification earlier to be responsive to those conditions.

IMMEDIATE NEED IN RECIPIENT COUNTRIES

Mr. PASSMAN. I am not quarreling with you about this package for the Middle East, but I would never agree that it is not the responsibility of this committee to try to fit the amount into the immediate need, and not just what you people ask for. We are going to have to look at it, because we are going to have to borrow the money.

You and I have been friends for a long time. We fussed for a long time, and I wouldn't be a gentleman if I said too much to you about it, but all the hearings of prior years are on my desk. Forgetting about you and talking about other people, I can discount 99 percent of what they tell the committee and still have a safe margin in that 1 percent about their knowledge of these programs, because it is simply unbelievable.

I think that we have possibly thousands of programs going all over the world, and I don't think I would sleep good if I didn't bring this to your attention one more time so that you will work with us.

66-317 O - 76 - 35

AID TO THAILAND

I was in Thailand some 15 years ago. They said, "We have finished our program in Thailand. Everything is lovely and they have a strong economy. Everything is fine." I was so happy I didn't know what to do. I came back and told Doug Dillon about it. He was happy too. I went back the following year. We then traveled as a committee. We were at a nice table like that and they said, "We have been instructed out of Washington not to give you any information on our new program." I said, "You told me last year you were phasing it out and there would be no further program." They said, "Yes, we are going back into the program and we were instructed to give you no further information."

I cut my trip short, came back, and the man was fired within 1 week. We have given this country billions of dollars. Do you remember 8 years ago when President Johnson wanted to make a favorable impression with the balance-of-payments- situation? We made up a list of all the recipient nations of our AID program that had built up tremendous foreign exchange reserves. President Johnson then dispatched a representative to these countries. He arrived in Thailand. We tried to borrow a quarter of a billion dollars from Thailand. They said, "No, we are not going to do it. We will let you have $100 million."

Do you remember that?

Mr. NOOTER. Yes, I do.

Mr. PASSMAN. We borrowed $100 million from Thailand at 6½-percent interest and we agreed to repay it in 4 years. Do you remember that?

Mr. NOOTER. Yes.

Mr. PASSMAN. On December 31 they had a $1.5 billion surplus in their foreign exchange account; isn't that right? Do you have those statistics?

They had a $1.5 billion surplus in the foreign exchange account and we are begging them to take money that we are going to have to borrow to do programs in their country that we are denying our own people.

AID TO INDONESIA

Then you go to Indonesia and you find the same thing. They are getting ready to put up a $1 billion communications satellite. You are familiar with that?

Mr. NOOTER. I have read that in the newspapers.

Mr. PASSMAN. There are only three other countries that can afford this type of program, Russia, the United States, and Canada isn't that right?

We look at their surplus and they have $1.492 billion in their foreign exchange account. Yet we have a fantastically high aid program going into Indonesia. Does that make sense? Can you see why I don't like this program?

Mr. NOOTER. I hear you. I am not familiar with the details.

Mr. PASSMAN. You ought to get familiar with them. You would be just as excited as I am.

AID TO ZAIRE

What is the population of Zaire?
Mr. MULCAHY. Approximately 24 million people, sir.
Mr. PASSMAN. When did we start our aid program in that country?
Mr. MULCAHY. At the time of independence, Mr. Chairman.
Mr. PASSMAN. When was that?
Mr. MULCAHY. 1960.
Mr. PASSMAN. How much have we given them to date?
Mr. MULCAHY. About a half billion dollars, sir.
Mr. PASSMAN. A half a billion dollars?
Mr. MULCAHY. Yes, sir.
Mr. GRIFFITH. Approaching that.
Mr. MULCAHY. Close to that.

U.S. PUBLIC DEBT

Mr. PASSMAN. A half billion dollars. It is my understanding now that the U.S. public debt, foreign borrowed money alone, exceeds the combined public debt of all the other nations of the world put together. Are you familiar with that?

Mr. NOOTER. I have never seen that comparison made, Mr. Chairman, but your figures are usually accurate.

Mr. PASSMAN. Interest on the public debt is approaching $40 billion a year. I think the so-called statutory obligations are running billions a year, so it's easy to get a bill passed, but then we have to fund them, some of them for 15 years from now. The Civil War was concluded 112 years ago. Yet the Treasury Department is mailing out more than 400 checks a month to widows and children of Civil War veterans. If you just take these statutes and figure out what we are obligated for in the future on account of our extravagance, we find that each and every one of the 213 million Americans owes Uncle Sam $9,859 as his part of that tremendous public obligation. We ought to be more careful than we are about committing ourselves all over the world, just like you shocked me when you said this little country had gotten a half billion dollars since the inception of the program.

They broke off as a piece of some other country, did they not, and formed a little nation that brought about their independence?

Mr. MULCAHY. No, sir, the Republic of Zaire was formerly known as the Belgian Congo.

Mr. PASSMAN. It was a possession of what country?

Mr. MULCAHY. Of Belgium.

Mr. PASSMAN. It broke off from some other country and formed an independent nation, did it not? It was not an independent nation?

Mr. MULCAHY. No, it was a colony of Belgium.

MIDDLE EAST SPECIAL REQUIREMENTS FUND

Mr. PASSMAN. Would you please provide a detailed breakdown showing exactly what these funds were used for in fiscal year 1975?

Mr. NOOTER. Yes, I will be happy to provide this information for the record.

[The information follows:]

Fiscal Year 1975 Middle East special requirements fund

Item:	*Millions*
Syria startup of new aid program	$83
UNRWA program for Palestinian refugees	6
Jordan road construction project	10
West Bank and Gaza development projects	1
Total	100

AMERICAN EARLY WARNING SYSTEM

Mr. PASSMAN. You indicate that $20 million of the special requirements fund will be used to establish, equip, and support U.S. civilian surveillance stations in the Middle East. Could you explain in detail about how many volunteers will be sent to the Middle East and exactly what type of surveillance stations will be set up?

Mr. NOOTER. Yes, I will. As presently planned the American Sinai support mission would consist of three separate watch stations in the Mitla and Giddi Passes and will also monitor one Israeli surveillance station in the same general area. These stations would monitor various types of sensor devices which detect sounds, movement, et cetera. Up to 200 American civilians will be required to man the system.

Mr. PASSMAN. Could you please tell the committee what type of people will be used as these civilian volunteers, and just how are you recruiting the volunteers?

Mr. NOOTER. Most of the work in the Sinai will be done by a private U.S. contractor still to be chosen. The private firm will be responsible for recruiting its own personnel. They will consist of technicians who will install, monitor, and repair the sensor and other equipment, and a logistical support staff.

Mr. PASSMAN. Will U.S. Government personnel presently employed by the United States be sent to the Middle East as some of these volunteers?

Mr. NOOTER. As I understand it, there will be a small field mission staff of U.S. direct hire personnel who will provide policy guidance and supervision, but all of the other civilians are expected to be provided through a private contractor.

Mr. PASSMAN. Will the $20 million just be used to support these volunteers and pay their salaries, or will it also be used to purchase equipment?

Mr. NOOTER. The $20 million will be used for equipment, salaries, and operational costs.

Mr. PASSMAN. If equipment will be purchased, will you please tell the committee what type of equipment will be needed?

Mr. NOOTER. In general terms the equipment will consist of sensors of various kinds. The exact types to be used will depend upon the terrain and other factors. A site survey team is presently in the Sinai and when this team returns later this month we will have more detailed information about operational requirements.

EGYPT SURVEILLANCE STATION

Mr. PASSMAN. You also indicate that $13 million of the fund will be needed to assist Egypt to set up her surveillance station. Could you please tell the committee if Egypt will have only one surveillance station?

Mr. NOOTER. Yes, Egypt and Israel each will have only one national surveillance station.

Mr. PASSMAN. Could you please tell the committee in detail just exactly what this $13 million will be used for?

Mr. NOOTER. These funds will be used to assist in both the construction and equipping of the station.

Mr. PASSMAN. Could you tell the committee if the construction of these surveillance stations has started yet?

Mr. NOOTER. No, the construction has not started yet.

ISRAEL SURVEILLANCE STATION

Mr. PASSMAN. Will Israel also have one surveillance station?

Mr. NOOTER. Yes, Israel already has its own surveillance station.

WEST BANK AND GAZA

Mr. PASSMAN. You indicate that $2 million is programed for the West Bank and Gaza to support selected activities of U.S. private voluntary agencies active in the area. Could you please tell the committee what private voluntary organizations will be involved, and just what they will be doing in this area?

Mr. NOOTER. We haven't yet selected the private voluntary organizations to implement the fiscal year 1976 program. Both Catholic Relief Services and American Near East Refugee Aid have expressed preliminary interest in expanding their activities. We will be concentrating our attention on small socio-economic activities such as health services, education and vocational training, and rural agriculture.

Mr. PASSMAN. Could you please tell the committee why the United States has to provide this $2 million in light of the fact that we contribute rather heavily to the United Nations Relief and Works Agencies in these areas which are scheduled to take care of refugee problems?

Mr. NOOTER. The UNRWA program essentially is a maintenance program, which provides relief services such as food, housing, and health care to registered refugees, UNRWA also devotes a large proportion of its budget to education. Our programs will be focused on development instead of relief, and will not be duplicative of UNRWA programs. Both types of assistance are needed in the occupied territories to preserve peace for the immediate and long-term futures.

CONGRESSIONAL REDUCTION IN SA REQUEST LEVEL

Mr. PASSMAN. Could you please tell the committee the reaction if the Congress would not allow the funds requested for the security supporting assistance program?

Mr. NOOTER. I believe the reaction would be very negative. The world would undoubtedly view this as a weakening of U.S. leadership in helping to resolve the Middle East conflict and the consequences could be very serious indeed.

Mr. PASSMAN. Would there be a chance that Egypt and Syria would resume their armed conflict against Israel?

Mr. ATHERTON. I don't believe it is possible to predict the future with anw degree of certainty, but certainly the U.S. role in the Middle East has had a very positive stabilizing influence on the course of events there.

MIDDLE EAST SPECIAL REQUIREMENTS FUND

Mr. PASSMAN. On Page 72 you indicate that it is impossible at this time to identify specific projects which could be allocated against the remaining $15 million. Could you tell the committee if you have any up-to-date knowledge of how this $15 million will be used now?

Mr. NOOTER. No, I do not. The $15 million will be used for special requirements that arise during the year which are not provided for in other programs.

Mr. PASSMAN. If you cannot identify any specific uses could you tell the committee what possible uses will be made of this $15 million?

Mr. NOOTER. I'm sorry, but I cannot be any more precise at the present time. The nature of the situation in the area makes it impossible to predict what special requirements we may face with any reasonable degree of accuracy.

Mr. PASSMAN. If you do not now have any specific uses for this $15 million, what will be your reaction if the Congress denies this amount?

Mr. NOOTER. It would be very unfortunate if these funds should be denied. The Special Requirements Fund has proved to be extremely useful in helping us to meet unusual requirements in the Middle East that cannot be anticipated because of the nature of the situation there, and the need for this flexibility remains.

SPECIAL REQUIREMENTS FUND—TRANSITION QUARTER

Mr. PASSMAN. Could you please tell the committee what use will be made of the $10 million requested for the transition quarter?

Mr. NOOTER. These funds will be used to continue activities begun in fiscal year 1976 and for any special requirements that may arise. For example, there will be continuing costs for the U.S. surveillance station that will need to be funded and we expect additional U.S. private voluntary agency program requests for the West Bank and Gaza. We will, of course, provide you with specific project detail on anv plans for the use of these funds.

TRANSITIONAL EXPENSE REQUESTS

Mr. PASSMAN. I also note that you have not submitted requests for the transition period for the various Middle East countries. Could you please tell the committee when these transitional expense requests will be submitted, and how much they will amount to?

Mr. NOOTER. This question is still under review. I expect that there should be a decision on it by the time decisions are made on the fiscal year 1977 budget.

Mr. PASSMAN. Could you please tell the committee how much has been provided to assist in the airlift of Portuguese citizens from Angola to Portugal?

Mr. NOOTER. Seven million four hundred thousand dollars was obligated in fiscal year 1976 from the Famine and Disaster Relief account to finance the U.S. participation in the airlift.

Mr. PASSMAN. Could you please tell the committee the source of these funds, and what account this amount will be charged to when the final appropriation is received?

Mr. NOOTER. The final cost of the airlift was about $7.4 million. The costs will be financed under section 491, international disaster assistance.

FISCAL YEAR 1976 SECURITY SUPPORTING ASSISTANCE FOR THE MIDDLE EAST COUNTRIES

Mr. PASSMAN. Of the $1,189,900,000 increase projected for security supporting assistance for fiscal year 1976, how much can be attributed to the Middle East countries?

Mr. NOOTER. $1,004,300,000 of the increase requested for fiscal year 1976 for the security supporting assistance program can be attributed to the Middle East countries of Egypt, Jordan, Syria and Israel.

LEGISLATIVE RESTRICTIONS ON THE SECURITY SUPPORTING ASSISTANCE

Mr. PASSMAN. Are there any legislative restrictions on the security supporting assistance program? If so, would you please list these restrictions in detail for the record?

Mr. NOOTER. Yes, there are many legislative restrictions contained in the Agency's Authorization Act and the current Appropriations Act. As a rule, and subject to specific exceptions from time to time, all of the general provisions of the Foreign Assistance Act of 1961, as amended (FAA) and the Foreign Assistance and Related Programs Appropriations Act, 1975, are equally applicable to the security supporting assistance program and the development assistance program. These restrictions pertain to matters such as procurement from small business, shipping on U.S. vessels, procurement from the United States, transfers of funds between accounts, completion of detailed plans and cost estimates before project financing, use of foreign currency, prior approval of the terms of contracts on capital projects and all of the FAA section 620 prohibitions on assistance to certain countries. These latter restrictions come into consideration where events have occurred such as expropriation of property of U.S. nationals, defaults on debts to the United States, termination of diplomatic relations and other events of this nature. Their application is a function of the nature of the event rather than the appropriations account.

In addition, there are legislative restrictions specifically applicable to the security supporting assistance program. Reference is made to FAA section 115 against comingling of economic and supporting as-

sistance funds, FAA section 531 limiting the number of countries receiving supporting assistance and Appropriations Act section 113 relating to congressional notifications.

DEOBLIGATIONS

Mr. PASSMAN. Please furnish for the record a table broken down by country, showing the projects which have had funds deobligated from them during fiscal year 1975, and the amount that has been deobligated.

Mr. NOOTER. There were no deobligations of funds from any of the ME Security Supporting Assistance countries during fiscal year 1975.

LOAN AND GRANT COMPONENTS OF THE FISCAL 1976 SECURITY SUPPORTING ASSISTANCE

Mr. PASSMAN. Could you please provide for the record a detailed breakdown showing how much of the $1,867.6 million in security supporting assistance for fiscal year 1976 will be on a grant basis, and what part will be on a loan basis?

Mr. NOOTER. The fiscal year 1976 security supporting assistance program will be composed of loans and grants as follows:

[In thousands of dollars]

Recipient	Grant	Loan
Egypt	240,000	510,000
Israel	500,000	240,000
Jordan	59,500	18,000
Syria	7,000	83,000
Cyprus	25,000	
Greece		65,000
Portugal	36,000	19,000
Zaire	2,750	20,000
Bahrain	600	
Malta	9,500	
Spain	(1)	(1)
UNFICYP	9,600	
Total	889,950	955,000
Operating expenses	22,600	
Total SSA	1,867,550	

[1] Amounts to be requested later upon conclusion of base agreement negotiations.

PARTICIPANTS PROGRAMED FOR SECURITY SUPPORTING ASSISTANCE

Mr. PASSMAN. How many participants are programed for security supporting assistance in fiscal year 1976, and what is the average cost per participant?

Mr. NOOTER. Approximately 400 participants are programed for security supporting assistance in fiscal year 1976. We expect their average cost will be on the order of $7,800 per participant for 12 man-months of academic training, excluding international travel cost, and up to $2,000 per man-month for nonacademic training, excluding international travel cost.

Mr. PASSMAN. How many of these participants will be trained in the United States and how many in third countries?

Mr. NOOTER. The great bulk of the participants will be trained in the United States. So far we have firm plans for two participants to be trained in third countries.

Mr. PASSMAN. Do all the countries pay for the international travel of their participants?

Mr. NOOTER. The government of Zaire pays all international travel costs for its participants. The government of Egypt pays the costs for many of its participants, but we some times finance these costs since the program is in the initial stage. The U.S. Government pays the international travel costs for participants from Syria, Jordan, and the initial group of participants from Portugal scheduled for training; the Government of Portugal is expected to pay the travel costs for succeeding groups of participants.

EGYPT

STATUS OF FISCAL YEAR 1975 PROJECTS

Mr. PASSMAN. Could you please provide for the record a detailed breakdown of how the $250 million appropriated in fiscal year 1975 was used, and how the projects are progressing?

Mr. NOOTER. Yes. Projects are underway as follows:

SUEZ CANAL CLEARANCE

$13.7 million grant. This project was completed early in 1975. A small residual Naval group remained to assist the Egyptians in the clearance of small vessels but left after the Canal opened for commercial traffic in June 1975.

SUEZ RECONSTRUCTION PROJECTS

a. Electric distribution equipment—$30 million grants: U.S. firms have submitted bids for supplying the equipment and these bids are now being evaluated. Contracts are expected to be signed in January. b. road construction equipment—$10 million grants. Invitations for bids have been advertised.

TECHNOLOGY TRANSFER AND MANPOWER DEVELOPMENT

$1 million grant: American experts have been provided to assist the Egyptians in various technical areas such as: port operations at the Port of Alexandria, Suez area electric power requirements, grain storage and distribution, tax administration, health and rehabilitation. Also financed under the project was a comprehensive agricultural sector survey.

In addition, study grants have been provided to 33 Egyptians for study in the United States in fields such as: tax administration, petroleum exploration and processing, air traffic and airport control, management, statistics, and economics.

GRAIN STORAGE FACILITIES

$44.3 million loan: Following review of prequalification submissions by interested U.S. firms, we are now in the process of selecting a U.S. contractor to provide the architectural and engineering plans for the project.

COMMODITY IMPORT PROGRAM

$150 million loan: This was signed late in fiscal year 1975. Allocations for the total amount have been made within the Egyptian Government, procurement tenders totalling about $75 million have been issued, and approximately $10 million in goods have already arrived in Egypt.

FEASIBILITY STUDIES

$1 million grant: This project has already provided a detailed study, evaluation, and recommendations by American firms of the Egyptian medium-term power needs as well as an additional study on the electrical distribution system for the Suez Canal reconstruticon area. We are now engaging or are considering engaging services from the U.S. private sector for studies concerning (1) expanding and improving the national grain, tallow, oil, and fats storage and distribution systems; (2) extraction of raw materials used in cement production; (3) irrigation systems and their operation and maintenance; and (4) domestic textile production.

EGYPT'S INVESTMENT IN RECONSTRUCTION

Mr. PASSMAN. Could you please tell the committee how much Egypt is investing in her own reconstruction in fiscal year 1976?

Mr. NOOTER. We estimate that the Government of Egypt has invested at least $200 million of its own resources in reconstruction work over the past 2 years. This has been used in connection with the clearance of rubble, the repair of roads and streets, the salvage and repair of public facilities and enterprises, and the construction of new dwellings to replace those destroyed. With completion of master planning for the Suez area scheduled for spring 1976, we would expect some acceleration in the pace of reconstruction work during 1976, and a consequent increase in the resources directed toward this purpose in Egyptian budgetary year 1976.

ASSISTANCE TO EGYPT FROM ARAB STATES AND IRAN

Mr. PASSMAN. Could you please tell the committee how much assistance was provided from the other Arab countries in fiscal year 1975, by country, and indicate what the plans are for fiscal year 1976?

Mr. NOOTER. Our estimates are that in fiscal year 1975 a total of about $1,720 million in economic assistance was made available to Egypt from the following sources: Kuwait, $240 million; Saudi Arabia, $700 million; the Rabat Fund, $580 million, this included special contributions from the Saudis Kuwait and Qatar; and project aid of $200 million from various Arab States.

We have no detailed information on their fiscal year 1976 plans, but we expect that they might be in the same order of magnitude.

OTHER DONOR ASSISTANCE TO EGYPT

Mr. PASSMAN. Could you please tell the committee what other countries are providing assistance to Egypt and indicate the amounts by country.

Mr. NOOTER. Yes, I will be happy to oblige. For fiscal year 1975 total economic assistance from other than Arab countries is estimated to have been about $920 million on a commitment basis as illustrated by the following table:

Fiscal Year 1975 Amount

Country:	*Millions*
Iran	$150
Japan	150
Germany	120
United Kingdom	15
Denmark	10
The Netherlands	5
IBRD/IDA	220
IMF	60
U.N.	30
PRC	100
France	60
Total	920

EGYPTIAN OIL

Mr. PASSMAN. Could you please tell the committee if any oil discoveries have been made in Egypt in the past year?

Mr. NOOTER. As far as we know, there have not been any new oil discoveries in Egypt in the past year.

SOLE U.S. SOURCE SUPPLIERS

Mr. PASSMAN. Will all the commodities, services, equipment, and so on provided by the security supporting assistance be purchased from U.S. sources?

Mr. NOOTER. Yes, that is our plan.

EGYPTIAN ARMS PURCHASES

Mr. PASSMAN. I notice in several newspaper articles that Egypt was purchasing arms from Britain and France. Could you please tell the committee the size of these arms deals and indicate how Egypt plans to pay for them?

Mr. NOOTER. I'm sorry, but we have no details on these reported sales.

INVESTMENTS IN EGYPT

Mr. PASSMAN. What steps has President Sadat taken to restore private investment confidence, both local and abroad, in the Egyptian economy?

Mr. NOOTER. Early in 1974, the Egyptian Government announced an "Open Door Policy" indicating its interest in major foreign investment, and, in implementation of this policy, it promulgated a new foreign investment law which set out general guidelines for investment and repatriation of profits. This has been accompanied by new domestic policies which encourage investments by Egyptian private enterprise.

A Joint Egyptian-United States Business Council has been formed to help facilitate private investment by U.S. private enterprise. The

U.S. chairman of this Council is Mr. Thomas May of General Motors. President Sadat indicated his interest in the activities of this Council by personally attending the inaugural session in Cairo in October 1975.

Beyond these steps, I believe that President Sadat expects that the implementation of the Step II Sinai accord will help to reassure the international business community regarding the prospects for peace and normal commercial activity in the area.

PETROLEUM REQUIREMENTS

Mr. PASSMAN. With the return of the oil fields, will the Egyptians be able to satisfy all of their internal petroleum requirements?

Mr. NOOTER. The return of the Sinai oil fields will make Egypt approximately self-sufficient in petroleum. However, because the country's refineries are not able to supply all the varieties of fuels and lubes required for the economy, Egypt will continue to import some refined products, but the value of these imports will be approximately offset by exports of crude products.

NUCLEAR REACTORS

Mr. PASSMAN. Could you please tell the committee what the status is of the proposed purchase of nuclear reactors from the United States?

Mr. NOOTER. During a Presidential trip to the Middle East in 1974, it was announced that negotiations on a nuclear cooperation agreement with Egypt would begin. The ensuing negotiations resulted in the issuance of a United States-Egyptian joint statement during President Sadat's recent visit which recorded an agreement in principal between our two countries to undertake a program of peaceful nuclear cooperation. We are now negotiating the detailed agreement for cooperation to cover the conditions governing the sale of nuclear reactors, which will be subject to congressional review.

NUCLEAR FINANCING

Mr. PASSMAN. How will these nuclear reactors be financed?

Mr. NOOTER. We understand the Egyptian Government has not yet decided how to finance its possible purchase of nuclear reactors.

COST OF NUCLEAR REACTORS

Mr. PASSMAN. What will be the total cost and the number of these nuclear reactors?

Mr. NOOTER. I understand the nuclear agreement with Egypt will provide for two reactors. The total estimated cost of these reactors will probably exceed $1 billion.

COST OF OPENING THE SUEZ CANAL

Mr. PASSMAN. Could you please tell the committee what the total cost has been to clear the Suez Canal and get it back in operational condition, and indicate how much has been supplied by the United States?

Mr. NOOTER. The direct cost of U.S. participation in clearing the Suez Canal was $29.3 million, of which AID financed $22.2 million. The amount financed by AID represents financing over and above normal DOD operational and salary expenses required in the canal clearance operation. Of the total cost, $7.1 million was accounted for by normal DOD expenditures for vessel operation and salaries. We estimate that as of June 30, 1975, the Government of Egypt had expended approximately $50 million in local currency to support the clearing operations. The French and British also provided considerable assistance during the clearing operations.

In addition to the cost of clearing the canal, a total of $181 million is required to reequip the Suez Canal Authority with basic canal maintenance and navigational equipment which was lost or destroyed during the 1967–73 period. This amount is being made available under an IBRD loan together with Kuwaiti and Saudi Arabian funds.

The total cost of getting the canal back into operation, therefore, is somewhere on the order of $275 million to $300 million.

Mr. PASSMAN. Have Israeli ships been allowed to use the canal?

Mr. ATHERTON. Ships carrying cargo bound for Israeli ports have used the canal, and, as far as I know, are permitted to do so on a routine basis. Ships of Israeli registry, though, are not permitted to transit the canal at this time.

CANAL RESTRICTIONS ON SHIPMENTS TO ISRAEL

Mr. PASSMAN. Are there any restrictions on ships using the canal which are carrying goods to Israel?

Mr. ATHERTON. Yes. According to article VII of the recent Sinai agreement between Egypt and Israel, ships carrying military cargoes to Israel may be forbidden use of the canal. There are no other restrictions regarding ships traveling to Israel.

DURATION OF UNITED STATES AID TO EGYPT

Mr. PASSMAN. Could you please tell the committee how long the United States will be providing aid to Egypt and indicate what the annual amounts will be?

Mr. NOOTER. This is very difficult to project. Our aid program in Egypt is an integral part of the overall U.S. peace efforts in the area. There is no way of predicting accurately when a permanent Middle East settlement will be achieved.

U.S.S.R. AND SOVIET BLOC AID

Mr. PASSMAN. Is Egypt getting any Soviet or other Communist aid at the present time?

Mr. NOOTER. As far as we know, the Soviet Union is continuing disbursements for previously initiated Soviet projects but is not providing Egypt with any new economic aid. Other bloc countries, for example, Rumania and East Germany, and the People's Republic of China, apparently are still providing assistance to Egypt, but we are not certain at what levels.

BENEFIT TO THE POOR

Mr. PASSMAN. Could you please tell the committee how the funds being requested for Egypt will benefit the poor in that country?

Mr. NOOTER. Two of the projects presented will benefit the poor directly. The rural health project is designed to strengthen basic health care and family planning delivery services at the village level where a majority of the poorest people of the country reside. In similar fashion, the water use and management project has as its goal increased productivity and income for the small farmer of Egypt. Other programs presented will impact in a large part on the poor. For example, one of the fundamental purposes of the commodity import program is to increase production and production efficiency by Egyptian industry which produces nearly all of the basic consumer items, such as soap, inexpensive fabric, and simple tools required by the poor man, but heretofore in short supply in the country.

PORT CAPABILITY

Mr. PASSMAN. Could you please tell the committee if the port facilities in Egypt are adequate to handle all the increased equipment and material that are flowing into Egypt?

Mr. NOOTER. You have put your finger on one of Egypt's major short-term problems. At this time, Alexandria handles almost the total international trade of Egypt, and this port is greatly overextended. We recognize that the inadequacy of Egypt's port facilities is an impediment to reconstruction and economic development, and for this reason, we have included port improvement projects in our fiscal year 1976 submission. By providing equipment, we expect to increase the capability of Alexandria Port and to help put Port Said back into full operation. This will provide much needed relief to port congestion.

COMMODITIES UNDER THE COMMODITY IMPORT PROGRAM

Mr. PASSMAN. You indicate that $250 million will be used for the commodity import program in fiscal year 1976. Could you please tell the committee what sort of commodities will be financed by this amount?

Mr. NOOTER. The fiscal year 1976 commodity import program focuses on increasing the productivity of the industrial and agricultural sectors. Therefore, we expect to concentrate on the following categories: Industrial raw and semifinished materials; agricultural inputs; agriculture machinery and tools; vehicles and transport equipment, paper products; electrical equipment and spare parts; telecommunications equipment pharmaceuticals; industrial machinery and spare parts.

TOBACCO

Mr. PASSMAN. On page 11 you indicate that 4,200 metric tons of tobacco will be supplied to Egypt under the Public Law 480 program. Could you please tell the committee why we are supplying Egypt with tobacco when grain or rice to feed the poor would be more appropriate?

Mr. NOOTER. We are not sending tobacco in place of food grains. For fiscal year 1976 we plan to provide Egypt 1 million tons of wheat under Public Law 480. This, when added to their other wheat purchases, will assure adequate food for the Egyptian population. As with most other domestic industries, the Egyptian cigarette industry does not have sufficient foreign exchange with which to buy the tobacco required for production of their cigarettes. The tobacco being provided under the Public Law 480 loan will assist them in this regard.

POWER REQUIREMENTS

Mr. PASSMAN. On page 13 you indicate that $70 million will be used for the construction of an electric powerplant. If nuclear reactors are being supplied to Egypt will they need to construct this conventional electric powerplant?

Mr. NOOTER. Yes; the electric powerplant at Ismailia will be necessary and will provide power only for the Suez Canal area. As economic development takes place, there will be a need for additional power in the Suez area and in other areas. The nuclear powerplants will provide part of this additional power.

ALEXANDRIA PORT CONGESTION

Mr. PASSMAN. On page 16 you indicate that there is a great deal of port congestion at Alexandria. Could you please tell the committee how long it takes to get a ship unloaded, and how long they have to wait before they are unloaded at the Port of Alexandria?

Mr. NOOTER. The time, of course, varies according to the cargo, and the size and type of ship. In mid-1975, the turnaround time was reported to be about 2 to 3 weeks, but for some ships, the time was considerably longer. I might add here that certain cargoes, including our Public Law 480 shipments, are designated as priority cargoes and are given special handling.

GRAIN LOSSES

Mr. PASSMAN. On page 20 you indicate that a great deal of grain is lost due to rodents, insects, and mildew. Could you please tell the committee how much of the U.S. imported grain will be lost in a year?

Mr. NOOTER. In the submission, we were considering estimated losses of total Egyptian wheat imports. Since U.S. grain shipments are given priority treatment in the ports, we would expect losses from these shipments to be somewhat lower than the overall figure. Nevertheless, it would seem realistic to assume that perhaps 40,000 to 60,000 tons of the 1 million tons of wheat we anticipate selling to Egypt this year under Public Law 480 title I will be lost because of inadequate storage and handling facilities. This is one of the reasons we have emphasized in our program last year, as well as this, the need for investment in improved food grain storage and distribution facilities.

AID PERSONNEL IN EGYPT

Mr. PASSMAN. Could you please tell the committee what the size of the AID staff will be in Egypt?

Mr. NOOTER. Our AID office in Cairo has 12 American personnel assigned at the present time. I expect that this will need to be increased significantly during the coming months to assure proper implementation of the program and control of funds.

ISRAEL

$15 MILLION BUDGET AMENDMENT

Mr. PASSMAN. Is a budget amendment going to be sent up requesting an additional $15 million in security supporting assistance for Israel?

Mr. NOOTER. Yes; a budget amendment for this item is now in process and I understand it will be submitted to the Congress following the President's return from China.

ISRAEL DESALTING PLANT

Mr. PASSMAN. Could you please tell the committee if the $20 million that was made available for the Israeli desalting plant has been obligated at this point?

Mr. NOOTER. These funds were obligated on June 28, 1975, and conditions precedent to disbursement have been satisfied. The Government of Israel is in process of executing a contract with the general contractor for design and construction of the prototype desalting plant.

Mr. PASSMAN. Where will this desalting plant be constructed, and what will be the capacity of the plant?

Mr. NOOTER. The plant will be constructed in the city of Ashdod, located to the south of Tel-Aviv. Ashdod is an industrial city of about 42,000 population. The production capacity of the plant will be 10 million gallons of water a day when the plant is in full operation.

ISRAEL FOREIGN EXCHANGE RESERVES

Mr. PASSMAN. On the economic data sheet you indicate that the foreign exchange reserves of Israel in 1974 amounted to $1.2 billion. Could you please tell the committee how long this foreign exchange reserve would last Israel?

Mr. NOOTER. This level of foreign exchange reserves would finance only about 2 months of imports. This is a very low reserve ratio as compared with most other economies.

ISRAEL OIL REQUIREMENTS

Mr. PASSMAN. Would you please explain what obligations the United States has under the Sinai agreement to Israel if there is a shortage of crude oil or if the price of crude oil increases by a substantial amount?

Mr. NOOTER. As I understand Secretary Kissinger's previous testimony on this point, the United States has promised to make oil available for purchase by Israel if for some reason Israel is unable to meet its oil requirements through its own independent channels. This understanding is based on availability and not price. If the price of crude oil

should increase, this would increase the cost to Israel. We have agreed that in determining the overall annual aid request for Israel in the future, the United States will take into account Israel's overall oil import costs.

ISRAEL COMMODITY IMPORT PROGRAM

Mr. PASSMAN. You indicate that $590 million will be used in fiscal year 1976 for the commodity import program. Would you please tell the committee what commodities will be financed from this total, and will they all originate from the United States?

Mr. NOOTER. Yes; I would be glad to do this. First, it is planned that all of the commodities will be purchased in the United States. The complete listing of commodities eligible under the program runs into many hundreds of items, and we will be happy to supply this information. The major categories of commodities are as follows:

—Ferrous and nonferrous metal products.
—Iron and steel scrap.
—Wood, pulp, and paper products.
—Chemical and pharmaceuticals.
—Soybeans and other food grains and products.
—Textiles.
—Machinery—electrical and nonelectrical.
—Household appliances.
—Transportation equipment.

PROGRAM GRANT

Mr. PASSMAN. You also indicate that $150 million will be supplied in a cash grant to help Israel offset the indirect foreign exchange demand resulting from the cost associated with the Sinai withdrawal. Could you please tell the committee what type of costs you are talking about here?

Mr. NOOTER. These funds have not been earmarked for any specific items. However, as an example, implementation of the Sinai agreement of September 1975 means that Israel will have to reposition its defense line and construct additional fuel storage facilities. These budget expenditures have an indirect effect on Israel's balance of payments.

ISRAEL AID MISSION

Mr. PASSMAN. Could you please tell the committee how big the AID mission is in Israel?

Mr. NOOTER. AID does not maintain a mission in Israel but is represented by the U.S. Embassy there. Actually, very little of the program is handled in the field. The Israel Government has a central procurement agency stationed in New York that handles virtually all of the work on the Israeli side, and this office consults with our AID offices in Washington on the implementation of the program.

ISRAEL—OTHER DONOR ASSISTANCE

Mr. PASSMAN. What other countries will provide aid to Israel in fiscal year 1976, and what amounts will be provided?

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Mr. NOOTER. A number of other countries provide economic assistance to Israel, including West Germany, Japan, and other DAC countries. The total amount of this assistance in fiscal year 1976 is projected at about $60 million, of which some $55 million will be provided by West Germany. In addition to this bilateral assistance, the World Bank and International Monetary Fund are expected to provide about $120 million.

ISRAEL—FISCAL YEAR 1976 ASSISTANCE LEVEL

Mr. PASSMAN. Could you please tell the committee why the United States is providing so much assistance to Israel in fiscal year 1976?

Mr. NOOTER. Our analysis of Israel's economic requirements indicated that such assistance is necessary to help Israel maintain its economic and political stability in the face of the severe economic pressures besetting the Israel economy, in particular a heavy defense burden and a foreign debt of about $1,900 per capita.

ISRAEL—HOUSING GUARANTY PROGRAM

Mr. PASSMAN. Is there any intention at the present time to provide Israel with housing guarantees in fiscal year 1976?

Mr. NOOTER. Yes. $25 million is programed for Israel in fiscal year 1976 under the housing guaranty program.

JORDAN

Mr. PASSMAN. The next country we will consider is Jordan. You indicate that $57 million will be provided to Jordan as budgetary support. Could you please tell the committee what sort of control the United States has over these funds?

Mr. NOOTER. There are two general covenants in our budgetary support agreement with Jordan. First, the AID funds are not subject to any taxation or fees imposed by the Government of Jordan, and second, such funds are to be used exclusively for nonmilitary items needed to meet development and recurring civilian requirements within the official Jordanian budget.

EARMARKING OF U.S. FUNDS

Mr. PASSMAN. Instead of providing budgetary support why don't we provide funds that are earmarked for specific projects?

Mr. NOOTER. We provide budget support to assist the Jordan Government meet its essential funding requirements. As Jordan's narrow economic base is expanded and domestic revenues are increased, the need for such payments will be reduced. You will note that we have increased our loan and technical assistance programs this year, while we have reduced budgetary support.

JORDAN'S RELATIONSHIP WITH NEIGHBORING ARAB COUNTRIES AND THE PLO

Mr. PASSMAN. Could you please tell the committee what Jordan's relationship is to the rest of the Arab countries in that area, and also

what relationship they presently have with the Palestinian Liberation Organization?

Mr. ATHERTON. King Hussein's relations with his Arab neighbors, which in the past have not always been of the best, have been improving lately. We welcome this trend, viewing it as a sign that Jordan's moderate position in connection with the Middle East conflict has begun to win some understanding from its hitherto more belligerent Arab neighbors. Jordan's improved relations with Syria, in particular, should be seen as a part of this overall pattern.

Jordan's relations with the PLO were broken as the result of the expulsion of the fedayeen organizations from that country in 1970–71. Although King Hussein has accepted the decision taken by the Arab States at the 1974 Rabat summit conference to recognize the PLO as the sole, legitimate representative of the Palestinian people, bilateral Jordanian-PLO relations have not been restored. The Jordanians continue to consider the fedayeen organizations as constituting a threat to themselves as well as to others.

JORDAN'S ROLE REGARDING PEACE IN THE MIDDLE EAST

Mr. PASSMAN. What role does Jordan play in the peace negotiations in the area, and also as a stabilizer in that area?

Mr. ATHERTON. Jordan's central geographic location makes it a major factor in the maintenance of regional stability. At the same time, its location exposes the country to a variety of pressures that could undermine its own stability and, with it, that of the area as a whole. Despite the pressures it faces, Jordan has consistently followed policies of restraint and moderation in the Middle East. It has consistently cooperated with the United States in our efforts to move toward the goals of peace and security in the area. It has been a force for peace and for moderation, and it has played—and we believe will continue to play—a positive role in the ongoing search for peace in the Middle East.

We have seen it in our interest to do what we can to insure that Jordan remains able to pursue these constructive policies. A Jordan committed to a process of peaceful and just resolution of the Arab-Israeli conflict is essential to the peacemaking effort. We have, therefore, worked to reinforce our traditionally close and fruitful cooperation with King Hussein's government in order to achieve this.

ARAB AID TO JORDAN

Mr. PASSMAN. Could you please tell the committee what type of aid will be provided by the Arab countries and what amounts will be provided in fiscal year 1976?

Mr. NOOTER. The Arab countries provide both economic and military assistance to Jordan. We don't know what the level of assistance will be in fiscal year 1976, but in calendar year 1975 the Arab countries are expected to provide Jordan approximately $307 million, of which $185 million will be military assistance and $122 million will be economic assistance.

OTHER DONOR AID TO JORDAN

Mr. PASSMAN. What other countries will provide aid to Jordan in fiscal year 1976, and what amounts will be provided?

Mr. NOOTER. As with the previous question, the most recent data we have are for calendar year 1975. In addition to the Arab nations, other donors include Iran ($5 million), United Kingdom ($24 million), West Germany ($29 million), Japan ($10 million), IDA ($13 million) and others ($34 million).

JORDANIAN MILITARY BUDGET

Mr. PASSMAN. Could you please tell the committee what the total Jordanian budget will be for military expenditures in fiscal year 1975 or fiscal year 1976?

Mr. NOOTER. We have figures for calendar year 1975 only. The published Government of Jordan budget for 1975 indicates that $48 million Jordan dinars will be spent during the current year. That is equivalent to about $150 million. This figure does not include financial military aid provided to Jordan under the so-called Rabat payments. Those funds are considered by the Jordanians to be extra-budgetary. In 1975 these payments totaled about $170 million. In addition to the Rabat payments, Jordan received an estimated $15 million from other friendly Arab States for defense purposes, bringing the total received in 1975 to $185 million.

BREAKDOWN OF JORDANIAN MILITARY BUDGET

Mr. PASSMAN. Will you also provide a breakdown showing how this military budget will be financed?

Mr. NOOTER. While we have no detailed breakdown on exactly how the Jordanian military budget is financed, we know that in fiscal year 1975 the Jordanians intended to make necessary funds available for their armed forces from the state treasury, in addition to the defense subsidies they would receive as a result of the Rabat Summit Conference in late 1974. U.S. military assistance is also designed to help the Jordanians bear their defense burden.

EXPENDITURES ON U.S.-FINANCED PROJECTS

Mr. PASSMAN. Are expenditures proceeding at a normal pace on U.S.-financed projects in Jordan?

Mr. NOOTER. We have experienced some delays in expenditures under our capital projects, as we do in many aid projects around the world. The 1973 hostilities caused special problems. However, these are being resolved as they are encountered, and on the whole the programs in Jordan are now proceeding normally.

COMMODITY PROCUREMENT

Mr. PASSMAN. Will all the commodities that would be provided under the $90 million that is requested for Syria be purchased in the United States?

Mr. NOOTER. All of the commodities financed under the agricultural inputs project will be purchased in the United States. It is planned that all of the commodities required for the other projects—irrigation and rural electrification—also will be purchased in the United States. However, we will not know for certain on these latter projects until after the detailed design plans are completed.

TRAINING MANAGERS AND TECHNICIANS

Mr. PASSMAN. On page 58 you state that the lack of sufficient numbers of trained managers and technicians is a major constraint to the introduction of modern techniques in agriculture. Could you tell the committee how long it will take to eliminate this shortage of trained personnel?

Mr. NOOTER. The training required to introduce new types of agrictulural techniques will vary at different personnel levels. However, it clearly will be a multiyear effort. We will not be in a position to project just how long until after we have had some further operational experience with the program.

SHORTAGE OF TRAINED PERSONNEL

Mr. PASSMAN. Will this shortage of trained personnel hold up any projects planned under the security supporting assistance program?

Mr. NOOTER. No. In cases where shortages of trained personnel are evident, the first step under the project will be addressed to those needs.

SHORTAGE OF TRAINED PERSONNEL

Mr. PASSMAN. In light of the shortage of trained personnel how are we going to be assured that our assistance will be spent in an efficient manner?

Mr. NOOTER. Any shortages of trained personnel that would affect our ability to assure that AID assistance is managed properly will be addressed prior to provision of goods, services or commodities that require monitoring or supervision.

TYPES OF AGRICULTURAL EQUIPMENT

Mr. PASSMAN. I note on page 60 in connection with the agricultural development and production inputs project that you planned to provide self-propelled combines, bulldozers, cranes, excavators, wheel-type tractors, fuel and water tankers, trucks, and trailers. This seems to be rather large and sophisticated agricultural equipment to be used by the common farmer in Syria. Could you please tell the committee just what these large machines will be used for?

Mr. NOOTER. As you suggested, the average Syrian farmer, as an individual, cannot afford this heavy equipment. However, much of this equipment will be used in farming cooperatives and in this way will be available to the small farmer.

EQUIPMENT AS INITIAL INPUTS

Mr. PASSMAN. Would not money be better spent initially for more fertilizer, small tractors, farm implements, and cooperative educa-

tional programs so that the small farmer could benefit from this assistance?

Mr. NOOTER. All of these factors must at some point be brought together and be made available to farmers. The question is really one of timing. We feel that placing initial efforts on helping the Syrians to obtain their machinery requirements are sound and appropriate for our new program with Syria.

ENGLISH LANGUAGE TRAINING

Mr. PASSMAN. On page 66 you indicate that some Syrians may be brought to the United States for English language training. Would it not be cheaper to have them trained in institutions already located in the Middle East or near the Middle East, such as the American University of Beirut?

Mr. NOOTER. Yes, it would be cheaper to provide English training in a facility in the area. In fact, we are attempting to develop a facility in Damascus for this purpose. We are not sure yet whether the facility in Dasmascus will be an expansion of an existing one or whether a new English Language Training Center will be established. The American University in Beirut is perhaps the only existing institution in the area capable of providing such training, and the security situation there now precludes use of this institution. For these reasons, we plan to provide most of the English language training in Syria.

SIZE OF AID MISSION

Mr. PASSMAN. Could you please tell the committee what the size of the AID mission is in Syria at the present time?

Mr. NOOTER. There are five U.S. direct-hire and seven foreign nationals onboard at present.

ASSISTANCE FROM ARAB COUNTRIES

Mr. PASSMAN. Could you please tell the committee how much assistance will be received from the other Arab countries by Syria in fiscal year 1976?

Mr. NOOTER. We have no firm figures yet for the level of aid from other Arab countries to Syria during fiscal year 1976; however, we expect economic assistance will be in the same order of magnitude as was provided in fiscal year 1975, which was around $1.1 billion.

CYPRUS

CURRENT REFUGEE PROBLEMS

Mr. PASSMAN. Could you please tell the committee what the current situation is on Cyprus with regard to the various refugee problems, and also how negotiations are progressing between Greece and Turkey considering that country?

Mr. NOOTER. The most immediate needs of the refugees in Cyprus have been satisfied through a large international relief effort. The United States has accounted for almost half of assistance provided since August 1974. The emphasis on assistance is shifting from hu-

manitarian relief to employment-creating activities as more and more refugees enter the economy of the south. The number of displaced persons living in inadequate or temporary shelter is constantly diminishing. The Government of Cyprus is sponsoring a refugee housing program which should soon reduce the need for the few remaining tent villages. Negotiations between the Cypriot communities have not taken place since September. The United States is engaged in a major effort to have these talks resumed and there are indications that the parties will soon be able to agree to return to the table on a framework which will allow the discussion of all key substantive issues.

POLITICAL DIVISION ON CYPRUS

Mr. PASSMAN. Is Cyprus still broken up into a Turkish area that is governed by the Turkish element and a Greek area being governed by the Greek Cypriots?

Mr. NOOTER. Cyprus is still divided into a Turkish controlled zone in the north and the area in the south administered by the Government of Cyprus.

FISCAL YEAR 1975 AND FISCAL YEAR 1976 AID TO CYPRUS

Mr. PASSMAN. Could you please tell the committee briefly what the $25 million that was provided in fiscal year 1975 was used for, and also indicate what the $25 million requested in fiscal year 1976 will be used for?

Mr. NOOTER. The $25 million that was provided to Cyprus in fiscal year 1975 was allocated as follows:

United Nations High Commission for Refugees (UNHCR)

	Millions
Emergency feeding program	$7.5
Other emergency needs: Tents, blankets, sheets, medical supplies, et cetera	6.7
Domestic equipment: Cooking utensils, et cetera	0.4
Temporary shelter (GOC housing projects)	1.6
Transportation of commodities (movements from overseas plus internal distribution in Cyprus)	0.9
Cottage industry/handicrafts project	0.4
Medical clinic for aged refugees	0.1
Old-age homes for refugees	0.7
Other projects	2.5
Total	20.8

These include, in the south, facilities and commodities for infants of refugee parents; equipment for four existing old-age homes occupied by refugees; welfare centers for preschool refugee children; educational materials for refugee children. Other projects in the north include a labor-intensive reforestation scheme; footwear and clothing allowance for displaced persons; medical training and equipment; and educational materials for refugee children.

International Committee of the Red Cross (ICRC)

	Millions
Cash grants	1.7
Aid in kind (commodities)	2.5
Total	4.2

The U.S. contribution included payments to ICRC personnel including five mobile medical teams, supplementary foodstuffs for minority populations in north and south, and miscellaneous relief supplies including protein-enriched foodstuffs and medical supplies.

The UNHCR is discussing its future program with the GOC. While firm plans are not yet settled, we expect to relate our funds to activities in: feeding, reforestation, small loans to refugees, housing, and other refugee/welfare projects designated to increase employment. The modalities and actual amounts are still being worked out between UNHCR and the GOC. In addition, we expect to provide funds for the Intergovernmental Committee for European Migration (ICEM) and the United Nations forces in Cyprus (UNFICYP) for support of its humanitarian activities.

ADDITIONAL AID TO CYPRUS

Mr. PASSMAN. What additional U.S. assistance was provided to Cyprus in fiscal year 1975, and what additional assistance is planned for fiscal year 1976? I am thinking here of Public Law 480 commodities and any other type of private assistance.

Mr. NOOTER. During fiscal year 1975, no official U.S. assistance was provided to Cyprus in addition to the $25 million. Also, no additional official U.S. assistance is currently being considered for fiscal year 1976 over and above that which is ultimately appropriated for support of relief and rehabilitation activities in Cyprus. Unfortunately, we do not have reliable figures on private assistance to Cyprus.

DISPLACED PERSONS

Mr. PASSMAN. Could you please tell the committee how many Cypriots are presently still displaced, and just how fast they are being resettled to permanent locations?

Mr. NOOTER. According to Government of Cyprus statistics made available in late October, about 183,000 people are considered displaced and another 24,000 either needy but not displaced or in enclaves. Of the total, about 164,000 are considered to need food rations and allowances (this includes people who are needy but not displaced an in enclaves). Most of the displaced people are living with friends and relatives rather than in tents. The number of people in tents has fluctuated somewhat, with the figure in late October being about 17,900. This figure will probably decline somewhat during the colder weather. The Government of Cyprus is undertaking housing projects designed to give better shelter to some of the refugees.

ROLE OF UNHCR

Mr. PASSMAN. On page 77, you indicate the U.N. High Commissioner for Refugees has been involved pretty heavily in the channeling of aid to the various Cypriot groups. I thought this outfit dealt more with the legal rights of refugees and was not actually involved in relief coordination. Could you please explain this?

Mr. NOOTER. It is true that involvement in relief coordination has not been a traditional role for the U.N. Commissioner for Refugees.

However, because of the political division which resulted from the hostilities and the fact that a U.N. presence already existed on the island, the UNHCR provided a unique capability for channeling relief assistance to the many refugees created on both sides of the line.

Mr. PASSMAN. Have you found that the U.N. High Commissioner for Refugees has been able to adequately supply relief aid to these refugees?

Mr. NOOTER. The UNHCR has not only been able to work effectively on both sides of the line but also has operated with a high degree of efficiency. The role which the UNHCR has played in Cyprus is an excellent example of U.N. operations at their best. We have the highest admiration for how the UNHCR has carried out its mission there.

UNITED NATIONS FORCE IN CYPRUS

Mr. PASSMAN. Do you know if they plan to send up a budget amendment deleting the special line item for the U.N. force in Cyprus as it was submitted in the January budget since you have now included $9.6 million in security supporting assistance for this program?

Mr. NOOTER. Congress did pass the State Department bill but did not provide funds for UNFICYP. The executive branch has requested funds for UNFICYP in the security supporting assistance account.

Mr. PASSMAN. Could you please tell the committee what role the U.N. force in Cyprus is presently playing in that country?

Mr. NOOTER. The primary role of the UNFICYP forces on the island is to prevent a recurrence of fighting. To achieve this end, the U.N. troops attempt to prevent violations of the cease-fire and to insure separation of the forces of the two communities. Since the events of 1974, it has also been involved in the provision of security for Cypriots of one community who are residing in the zone controlled by the other community. The UNFICYP has also taken on the task of assisting the UNHCR and the International Red Cross in providing relief assistance in the two zones of the island.

Mr. PASSMAN. Could you please tell the committee what the present troop strength of this U.N. force is?

Mr. NOOTER. The total strength of the UNFICYP contingent as of November 30, 1975 was 3,069.

Mr. PASSMAN. How long has this force been on Cyprus?

Mr. NOOTER. The U.N. peacekeeping force in Cyprus has been on the island since 1964.

Mr. PASSMAN. Could you please tell the committee what countries contribute troops to make up this force?

Mr. NOOTER. The following countries currently contribute troops to UNFICYP: Australia, Canada, Denmark, Finland, Ireland, Sweden, and the United Kingdom.

GREECE

Mr. PASSMAN. Could you please tell the committee why we are now starting a new economic aid program in Greece?

Mr. NOOTER. Section 2(b)(2) of Public Law 94–104 required the President to initiate consultations with the Government of Greece on its economic needs and to report to Congress his recommendations for assistance to Greece. Following these consultations, the President con-

cluded that Greece's current economic situation, particularly its balance of payments problems, warranted assistance from the United States in the form of a supporting assistance loan. The President also concluded that it is important for the United States to help the newly established democratic Government of Greece. In his report to the Congress of December 8, the President specifically recommended approval of a $65 million supporting assistance loan for Greece.

Mr. PASSMAN. In what fiscal year was the last time that we had United States economic aid for Greece?

Mr. NOOTER. The last grant was authorized in fiscal year 1963 and the last loan was authorized in fiscal year 1964.

Mr. PASSMAN. In the justifications you indicate that this is just to provide temporary assistance. Could you please tell the committee just how temporary you plan to make this economic assistance?

Mr. NOOTER. Our current intention is to provide a one-time expression of our support of the government by responding to what we fully expect will be a short-term problem.

Mr. PASSMAN. Could you please tell the committee why you are not also providing economic assistance to Turkey if you are going to provide aid to Greece?

Mr. EAGLETON. While Turkey also faces economic problems, those of Greece are more urgent and of a more short-term nature. Thus, it was considered essential to provide Greece with short-term one-time support. In addition, the President decided that it was in the United States' interest to help the Greece Government strengthen the foundation of democratic government in Greece by providing a supporting assistance loan.

POLITICAL SITUATION IN GREECE

Mr. PASSMAN. Could you please tell the committee what the present political situation is in Greece?

Mr. EAGLETON. In November 1974, Caramanlis' Democracy Party won over 50 percent of the vote and gained two-thirds of the seats in the Greek Parliament. Caramanlis is a moderate, pro-Western leader who previously served as Prime Minister from 1955 to 1963. The principal opposition party is the Center Union/New Forces, led by George Mavros. In December 1974, the Greek electorate overwhelmingly approved the establishment of a republic. Greece has now a functioning parliamentary system of government.

COMMODITY IMPORT LOAN TO GREECE

Mr. PASSMAN. You indicate that the entire $65 million will be used for a commodity import program. Could you please tell the committee what sort of commodities will be provided from these funds, and will all the commodities be purchased from the United States?

Mr. NOOTER. In implementing the proposed loan, we will, of course, restrict eligibility as far as military items and luxury goods are concerned. Thus, items which might be imported could include: agricultural machinery, transportation equipment, iron and steel, paper and paper products, scientific and professional equipment and textiles. This is not meant to be a definitive list, it is some of the major items which Greece imports from the United States. The loan will be used to purchase items in the United States.

PORTUGAL

INTERNAL SITUATION

Mr. PASSMAN. Do you think the United States should providing assistance to Portugal in light of the current internal situation in that country?

Mr. ROWELL. The United States is providing economic assistance to Portugal precisely because of the internal situation. Our assistance program is intended to support those in Portugal who are attempting to lead the country back to the original goals of the 1974 revolution, including the establishment of a democratic government and the free exercise of long-denied civil liberties. The current Government of Portugal is committed to these goals and has the support of the European Community (EC–9), and various other Western European countries as well as the United States.

EFFECTIVENESS OF U.S. ASSISTANCE

Mr. PASSMAN. Since the Government is in such turmoil how can we be assured that the U.S. assistance will be spent effectively on projects that we consider beneficial?

Mr. NOOTER. Each of our assistance projects has been carefully designed to respond to a clearly defined and pressing economic and/or humanitarian need. These projects are concentrated in the resettlement effort for the Angolan returnees and in the construction of low cost public housing, an effort that gets at the unemployment problem as well as at housing shortages which have become more intense with the Angolans' return.

Although there has been political indecision at the policy level in the Portuguese Government, special, competently staffed officers with which we work directly in administering our assistance program have been set up. In every case, disbursements of U.S. funds are made only when and if the projects satisfy our normal criteria. I would add that since the crisis of November 1975, the Government has moved rapidly to restore order and internal discipline.

U.S. PROJECTS IN PORTUGAL

Mr. PASSMAN. Have present U.S. projects in Portugal come to a complete halt or are they still able to go forward in light of the internal situation?

Mr. NOOTER. U.S. projects are going forward. A development loan agreement for $13.25 million and a housing investment guaranty loan for $20 million, both for low income housing have been signed. The projects are proceeding on schedule.

Funds are expected to flow shortly under both agreements. In addition, training has been undertaken which is being financed by the technical consultants and training grant and discussions are underway regarding utilization of the balance of funds. Discussions are also going on regarding a $35 million returnee assistance grant and other possible activities.

MILITARY AID TO PORTUGAL

Mr. PASSMAN. Is the United States providing any military assistance whatsoever to Portugal?

Mr. ROWELL. We have had a small grant military assistance program in Portgual for many years. Over the past 5 years, it has averaged less than $1 million annually, mostly for training and spare parts. For fiscal year 1976, we are asking the Congress for a $1.3 million MAP program; $1 million of this amount would be for training.

U.S. BASES IN PORTUGAL

Mr. PASSMAN. Does the United States still have access to U.S. bases in Portugal or on outlying islands?

Mr. ROWELL. Portugal is an active member of NATO and U.S. wartime access to bases in Portugal as provided for under the North Atlantic Charter, is unchanged. U.S. peacetime use of the Lajes Base in the Azores is covered by a bilateral agreement with the Portuguese Government. The last such agreement was signed in 1971 and expired in February 1974. Negotiations for its extension have not been completed but, by mutual consent, the provisions of the expired agreement still govern our use of the base.

OTHER U.S. ASSISTANCE TO PORTUGAL

Mr. PASSMAN. In addition to the $55 million requested under the security supporting assistance, what other U.S. assistance will be provided to Portugal in fiscal year 1976?

Mr. NOOTER. For fiscal year 1976, we are seeking authorization for $1.3 million in grant military assistance—$1 million of this amount for training—and we have planned a $15 million Public Law 480 title I loan. In addition, the cost of our contribution to the Angola airlift was about $7.4 million and in October the Export-Import Bank made a $22.5 million loan for Boeing passenger aircraft to fulfill a commitment undertaken in the fall of 1974.

COMMUNIST MILITARY AID TO PORTUGAL

Mr. PASSMAN. Are Communist countries providing military arms to Portugal or Portuguese groups at the present time?

Mr. ROWELL. We are not aware of any bilateral arms agreements between Portugal and any Communist country. As for private groups, we believe that the Soviet Union and possibly several Eastern European nations have been providing substantial funding to the Portuguese Communist Party. We have no specific information about any arms going from these countries to private organizations in Portugal, but the Communists and the ultraleft in Portugal are known to be well armed.

ANGOLA RESETTLEMENT

Mr. PASSMAN. Could you please tell the committee how much you have thus far obligated in fiscal year 1976 for the Angola resettlement?

Mr. NOOTER. $7.4 million was obligated in fiscal year 1976 from the famine and disaster relief account to finance the U.S. participation in the airlift to bring Portuguese refugees back to Portugal from Angola.

COST OF TECHNICIANS IN PORTUGAL

Mr. PASSMAN. On page 85 you indicate that technical consultants and training will be provided and you indicate that the average cost will be $50,000 per man-year. Why is this man-year cost so high?

Mr. NOOTER. First, we expect that the Portuguese will have a demand for more sophisticated—and hence more expensive—technical assistance. Second, the assistance provided will include a greater than average component of short term visitors, who are more expensive on a man-year basis. In addition, $50,000 per man-year cost includes all overhead, travel and per diem costs.

AID MISSION IN PORTUGAL

Mr. PASSMAN. Do we presently have an AID mission in Portugal?

Mr. NOOTER. We do not have a full fledged AID mission in Portugal and do not intend to establish one. We do have an AID representative and a secretary and intend to assign a program/capital development officer there.

MULTILATERAL ASSISTANCE

Mr. PASSMAN. What multilateral organizations or U.N. organizations are presently providing assistance to Portugal?

Mr. NOOTER. At the present time, the OECD is the only multilateral organization which has actually provided funds to Portugal. However, many others have had survey teams in Portugal and are now making plans for major assistance efforts there. They include: the World Bank, the IMF, the United Nations Disaster Relief Organization and the United Nations development program, the European Investment Bank on instruction from the nine members of the European Community.

UNEXPENDED FISCAL YEAR 1975 FUNDS IN PORTUGAL

Mr. PASSMAN. On page 90 you indicate that $14.4 million is presently unexpended of the funds made available in fiscal year 1975. Could you please tell the committee what the present unexpended balance is, and indicate why such a large amount is unexpended?

Mr. NOOTER. There are two reasons why only minimal disbursements have been made. First, the program was started only a short while ago. Second, $13.25 million is the subject of a loan agreement for low and medium income housing. Conditions precedent to financing this activity are about to be met and funds can be expected to flow shortly.

ZAIRE

Mr. PASSMAN. On October the 15th you sent the subcommittee a letter indicating that you planned to provide immediate assistance to Zaire and the letter was serving as a section 113 notification. On October 20, the subcommittee sent a letter to Mr. Parker indicating that this immediate assistance should be held up until the subcommittee could hold regular hearings on the entire program. Could you please

tell the committee how much AID has thus far obligated to Zaire in fiscal year 1976?

Mr. GRIFFITH. Thus far in fiscal year 1976, AID has obligated about $817,000 for ongoing technical assistance projects. These obligations are not part of the assistance identified in the section 113 notification.

Mr. PASSMAN. If the subcommittee does approve of the advanced assistance to Zaire, could you tell the committee how much you would plan to obligate to Zaire under the continuing resolution?

Mr. GRIFFITH. We would plan to obligate the $20 million program loan. Depending upon when the AID bill is passed, we anticipate the need to obligate up to $2.8 million for the ongoing technical assistance activities.

Mr. PASSMAN. Could you please tell the committee why you feel that this immediate assistance is needed by Zaire?

Mr. GRIFFITH. Zaire is in a serious economic crisis brought about in a large part by the precipitous decline in the world price of copper which happened the latter part of 1974. The resulting drastic fall in Zaire's foreign exchange earnings has been compounded by the fact that Zaire did not bring up its reserves and hold down borrowing when the price of copper was high. Unable to meet its short-term commercial debt obligations and forced to import on a cash and carry basis, Zaire has been unable to cover its essential import needs, or in recent months to serve its medium and long-term debts on time.

Mr. PASSMAN. I note you plan to increase the program to Zaire by about $21 million in fiscal year 1976. Could you please tell the committee why you are increasing this program by such a substantial amount?

Mr. GRIFFITH. The fiscal year 1976 development program submitted to Congress proposed a $9.3 million level of assistance. We are now proposing a $23.3 million level which includes a $20 million program loan. A proposed development loan of $6 million has been deferred. The increase in the size of the proposed program by $14 million, and the shift from project to program lending are designed to be responsive to Zaire's current economic condition.

Mr. PASSMAN. Is this program increase requested to have Zaire improve its pro-Western outlook and to entice it to let our Ambassador come back into that country and normalize relationships?

Mr. GRIFFITH. We believe it is in the U.S. interest to assist Zaire to maintain political and economic stability and continue development and thus prevent an unstable situation which might embroil us. We also desire to protect U.S. financial interests of about $750 million, our access to mineral and energy resources, and to encourage the cooperation of a Government which plays a leading role in African and third world councils. We deplore Ambassador Hinton's explusion and the false charges made against us. But the book has been closed on that. President Mobutu has quietly dropped his charges and is being cooperative in areas that are important to us—leading the African opposition to the Arab effort to expel Israel from the U.N. and endorsing the "university of membership" principle even in the case of South Africa. Ambassador Cutler has already been accredited to Zaire, and Zairian-U.S. relationships are already normalized.

Mr. PASSMAN. Could you please tell the committee why the program for Zaire is under the security supporting assistance program instead of the regular development assistance program?

Mr. GRIFFITH. The $20 million commodity import program proposed for Zaire, in our judgment, is more appropriately justified under Security Supporting Assistance rather than Development Assistance because it is essentially a response by the United States to support or promote economic or political stability rather than longer term economic development of the country. While the proposed loan does place Zaire in the same category of AID recipients as countries with which the United States has legitimate security concerns, we feel Security Supporting Assistance is a more honest classification than Development Assistance. Because section 115 of the Foreign Assistance Act provides, in effect, that Development Assistance funds cannot be provided in a fiscal year to a country that is also receiving supporting assistance funds in that fiscal year, the AID program for Zaire has been withdrawn from the Development Assistance category in the congressional presentation and placed in the Security Supporting Assistance category.

Mr. PASSMAN. Could you please tell the committee what other countries are providing assistance to Zaire on this immediate basis?

Mr. GRIFFITH. The International Monetary Fund has made $20 million available from Zaire's Oil Facility and Gold Tranche. Abu Dhabi has provided a loan of $50 million and there reportedly was another Arab loan of a similar amount. The French are reportedly offering Zaire a financial package which could represent $100–$250 million in foreign exchange savings and new loans. Both Belgium and France have deferred payments on substantial amounts coming due this year and next, and we understand Italy is actively considering similar action. The International Monetary Fund has discussed the principal elements of a major stabilization program with the Government of Zaire and on November 24, 1975, President Mobutu publicly committed himself to an International Monetary Fund stabilization program. The International Monetary Fund is impressed and satisfied by the seriousness of the work done by President Mobutu's stabilization commission, and is confident that the President's commitment is firm. We expect that an International Monetary Fund stabilization agreement will be signed by Zaire in January 1976.

Mr. PASSMAN. Are the Catholics persecuted in Zaire?

Mr. GRIFFITH. There have been public differences between the Catholic Church and the Government about the demarkation between church and state authority. Church schools, which had been Government subsidized have now been nationalized and religious instruction banned from schoolrooms. Restrictions have been placed on the public display of images other than that of the President, and Christmas and Easter are no longer public holidays. But freedom of worship is guaranteed in the Constitution and respected in fact. The Catholic Church and others continue to perform their pastoral functions unobstructed, and no churches have been closed.

Mr. PASSMAN. In addition to the assistance being requested under the Security Assistance program, would you also list for the record

what other U.S. assistance will be provided to this country in fiscal year 1976?

Mr. GRIFFITH. The financial package which we are proposing, would include in addition to a security supporting assistance loan, a $20 million EX–IM Bank line of credit, an $8 million Public Law 480 title I loan and $11 million in 3-year Commodity Credit Corporation credits. The United States has already authorized a $19 million Foreign Military Sales credit which is part of a continuing military assistance program.

Mr. PASSMAN. On page 92 you indicate that Zaire was once self-sufficient in food crops. Could you please tell the committee why they are not now self-sufficient and indicate how much food grain will have to be imported into Zaire in fiscal year 1976?

Mr. GRIFFITH. Food production in Zaire has declined over the past 15 years due to a number of factors: urban migration, increasing population, and diminishing price incentives, combined with a deterioration of the services supporting the agricultural sector, have all played a part. Estimated fiscal year 1975 food grain imports (rice, corn, wheat) totaled approximately 326,000 metric tons. We anticipate that fiscal year 1976 requirements will be about the same magnitude.

Mr. PASSMAN. Of the $23.3 million being requested in fiscal year 1976, how much will be used for increasing agricultural production?

Mr. GRIFFITH. We anticipate that substantial portions of the $20 million program loan will be utilized by the Government of Zaire for the importation of fertilizers, agricultural equipment, vehicles, and transportation equipment which will be used in agricultural production. In addition the fishing coops expansion ($250,000) and North Slaba rural development ($750,000) projects are directly aimed at increasing food supplies, while other projects such as planning and management services ($500,000) are indirectly aimed at increasing production by strengthening administrative planning and services. A nutrition planning project ($700,000) and nutrition aspects of the material child health/family planning project ($593,000) also relate to agricultural production by encouraging consumption of more nutritious foods.

Mr. PASSMAN. You indicate that $20 million of the fiscal year 1976 request will be used for the commodity import program. Could you please tell the committee what sort of commodities this amount will finance and will all the commodities be purchased from the United States?

Mr. GRIFFITH. We anticipate that proceeds of the proposed loan will be made available for public and private section procurement from the United States and developing countries. We expect the loan to be utilized primarily for the importation of fertilizers, agricultural equipment, machinery, gray cloth, and vehicles.

Mr. PASSMAN. Could you please tell the committee why it will be necessary to provide Zaire with $7,950,000 during the transition quarter?

Mr. GRIFFITH. Assistance proposed for the transition quarter includes a $7.5 million loan and $200,000 grant assistance for the North Shaba rural development project and $250,000 for continuing requirements in nutrition planning.

Bahrain

Mr. Passman. Could you please tell the committee why we are starting an economic aid program to this country in fiscal year 1976?

Mr. Nooter. The Bahrainis have expressed a strong interest in American technical knowhow, particularly in the administrative and management areas to assist them to improve their Government operations. We are responding to that request. Our principal interest in Bahrain is, of course, the maintenance of the U.S. Navy facilities there.

Mr. Passman. Could you also tell the committee why this program was delayed from fiscal year 1975 to fiscal year 1976?

Mr. Nooter. Yes; the program was delayed because base negotiations were not concluded until the beginning of fiscal year 1976.

Mr. Passman. Do our United States naval vessels use the port in Bahrain quite often?

Mr. Nooter. Yes; they do.

Mr. Passman. Do we use the port to refuel or just what is the purpose of the naval use of these ports?

Mr. Nooter. The port is used for refueling as well as ship repair and maintenance.

Mr. Passman. Don't you think that Bahrain could get enough assistance from its Arab neighbors instead of the United States trying to provide a measly $600,000?

Mr. Nooter. Well, as far as the Bahrainis are concerned the cooperative relationship with the United States is the important thing, and not the amount of the U.S. assistance itself. The Bahrainis can pay for some of the costs of the technical assistance program and have agreed to provide housing, $12,000 per annum for salary, and $1,000 per annum for transportation to each of the U.S. advisors.

Malta

Mr. Passman. Is the contribution that we provide initially just to support the NATO organization and for the protection of the Mediterranean?

Mr. Nooter. In order to retain a United Kingdom-NATO foothold on Malta, five countries, including the United States, agreed to join the United Kingdom in meeting the "base rental" required by the Government of Malta for the use of military facilities. We agreed that such payment, subject to congressional authorization, was in the common interest of the NATO Alliance. The agreement between the United Kingdom and Malta also has a provision excluding use of facilities in Malta by Warsaw Pact forces.

Mr. Passman. In addition to the $9,500,000 that we provide to Malta, what additional U.S. assistance will be provided in fiscal year 1976 to this country?

Mr. Nooter. A $5 million supporting assistance loan, authorized in fiscal year 1973, is still being disbursed and some title II foodstuffs are being delivered by Catholic relief services.

Mr. Passman. The hour is late. I wanted to say something about the many, many weaknesses in the programs of the past, hoping possibly we could be just a little bit more careful about programs that we are

66-317 O - 76 - 37

starting, that as you indicated earlier could go on at this funding level for several years. It doesn't necessarily indicate that I am against this program. I want to be understanding, because I think our Secretary of State did a terriffic job. It is impossible for us not to get involved directly or indirectly, if you have another war out there.

If we can prevent it, I am certainly willing to do my part to help these nations help themselves.

At this time I want to yield to Mr. Obey.

Mr. OBEY. Thank you, Mr. Chairman.

I will take a little longer than I would like. Let me say that none of my questions are meant to imply a criticism of the Secretary or the administration. I think the Secretary probably has a unique capability to perform a real service to the country in the Middle East, which I frankly don't know could be performed by anyone else, because of the high regard in which I think he is uniquely held by all of the parties over there.

DOUBT REGARDING EFFECTIVENESS OF AID

I say that on the basis of my limited exposure which I had in the 10 days I was in the Middle East during the same time that Secretary Kissinger was there.

I would be willing to provide Israel five times what we have in this package, if I thought it would really lead to peace, if I thought it would really lead to long-term security for Israel or for anybody else in the area, but I honestly don't.

ISRAEL AND THE BALANCE OF POWER

Given that doubt, I would just like to pursue a number of questions. I was on the floor during a number of the questions asked by Mr. Long, for instance, but I would like to refer to one of them. Dr. Long, for instance, referred several times to the 3-to-1 ratio of weapons, Israel to Arabs, Arabs 3, to Israel 1. Isn't it true that the Israelis themselves make the judgment that if the balance is roughly 3 to 1, generally speaking they are capable of handling themselves in any combat situation?

Mr. ATHERTON. That has been the Israeli preferred ratio, but the ambiguity arises because it depends on which Arab states you are counting. I believe they speak of 3 to 1 with respect to the so-called confrontation states, the ones with whom they have borders.

Mr. OBEY. Are you suggesting that the ratio now of Israel versus the confrontation states is significantly departing from 3 to 1, the traditional ratio?

Mr. ATHERTON. With regard to the confrontation states, I don't believe so. I perhaps was misleading in my previous answer. I think the Israelis would feel that more than just the confrontation states should be counted. There has been some indication that they feel that the sum of the inventories in additional Arab states ought to be taken into account.

NONCONFRONTATION STATES MILITARY DELIVERY CAPABILITY

Mr. OBEY. That is a legitimate position.

Let me ask you this. What real capability do we believe the non-confrontation states would have to deliver to any combat situation

enough weapons to have any significant effect on a war in the Middle East? It really is fairly limited, isn't it?

Mr. ATHERTON. It would depend of course on how long the hostilities went on.

Mr. OBEY. What is our estimate as to how long the hostilities would go on, if another war broke out, Israel versus both Syria and Egypt and Jordan, for instance?

Mr. ATHERTON. Mr. Obey, these are questions which are getting into areas of military expertise. I would feel more comfortable if I could submit answers on them to you, rather than try to give you answers here, because I am not entirely sure that my judgments are competent in this area in any precise way.

Mr. OBEY. I would like to have that answer for the record.

[The classified information was provided to the committee.]

WAR DURATION

Mr. OBEY. Correct me if I am wrong. Am I wrong to assume that it is our general assumption that any war likely to break out over there would be of such short duration that it is unlikely that nonconfrontation states could provide much in the way of significant additional arms to the combat theater in time to really have an effect?

Mr. ATHERTON. I don't believe we can prudently make that assumption, in light of the experience in the last war, which lasted considerably longer than the 1967 war, and during which there was a need to provide resupply while the hostilities were still going on.

NECESSITY FOR EXECUTIVE SESSION

Mr. OBEY. I wish the chairman were here, because I would like to say that a number of implications have been raised today by various members of the committee, I think at least in part some of the responses given have been, both as they relate to the question of the strength of Israel and the three confrontation states, and the ability of the nonconfrontation states to significantly affect the outcome of a war with their own materiel, which are at variance with other information I have received.

I would like to state for the record that I have received classified briefings from various agencies of the Government, the intelligence community within the Government, State, Defense, and others, and that those briefings presented a picture at sharp variance with some of the information presented by some of my colleagues here today.

I would like to notify staff in absence of the chairman that I intend to urge the chairman both orally again as I have in the past and in writing, to convene this committee in executive session to receive briefings from the State Department, the Defense Department, and the CIA on all of the elements of the military situation past, present, and future, so that we can intelligently separate fact from fiction, prejudice from reality. We all have our own built-in prejudices on these things, and I really believe that it is in the interests of the Congress and the country for this committee as a group to receive that information before we make any judgment as to whether or not the amount in this bill is either adequate or extravagant.

OTHER DONOR MILITARY AID TO EGYPT

Let me ask some other questions. Again I believe it was Dr. Long who referred to—I am not sure he used the word "huge" but I think he did—shipments of aid to Egypt from various sources. I wonder if you could elaborate. Could you tell us just what is the magnitude of military aid being shipped to Egypt right now from other sources?

Mr. ATHERTON. As a general statement first, Mr. Obey, as you know, the Egyptians historically receive almost all of their military supplies and equipment from the Soviet Union. That is no longer the case. Since the October 1973 war, to our knowledge there have been no new agreements with the Soviet Union for major military end items, no major arms deals.

There was resupply during the 1973 war. There has been some delivery of items that were ordered before the 1973 war under contracts that predated that war, which have been delivered in the last, I think, 12 months or so, and there have been some shipments of spare parts consumables, but the supply to Egypt from the Soviet Union certainly has tapered off to a very significant extent.

ARMS FOR EGYPT VERSUS ARMS FOR ISRAEL

Mr. OBEY. How would you compare the supply of arms going to Egypt this year, for instance, versus the amount of arms still to be delivered to Israel from us under previous authorizations and appropriations?

Mr. ATHERTON. I don't have a quantitative comparison. I would have to submit anything quantitatively precise for the record, but my impression is that probably over, let's say, the last year or so it has been less, certainly less going to Egypt from the Soviet Union than going to Israel from us.

Now, Egypt has been seeking to diversify its sources of military supply.

Mr. OBEY. In fact, aren't they really hard up in comparison to where they were before the previous war, being shut off for all practical purposes from massive importation of weapons from the Soviet Union, and being limited in the amounts that they can obtain from our European friends?

Mr. ATHERTON. That is our impression. They have begun to discuss arrangements with some European suppliers for items for future delivery, but these are still in the future.

Mr. OBEY. Let me ask you something else. What bothers me I think most of all about this package, and it is not so much the money here that we are theoretically considering today, the security supporting assistance. I have in mind more directly the contemplated military assistance to Israel, but as Dr. Long said, this isn't related.

POTENTIAL SYRIAN RELATION TO U.S. AID TO ISRAEL

What really bothers me is this. I am sure you agree that of the confrontation states, Syria is the most unstable of the three on the Arab side. What bothers me is this. I would ask this question: What would a reasonable man in Syria do, when he sees the United States pledging

to Israel $1.5 billion not just this year but, in the words of Mr. Peres, the Defense Minister for Israel, every year for the next 4 years in the same magnitude? What would a reasonable man in Syria do at that point? Don't we run a risk of stimulating irrationality on the part of Syria? Don't we run the risk of their going to the Russians and others and saying, "Look, fellows, Uncle Sam is pledging to supply these arms. You had better beef up your deliveries to us and speed up your delivery dates to us"?

Mr. ATHERTON. Could I first say I would have to say the description of Syria as the most unstable I think would need to be qualified. Historically, Syria has had this characteristic.

Mr. OBEY. Let me put it in different terms. I trust them less than I trust Egypt or Jordan.

Mr. ATHERTON. But there has been a growing trend toward stability in the last few years.

Mr. OBEY. Yes; I grant that.

Mr. ATHERTON. I think quite obviously anyone in Syria would prefer to see many fewer and preferably no arms going to Israel, if they had their druthers.

Mr. OBEY. Of course, but my question is, aren't we really making it almost a necessity for them to go to the Russians and say, "Come on, fellows, ante up a little more. We are getting nervous. You have got to match what Uncle Sam is giving."

Mr. ATHERTON. Well, it's a question of cause and effect. The fact is that the Syrians have had a continuously large supply relationship with the Soviet Union predating the 1973 war, during the 1973 war, and since the 1973 war. It is not a reaction.

Mr. OBEY. Let's take since the 1973 war. Would you say the capacity of Israel to win another war has been increased to a greater degree than the Syrians since the 1973 war, or vice versa?

Mr. ATHERTON. Again we are getting into an area of military judgments that I am not sure I have the competence to answer, but I can give you my general impression on the basis of what I know of the situation.

I do not think that there has been any decrease in the advantage militarily that I think Israel is commonly recognized Israel has, in relationship to Syria. I think it has maintained its position, but I don't think it is correct to say that the Soviet arms to Syria have been stimulated by our supplies to Israel. I think they have been going on without regard——

ARMS DELIVERIES TO SYRIA

Mr. OBEY. Let me ask you this. If you are suggesting that it is not, then I must assume that the $1.5 billion which we are requested to provide for Israel, not just this year but next year and the year after next and the year after that and the year after that—and more as we were told yesterday by State Department witnesses, or the day before yesterday—then I must assume that if that aid in fact is not going to cause Syria to request more weapons, I must assume that we know or have some pretty good hunches that Syria and the other confrontation states are in fact expected to receive large deliveries of weapons in a very large amount which requires that 1.5. Do we have any such knowledge?

COMPARISON OF ARMS DELIVERIES

Mr. ATHERTON. We have knowledge of what the Syrians have been receiving, and it is very large quantities.

Mr. OBEY. What do you mean by large quantities? How do they compare to what we have been delivering?

Mr. ATHERTON. I don't have the quantitative comparisons here. I would have to supply that for the record.

Mr. OBEY. Are they greater or less?

Mr. ATHERTON. I couldn't say off the top of my head, Mr. Obey. I am afraid I would just be guessing.

The first problem is it's difficult to compare. What do you take as a basis, the monetary value of shipments, but these can be misleading. It is hard to compare the cost or estimated cost of a certain shipment of Soviet arms with the known cost of a certain shipment of American arms. It doesn't take into account different costing systems. It doesn't take into account differing qualitative factors. You can look at the number of tanks and compare those or the number of airplanes. That is perhaps a better way. That is the kind of thing I would like to provide you for the record, rather than try to remember out of my head. But the impression clearly, and I think I am correct in the impression, is that the shipments to Syria have been on a very large scale, and I also think it is correct to say that even were we to——

Mr. OBEY. Let me ask you this. If you categorize the shipments to Syria as being on a very large scale, would you also characterize our shipments to Israel as being on a very large scale?

Mr. ATHERTON. Yes, I would.

BALANCE OF POWER

Mr. OBEY. And you said earlier that you do not think that the shipments to Syria have created an imbalance?

Mr. ATHERTON. No, but I believe only because we have kept up the magnitude of our supplies to Israel.

[The classified information was provided to the committee.]

Mr. OBEY. In terms of the military capability which the delivery of those weapons would provide to the confrontation states, would you say that that capability is at least equal to the capability delivered to Israel by our $1.5 billion each year for the next 4 or 5 years?

Mr. ATHERTON. I don't know what is going to be delivered to all of the confrontation states for the next 4 or 5 years and we have made no decisions on what we might deliver to Israel.

AID PROJECTIONS AND ARMS DELIVERIES

Mr. OBEY. If we don't know what is being delivered, aren't we in fact encouraging higher deliveries than might otherwise in fact occur, if we rattle around in this country that we are intending to spend $1.5 billion each year for the next 4 or 5 years?

Mr. ATHERTON. We have not made such a decision.

Mr. OBEY. Secretary Kissinger told us it was probably a rational assumption.

Mr. ATHERTON. We think it will probably be more or less the same order of magnitude for several years to come.

Mr. OBEY. The Israelis are certainly expecting it.

Mr. ATHERTON. This is certainly their desire, but the Israelis in their planning have to make certain assumptions and they have to assume that there will be a certain level of armaments kept and maintained, and that they have to prepare and plan for this.

Mr. OBEY. Let's get to those assumptions.

Dr. Long, I have been mentioning you in your absence.

Mr. LONG. Will the gentleman yield for a brief question?

Mr. OBEY. Sure.

Mr. LONG. This is pertinent to what you have been raising. On these expectations of arms deliveries that we will have to give in years to come, is there any hope or expectation that the Sinai accord will lead to something in the nature of a permanent peace, and that this will mean that we will have to provide far less arms to the Middle East in the years to come?

Mr. ATHERTON. I would think very definitely that with a peace settlement the countries concerned would not perceive the same threat that they see in the absence of it, and that they would themselves want to lower their expenditures for weapons, and increase what they have for their own economic development.

ISRAELI CASUALTIES

Mr. OBEY. Dr. Long, I understand that you got into the question of casualties earlier in the day. Is it our assumption that casualties for Israel, for instance, are likely to be higher in any next war that they would fight than they were in the last war?

Mr. ATHERTON. I believe that is correct, yes.

Mr. OBEY. In fact, isn't it our general assumption that casualties every time there is a war will probably keep escalating because of the increased level of violence which is brought to bear on that entire area of the world because of the increasing sophistication of the weapons used by both sides?

Mr. ATHERTON. And also because of the duration of hostilities. The last war lasted considerably longer than the one before it. I don't think one can assume that the next one would necessarily be of shorter duration.

WAR DURATION

Mr. OBEY. You don't happen to know offhand what State, Defense, or CIA would judge to be their best estimate of the length of another war, if it were all three countries at one time versus Israel?

Mr. ATHERTON. I don't know offhand, Mr. Obey. I would rather provide that for the record. It may well be that we woud have to provide it on a classified basis. I think it may be based upon classified estimates.

[The classified information was provided to the committee.]

Mr. OBEY. That is one of the reasons that I suggested that this committee have the briefings of all of the agencies involved. This is one of the questions where I think there is legitimate room to assume that

there may be some different assumptions than the ones I have heard expressed from that side of the table today.

Mr. ATHERTON. I think that many of the questions that you are getting into, and I think they are very valid questions and should be explored, are going to turn out to be the kind that can only really be adequatey handled in executive session.

Mr. OBEY. I agree with that. That is why I think we ought to have it.

ASSESSMENTS OF THREAT TO ISRAEL

Let me get to another question which you raised, Dr. Long, the threat assessments to Israel for the rest of the decade, which Dr. Long mentioned earlier.

I have seen some of those threat assessments too. In fact I have copies of a couple.

Let me ask you this: Could you describe in general terms as much as you can, given the fact we recognize that this is classified, could you describe what Israel's assessment is of the threat she is likely to face, say, at the end of the next 4 or 5 years, and could you give us in general terms what our evaluation is, what our Government's evaluation of the Israeli Government's threat assessment is?

Mr. ATHERTON. Again I am really afraid that we are getting into an area that is much better dealt with in executive session. I don't want to appear unresponsive but I am really concerned. These are another government's estimates of its military needs, and I really shouldn't take on myself the responsibility for revealing it.

Mr. OBEY. Let me just say we do not automatically agree with any other country's estimate, incuding Israel's.

Mr. ATHERTON. We make our own, of course.

Mr. OBEY. So we do not automatically agree with the assessment that Israel sees for itself or any other country for that matter.

Mr. ATHERTON. That is absolutely correct. We certainly make our own for every country and reach our decisions on the basis of our assessments.

AUTHORIZATION COMMITTEE EARMARKINGS

Mr. OBEY. Let me ask you another question. I am not quite sure what the authorizing committee did on this. It is my understanding—maybe you can help me on this—that the authorizing committee did some earmarking of funds yesterday.

Was that for security supporting assistance or for everything?

Mr. NOOTER. Yes, they didn't complete the military section.

Mr. OBEY. So it is my understanding that they attempted to, in effect, tie the hands of this committee and make us a rubber stamp by saying in effect that if this committee did cut the amount authorized. I have forgotten what the amount mentioned was that would be available to Israel and then they amended it to include Egypt as well; is that correct?

Mr. NOOTER. My understanding is that the amounts for both Israel and Egypt were included in that markup.

Mr. OBEY. Do you recall what those amounts were?

Mr. NOOTER. $755 million for Israel and $750 million for Egypt.

Mr. OBEY. So, in other words, if this committee decided to take the whole security supporting assistance program, and decided to limit it to $1.5 billion—I am not saying we have any intention of doing that, but if we did—no other country scheduled to receive security supporting assistance would receive any under the authorizing committee language adopted yesterday; is that right?

Mr. NOOTER. I think you would have to consult one of your legislative experts to decide whether there is a remedy to that by the way you write your appropriation bill. I don't know the technical answer.

Mr. OBEY. If there is not a remedy, the effect would be to deny security supporting assistance to which countries?

Mr. NOOTER. The other countries in the request are Jordan, Syria, Portugal, Cyprus, although Cyprus is being shifted to the development part of the bill, Greece, Zaire, Malta base payments and the small amount for Bahrain.

Mr. OBEY. Do you think the administration would take the view that that would be a very logical approach?

Mr. NOOTER. We consistently take the position that we don't favor earmarking because it limits the flexibility and application of funds between accounts in the event situations change. So I am sure that we would prefer not to have earmarking in this case, also.

Mr. OBEY. I believe the earmarking done yesterday by limiting it to Israel and Egypt was in fact stupid. It is an attempt to limit the prerogatives of this committee which I certainly intend to oppose, for a good many reasons in addition to the question of the jurisdiction of this committee.

IMPROVEMENTS IN ARAB FIGHTING FORCE

Let me ask a couple of other questions. I understand that while I was on the floor a question was asked about how you gage the relative strengths of Israel versus the Arabs and that the response was that it was easier for the Arabs to improve simply by improving the quality of their fighting force which is more difficult to measure than dollar amounts which we deliver to Israel. Do we know of any great strides that have been made since 1973 by the Arabs in, in fact, improving the quality of their fighting force in the areas where they were deficient in the last year?

Mr. ATHERTON. I can't cite you a specific area. I think what we assume is, on the basis of our general knowledge, that the trend which was apparent between 1967 and 1973, where there was qualitative improvement, will probably continue.

Mr. OBEY. What assumptions do we make or what knowledge do we have about improved command and control capability on the part of the confrontation states?

Mr. ATHERTON. That is a question that I just don't know the answer to, Mr. Obey.

EGYPTIAN COMBAT FORCE

Mr. OBEY. Can you tell me in general terms what is the combat force picture for Egypt today versus at the end of the 1973 war? Are they as large as or smaller than they were?

Mr. ATHERTON. I think there has been some reduction. But it is still a sizable force.

Mr. OBEY. Hasn't there been a fairly significant reduction?

Mr. ATHERTON. I would have to check that in terms of percentage. There has been a reduction. How large it is as a percentage of what it was, I don't know.

PROBLEMS WITH SPARE PARTS

Mr. OBEY. The Egyptians, in fact, have some pretty serious problems with regard to spare parts, don't they?

Mr. ATHERTON. They have had since the Soviets began to, in effect, decline to respond to Egyptian requests.

ISRAELI COMBAT FORCE

Mr. OBEY. What is the situation on Israel's side? Has their regular army decreased or expanded in size since the 1973 war?

Mr. ATHERTON. If you take the number under arms during the war, it has decreased because they called up many reserves for the actual fighting period. Israel normally keeps a relatively small standing army with a large, trained reserve force and a rapid callup system.

Mr. OBEY. Israel was caught by surprise in the last war and, as I understand it—at least the Israelis tell me—they have certainly tried to correct that. So my question is: If you compare the regular army before with the regular army now, has it increased or reduced or what is it?

Mr. ATHERTON. I am quite sure it is larger now than it was before the 1973 war, the number on active service.

Mr. OBEY. How about the number of tanks? Has it increased?

Mr. ATHERTON. I must say you are asking questions I think a defense witness would be much better prepared to answer. I did not come prepared to get into specific military equipment.

Mr. OBEY. I don't blame you for it. Part of my purpose for doing this is to make a record to try to show and try to make it obvious to everyone that a lot of these questions are important questions for which we need answers and that is why we ought to have a closed executive session to get them from the proper people. So, I don't want to imply any criticism of you at all because you don't have the answers to these questions. But I want the record to show at least, by God, somebody asked them.

ISRAEL'S FIGHTING AND DEFENSE CAPACITY

What do we estimate to be Israel's fighting capacity? How long do we think they can fight a war without resupply?

Mr. ATHERTON. Again, I think this is the kind of thing that has to be done under executive session. It is classified information. I would not advise the committee how to call its sessions but the information would have to be given in classified form.

Mr. OBEY. I understand. What about the ability of the various countries to defend their own airspace if another war should break out? Does Israel have the capacity now to defend its own airspace?

Mr. ATHERTON. I think our judgment would be clearly yes, it has.

SYRIA'S AIR DEFENSE

Mr. OBEY. Does Syria?

Mr. ATHERTON. Probably not to the same extent, but it has a very good air defense system as was proven in the last war.

Mr. OBEY. But do they have the ability to defend their own airspace, to control their own airspace?

Mr. ATHERTON. I think that is in the category of questions that would have to be dealt with on a classified basis.

EGYPT'S AIR DEFENSE

Mr. OBEY. How about Egypt?

Mr. ATHERTON. I think again this would have to be dealt with on a classified basis.

ISRAEL'S DEFENSE CAPABILITY

Mr. OBEY. Would we assume that Israel is in a position to defend itself adequately for the next 5 years given what we know right now?

Mr. ATHERTON. I think one can not assume that, if Israel stopped with what it now has as a military establishment. I think that would be a very unsafe assumption. I think one has to consider that the military balance is a dynamic concept and it is changing.

Mr. OBEY. The fact is Israel has improved its military position considerably since the last war, to a greater extent than the Arabs have, in my judgment, anyway.

Mr. ATHERTON. To a greater extent than Egypt has.

Mr. LONG. Would the gentleman from Wisconsin like us to recess the committee for the vote?

Mr. OBEY. Let me see if I can finish up before the next bells ring. If I can't then I will come back.

MIDDLE EAST COUNTRIES OFFENSIVE CAPABILITIES

I had made the assertion that it is certainly my feeling that Israel is in a stronger position today than it was at the beginning of the 1973 war. What do we estimate about the current ability of each of the countries, Syria, Egypt, Jordan, Israel to conduct offensive operations over a sustained period of time? What is our Government's intelligence estimate of that?

Mr. ATHERTON. Again I would have to put that in classified form.

ISRAEL'S FOREIGN DEBT

Mr. OBEY. I have a good many other questions I would like to ask. Let me just ask one other. A question was raised about Israel's foreign debt being equal to its gross national product. In fact isn't it considerably less than that?

Mr. NOOTER. Specifically, Mr. Obey, the figures we have show that its foreign debt is estimated to be $6.3 billion. Its gross national product for 1974 was estimated to be $9.370 billion. So it is about two-thirds.

Mr. OBEY. And much of that is largely concessional. What about the servicing of Israel's foreign debt each year?

Mr. NOOTER. Excuse me. I think a lot of their debt is on relatively hard terms.

Mr. OBEY. Isn't a significant amount concession?
Mr. NOOTER. Some of it is.
Mr. OBEY. What portion would you say is concession?
Mr. NOOTER. I would have to get you a breakdown for the record.
Mr. OBEY. Will you get that for the record?
Mr. NOOTER. Yes, sir.
[The information follows:]

CONCESSIONALITY IN ISRAEL'S FOREIGN DEBT

At the end of 1975, Israel's foreign debt totaled $7,845 million. Debt servicing charges during 1975 were $1,265 million made up of $615 million of principal payments and $531 million of interest. The principal payments came to 7.9 percent of the total debt, suggesting an average term of more than 12 years. Interest averaged 8.3 percent which indicates that much of the debt was on nonconcessional terms.

ISRAEL'S DEBT SERVICE

Mr. OBEY. What about the servicing of Israel's foreign debt? What is the cost of that each year?
Mr. NOOTER. Their debt service is around $800 million a year.
Mr. OBEY. What percentage of their foreign exchange earnings would that be?
Mr. NOOTER. Their total export earnings are $4.8 billion in 1974. Therefore, $750 million as a fraction of $4.8 billion would be a little over 16 percent.
Mr. LONG. I don't want the gentleman to feel that he is crowded for time at all. We do have to go and vote. I suggest we recess and you come back and finish your questioning.

CLOSING REMARKS

Mr. OBEY. Let me suggest there are a number of other questions I would like to ask. I will submit them for the record. Let me just close by making pretty much the same statement I started with.

I congratulate the Secretary for his efforts in the Middle East. I think they were constuctive. I think they were real. I would not want to be in his shoes. If I thought, in fact, that this package would not lead to an escalation of the arms race in that area, if I thought, in fact, that this package would lead to real security, real long-term security for Israel, and other parties, including us, I would be perfectly willing to support it if it were three times the cost. But when I see and hear statements such as Mr. Rabin's, for instance, when he told me that what he wanted after the Sinai agreement was "a period of several years in which we might negotiate not under deadlines, not under assessments and not under pressure", it just seems to me that what we are facing here is a long-term commitment which leads nowhere except to increasing reliance upon arms on both sides, increasing the potential for violence on both sides, increasing the insecurity of both sides, increasing the militancy of groups such as the PLO.

I really would hope that, before voting on this measure this committee would receive classified briefings from State, Defense, and the CIA on the military need and our own Government's military assessments before we vote on this, and let the chips fall where they may on that basis.

Mr. LONG. Thank you. I thank the gentleman from Wisconsin. He has given us a very thoughtful and penetrating series of questions to consider. I might say that I have been privy to classified briefings on this subject. They have not changed my feeling of the need of Israel for very substantial military and economic aid. I think if we had not given quite so much to Egypt and to Syria and to Jordan, perhaps Israel's needs would not be quite as great as they are.

Mr. OBEY. If I could just add to that at this point, one thing that also worries me is that I frankly don't feel very comfortable when I see the amount of military equipment listed in the newspapers which Mr. Sadat wants us to provide to replace the weapons he is no longer getting from Russia. I would like as much as possible to keep that amount as low as possible, within the confines of reality, recognizing that it is in their interests and in the interests of Israel for us to become their key supplier rather than the Russians.

I think we are going to be in a difficult position to talk to Sadat about those amounts if we give Israel the amount recommended in this bill. Thank you very much.

Mr. LONG. I would say one of the things I have deplored is the failure of our administration and the State Department to take leadership in trying to scale down the whole level of armaments in the Middle East. To my knowledge there has been no real effort to get all of the countries, Russia and France and Britain who do supply the Middle East, to get together to come to some sort of an agreement. I think that is the only way it can be handled. Failing that, I certainly support this request. As far as I know all the members have completed their questions and we will not need to have you come back another day. So this committee is adjourned subject to the call of the Chair.

Thank you very much.

THURSDAY, NOVEMBER 13, 1975.

POPULATION PROGRAM

WITNESSES

DR. CONRAD TAEUBER, DIRECTOR OF THE POPULATION CENTER OF GEORGETOWN UNIVERSITY
DR. HENRY MOSLEY, M.D., CHAIRMAN, DEPARTMENT OF POPULATION DYNAMICS, SCHOOL OF HYGIENE AND PUBLIC HEALTH, THE JOHNS HOPKINS UNIVERSITY
PROF. GEORGE SIMMONS, DEPARTMENT OF POPULATION PLANNING, SCHOOL OF PUBLIC HEALTH, UNIVERSITY OF MICHIGAN
DR. ELIZABETH CONNELL, M.D., ROCKEFELLER FOUNDATION
PROF. JOSEPH STYCOS, INTERNATIONAL POPULATION PROGRAM, CORNELL UNIVERSITY

Mr. LONG. The committee will come to order. Otto Passman, the distinguished and hard working chairman of this Subcommittee, has asked Mr. Conte, who is a very important miniority member and who has been a member of this subcommittee for a great many years, and me to hold a special hearing on our population program. We and the other members of this committee have taken an interest in this prob-

lem, and so we have asked a number of very distinguished demographers and population experts to appear and give us the benefit of their knowledge and wisdom.

This committee is taking a deeper look at the issue of population control, because our foreign aid program, which is inadequate in any case to solve the problem of world poverty, has been more than offset by the huge population increases in the developing world.

Population increase has been likened by one expert to a cancer. It is spreading over the whole planet. He pointed out that one does not stop a cancer by feeding it. We need to know how to stop population growth, not only because increasing population negates our foreign aid program but also because population growth threatens the future of this planet.

Even the United States and the other industrial countries are threatened by a population problem. The United States has serious problems controlling illegal immigrations, and I think this illustrates the difficulties of even controlling our own population when we are engulfed in a world in which the numbers of people are just swelling everywhere and are beating at our gates or slipping in under them. They are swimming across rivers, jumping ships to get into the country, and it has been impossible, so far, to keep them out. So we have now a tremendous population problem both of our own making and leaking in from the rest of the world.

The Environmental Fund estimates that the U.S. population growth rate is roughly 1 percent—I would have thought it would be higher than that—at which rate the population would double every 70 years. Temporarily it is lower—I can remember a time when the population was supposed to reach a peak, and people were worried about it going down again. We had experts who were telling us that that was going to be the great problem of the future, not enough people to keep the demand for goods and everything growing.

Well, we have seen that didn't turn out to be a very good forecast. If population were to increase at the rate of 1 percent, we would have two-thirds of the population of India by another 70 or 80 years, and almost the population of China by the year 2125. I know that seems a long way off for most of us, but we have to look to the future of our country.

At this hearing I hope the committee will take a major step in assessing the adequacy of our current efforts at population control, and in identifying new directions in which our population programs should go.

We have today the following distinguished witnesses:

Conrad Taeuber, an old friend of mine and one of the really distinguished scholars in this field, whom it is a great pleasure to see here again today.

Dr. Henry Mosley from my own university, chairman of the department of population dynamics, School of Hygiene and Public Health, Johns Hopkins.

Good to see you, Dr. Mosley.

Prof. George Simmons, department of population planning, School of Public Health, University of Michigan.

Dr. Elizabeth Connell of the Rockefeller Foundation, and Prof. Joseph Stycos, international population program of Cornell University.

I understand that the president of the National Academy of Sciences who was to appear today has been unavoidably called away.

We have here a small number of very distinguished and very select people. I am going to ask Conrad Taueber to speak first. He is knowledgeable about population data and population forecasts in the United States and overseas. He is familiar with the problems in underdeveloped countries, population data, and may have some observations on the direction that our population program should take.

Dr. Taeuber, I wonder if you and the other witnesses could give us a summary of the main thrust of your comments within 5 minutes or so, and then we can have questions. Questions are always the most interesting part.

Dr. Taeuber.

Mr. TAEUBER. Thank you, Mr. Chairman.

[Mr. Taeuber's statement follows:]

STATEMENT OF DR. CONRAD TAEUBER

Population forecasts for the United States and for other industrially developed countries have not been notably successful. The fact that human fertility was subject to a high degree of voluntary control has meant that fertility rates could move up or down with relatively little advance indication. The low rate of the depression years appeared to be chiefly a continuation of the long term downward trend in fertility. The baby boom following the end of World War II appeared to be a temporary phenomenon, largely a matter of making up for the deficits incurred during the depression and the war years. But in the United States, as in some other countries, this period lasted much longer than needed to make up for those deficits. It was in turn followed by rapid declines, which have brought us to the lowest fertility levels in our history. That these changes in the main were not foreseen is largely a commentary on the failure to recognize the tentative nature of many of the projections which were made.

In dealing with population trends in the developing world, the problems of looking into the future are somewhat different The data often lack the precision which is taken for granted in the developed world. But the framework with which the demographic future can be appraised is less beset with the sociopsychological intangibles which are present in the industrially developed countries.

Making projections for a country with a birth rate of 40 or more per thousand of the population and a completed fertility rate of 5–6 children per woman provides the choices between the rate remaining the same or declining, and if a decline is postulated the question becomes one of how rapidly the decline is likely to take place. Whether one accepts for working purposes the medium projection of the United Nations, namely 6.4 billion for the world as a whole in the year 2000, which includes 5 billion for the less developed regions, or prefers one of the other available projections is really not of primary concern. The growth potentials in these parts of the world are so large that even if one cannot predict precisely what the pouulation total will be a generation hence, it is clear that there is a very real prospect of large increases in total population unless major changes, on a scale heretofore not experienced in the majority of these countries, were to occur.

A set of population projections developed by Thomas Frejka of the Population Council sets out very clearly what the growth potentials are. In that model, he takes a number of time periods as the one in which the countries of the less developed regions reach a net reproduction rate of 1—that is a situation in which a cohort of women have just enough children to replace themselves, given the levels of mortality which prevail at the time. His computations take as the pop-

ulation of these countries of the world a figure of 2.5 billion for 1970. The projections for the year 2000 for these regions of the world range as follows:

If a net reproduction rate of 1 is attained, the population of these regions would be:

1970–75—3.4 billion, an increase of 35 percent over 1970;
1980–85—3.8 billion, an increase of 49 percent over 1970;
2000–2005—4.5 billion, an increase of 79 percent over 1970;
2020–25—5 billion, an increase of 98 percent over 1970; and
2040–45—5.3 billion, an increase of 108 percent over 1970.

One need not dwell overly long on the prospective population totals, or spend time raising questions about the technical adequacy of the assumptions on which the computations are based. None of these are presented as predictions of what the total for this part of the world will be in the year 2000. Their purpose is to illustrate the magnitude of the population increases which may occur—unless adequate steps are taken to limit the rate of population growth. Even if one were to assume the unlikely situation that a net reproduction rate of 1 is reached in the current 5-year period, there would be a very substantial increase in these regions of the world—increases which would place very heavy demands on any development program.

Whatever the total number of the population in the year 2000 may be, a very large proportion of that population is already on the scene. For our present purposes, it may be useful to focus on the year 1995, and the age group of women who are 20 to 29 years of age. These are the women who will be making major contributions to the total number of babies born in the next 20 years, and their attitudes and behavior will have a major impact on the future fertility of their countries. All of the women who will be 20 to 29 years old in 1995 have already been born, and their numbers can be projected with relative confidence. The less developed countries of the world in 1975 have about 200 million women in this age bracket. But there are enough teenagers and younger children already on the scene to assure that there will be about 390 million women in these prime childbearing years in 1995. This is nearly double their numbers now. Past birth rates and past and current mortality have led to the situation in which the number of these women in the less developed regions of the world will nearly double in the next 20 years, regardless of any programs to limit their fertility

If this increased number of women were to continue the high levels of fertility of their mothers, they would contribute very large numbers to the population in the future. The growth in their own numbers clearly demonstrates the need for much greater efforts to reach not only the women who are contributing the large number of babies currently being born, but also the much larger number of women who will be making their contributions in the near future.

A recognition of the size of the problem can easily lead to the demand for miracles and for immediate results. There have indeed been some dramatic declines in fertility in a few countries. In many others the results have been less evident. Measurement of population trends in many countries lacks the precise tools which we assume for the countries with well-developed statistical systems. Consequently, it may not be possible to see relatively small changes or to recognize the beginning of significantly changed trends. In large part, though, the promoters of change are dealing with well-established social systems and traditions which are not easily changed. The experience of the Agricultural Extension Service in the United States and the long years before its effects were readily evident provides a general guide to the situation. Here there was a situation which was much more favorable to drastic changes than is the case in most of the developing world. Results were slow in coming. Even the spread of hybrid corn, as one of the more dramatic developments, took a significant period of time. Hybrid corn first became commercially available in this country in 1926. Nine years later, in 1935, about 1 percent of the corn acreage was planted to hybrid seed. Then it spread rapidly, and by 1945 the percentage had gone to 65 Ten years more brought it to 90 percent, and after that, it continued to increase slowly. There is in all such efforts a long period of developmental work before any dramatic changes can be expected or seen.

Mr. TAEUBER. Just to pick up on the note which you spoke about as to population forecasts for the United States, obviously the record is not a good one either in the United States or in most of the industrially developed countries. I think by and large that experience really has no

bearing on the particular problems with which the committee is concerned, because in the less developed countries, the developing countries which are the primary concern, the choices really aren't nearly as great, and you do not have the widespread control of fertility that led to the ups and downs in the fertility of the United States. Here the growth potentials are indeed very large. You spoke of 1 percent doubling in 70 years, but if we are talking about a 3-percent growth rate, or 3 percent growth rate as we must in some parts of the world, we are talking about very large increases over a very short period of time.

I think it is useful to recognize that any of the projections that are extant, whether we use the United Nations projection of 6.4 million, their medium variant, the one they seem to want to use for general discussion purposes, or some other, really makes very little difference in terms of the practical conclusions one draws.

Tom Frejka of the Population Council did a series of projections, and I think it is useful to take a look at the consequences. If the people of the developing countries were to drop their fertility just to replacement, in 1970 to 1975, which is impossible, but perhaps a useful figure, the population of these countries would increase from 2.5 to 3.4 billion by the year 2000. If on the other hand they wait until 1980–85 to bring their fertility down to replacement levels, the year 2000 figure becomes 3.8 billion, which is roughly 50 percent more than they have now, and so on.

If, on the other hand, they don't get their fertility rates down until the year 2020–2025, they would have 5 billion, which would be roughly double what they have today.

Whether it is one figure or the other, most of the people or certainly a very large proportion of the people who will be there in the year 2000 are already there. I would like to pay attention for a few minutes to the population of women 20 to 29 years old whom we have today and whom we will have in 1995, because the women who will be 20 to 29 in 1995 are already here. We don't have to speculate on what the fertility rates are going to be.

They are the ones who will be making the major contributions to fertility over the next years. They are the ones whose attitudes and performance is going to determine what the future fertility of their countries is.

As I say, all of them are already here. The less developed countries in the year 1975 have about 200 million in the prime child-bearing age. By the year 1995, by virtue of the fact that the teenagers and the younger children are already here, their number will be 380, almost double what it is today, and that is regardless of what happens in terms of fertility control programs. They are here, and the real concern is really what is it they are going to do. Will they maintain the high level of fertility of their mothers, and contribute accordingly, or will they cut down their own fertility to a point where the reduction in growth rates is made real?

In view of the problem, I am sure the committee is continually being confronted with the desire for miracles. I would like to point out that miracles just don't happen on order.

There is an additional problem here. The measurement of population trends in many of these countries simply does not have the pre-

66-317 O - 76 - 38

cise tools to which we are accustomed in the United States or in some of the industrially developed countries, and very frequently one is bedeviled by the problem that there may be small changes, but the tools that are available simply are not precise enough, they are not up to date enough to measure small changes.

We seem to be driven to a situation where we have to deal with rather broad changes, and hope that what we think we see is an indicator of what is coming along.

As I was thinking about this, I felt that it might be useful to take a look at a somewhat comparable situation, namely the development of hybrid corn in the United States, a much less controversial item obviously than family planning.

In the United States farmers were ready for change, which certainly is not the case in many of the countries we are talking about. Even given all these favorable circumstances, it was 9 years from the beginning of commercial availability of hybrid corn until 1 percent of the corn acreage was planted to the hybrid seed. It took another 10 years to get us up to 65 percent, and then it took still another 10 years to get us up to 90 percent. I would simply close on the note that if it takes that long to do something as revolutionary but as noncontroversial as the introduction of hybrid corn, we do have to expect a long period of developmental work before we see dramatic changes in something as fundamental, as closely tied to emotional, cultural and psychological values of people as family planning.

Thank you.

Mr. LONG. Thank you.

Now Dr. Mosely.

[The statement follows:]

STATEMENT OF DR. HENRY MOSLEY

My name is W. Henry Mosley and I am professor and chairman of the Department of Population Dynamics at The Johns Hopkins University School of Hygiene and Public Health. I am a physician specializing in epidemiology and public health. I worked for 6 years in Bangladesh studying infectious diseases and population problems. Since joining the university in 1971, I have provided direct advisory services to national family planning programs in Bangladesh and Turkey. Additionally, I have visited and helped to evaluate family planning programs and projects funded by private foundations, USAID, and the U.N. Fund for Population Activities in Korea, Taiwan, Philippines, Thailand, Indonesia, Bangladesh, Pakistan, and Mexico. In the Spring of this year I served on a team for the Senate Subcommittee on Health and on Refugees which visited Egypt, Pakistan, India, Bangladesh, and the Philippines to evaluate food, population, and other development efforts. Just this summer I spent 8 weeks in Taiwan and Bangladesh where Johns Hopkins has had long working relationships in the development of family planning programs. Additionally, I visited the Philippines and Lebanon to initiate collaborative projects in those countries.

In attempting to give this subcommittee a broad overview of the family planning field and the impact of USAID programs, I think three major considerations should be emphasized.

1. Present population growth rates in the developing countries must be reduced rapidly or else other development efforts in such fields as agriculture, nutrition, health, education and the like will simply not be able to achieve their objectives.

2. Programs to reduce fertility will have to reach more vigorously and effectively into the rural areas where 80 percent of the population of developing countries live.

3. Programs to reduce fertility will have to link family planning services, reliable contraceptive supply lines, educational programs, rural development, im-

proved status for women, employment opportunities, and a whole range of community activities in order to have a continuing strong impact on developing country populations.

With regard to the first point, it would be difficult to overemphasize the gravity of the problem of population growth in most of the developing world. The combined populations of Latin America, Africa, and Asia (excluding the People's Republic of China) stands at about 2 billion in 1975 and is increasing at an average rate of 2.5 percent per year, which means doubling in about 23 years. Even if most of these countries could reduce their reproduction to replacement level (about 2.1 children per family), within 10 years, the population would still continue growing for more than 50 years, attaining almost double the numbers today. This built in momentum for population growth exists because of the young age structure of the existing populations—almost half the people are under 15 years old and have not even entered the reproductive period of their lives.

A more realistic projection, assuming a gradual decline in fertility, would place the population of these developing countries at 3.9 billion by the year 2000.

Of more specific relevance to the family planning effort is the number of women in the reproductive ages. For 1975 there are 438 million women in the reproductive age in these developing countries. Twenty-five years from now, this number will swell to 893 million. Two crucial points must be stressed with regard to the expanding number of reproducing women. The first is that current family planning efforts will have relatively little impact on this increase, since the future reproducers of the next 15 years have already been born. Second, the magnitude of the effort required to deliver services to reproducing women becomes clear when it is recognized that the 438 million women in the reproductive ages in 1975 will have essentially left the age group by year 2000 to be largely replaced by a new group of women now double in size. Therefore, in fact, in the next 25 years services must actually be delivered to well over 1 billion women in these specific developing countries.

Unless population growth can be slowed, many development goals simply cannot be achieved. For example, in a study of world food supplies just completed by the National Academy of Sciences, the report noted that "the problems associated with meeting overall food needs for the next 5 or 10 years appear manageable * * * the outlook for subsequent decades is alarming unless real progress can be made in reducing the rate of population growth."

In other sectors of development, let us look at some specific countries. Egypt has a population of about 37 million and is adding 900,000 persons annually. The population density of Egypt per habitable square mile is over 2,400 persons, a level almost double that of Bangladesh. Literacy rates are low; only 48 of the males and 21 percent of the females are literate. Prospects for improvement in literacy are not great, given the pace of population growth and the fact that currently there is already a shortage of 20,000 schoolteachers in the rural areas.

India's population crossed the 600 million mark in 1975, and 1 million persons are being added each month. Only 30 percent of the population is literate, although this is a considerable improvement over the situation 25 years ago when the literacy rate was 17 percent. Still, because of rapid population growth, there is now in fact a larger absolute number of illiterates, now than at any time in Indian history.

Bangladesh reached 76 million in 1975. The literacy rate there is less than 25 percent. School enrollment figures indicate that only 56 percent of the 6–10-year-olds went to primary school, and 17 percent of 11–15-year-olds were in secondary schools. Currently, there are 32,000 primary and 1,000 secondary schools, many of which are totally inadequate by any standards. To educate the children already present, 73,000 more schools and 500,000 more teachers are immediately required. Additionally, about 10,000 schools and 50,000 teachers are required annually for the increasing crops of children. At present, only 9,000 trained teachers are graduated annually.

The point of the above figures is not to paint a hopeless picture, but, rather, to indicate the crucial importance of lowering birth rates if programs of social and economic development are going to begin to make substantial progress.

With respect to my second point, governmental efforts to reduce fertility usually takes the form of family planning programs, sometimes with high priority and special incentives, more often as a part of the existing but inadequate health services. The major weakness of governmental family planning pro-

grams to day in those nations of Asia, like India, Pakistan, and Bangladesh where the problem is greatest, is, and remains, the inability to reach rural areas with adequate services or supplies. Despite a proliferation of posters and publicity in capital cities, the average rural peasant woman in South Asia still has no one to go to within her village on a regular trusted basis for good, safe, up-to-date advice on pregnancy, family planning, infant care, and nutrition, and the necessary supplies to put the advice into practice.

It is no coincidence that the first areas which registered substantial progress in reducing fertility were Hong Kong and Singapore, both urban centers with easy access for all people to medical facilities and supplies. In Korea and Taiwan where birth rates have also fallen notably, programs have been designed to reach the countryside: for example, through a wide network of mothers' clubs in Korea and through home visits by family planning workers in Taiwan. Clearly, the most conspicuous example of a countrywide program that reaches the rural areas is the People's Republic of China. Few other developing countries have been able to mobilize and disperse medical and paramedical personnel and supplies as widely throughout the country as the Chinese and with as much determination and priority from above.

The developing countries are, indeed, beginning to recognize the problem of inadequate delivery systems and are initiating measures to overcome the difficulties. In Egypt, for example, a survey in one village which had a family planning clinic operating for 4 years revealed that 51 percent of the wives did not even know what family planning meant, and only 30 percent of the wives and 20 percent of the husbands knew the correct use of oral pills. Only 5 percent had been seen by a female motivator who had been there 3 years to make home visits. To combat this problem, Egypt is beginning to test a house-to-house contraceptive distribution program.

Here are some of the findings in Pakistan. A survey in 1969, 4 years after the national program was established, revealed that only 15 percent of the population could name an individual or location where family planning services were available. Pakistan has recently initiated an inundation program whereby pills and condoms are being made widely available commercially in small shops throughout the country.

The contraceptive program in Thailand, which was initiated in 1969, was moving along relatively slowly as long as pill distribution was restricted to physicians who operated 300 government clinics. In mid-1970 the Government permitted auxiliary midwives to dispense oral contraceptives. This effectively increased the number of distribution points tenfold with a corresponding increase in the number of contraceptive acceptors within a 2-year period.

Indonesia, which has permitted nonprescription distribution of oral contraceptives since their program began in 1970, has had a rapidly expanding program, recruiting 1.5 million new acceptors in 1974. It is estimated that currently over 2 million couples, or about 15 percent of the eligible population, are using contraceptives—a dramatic accomplishment in less than 5 years.

Even in countries like Taiwan which is considered to have a highly successful program, Johns Hopkins has undertaken a project involving the house-to-house distribution of oral contraceptives and pills in the rural areas. We found among 20,000 women in 12 townships about 8,000 were not using contraceptives. Of this group more than 4,000 accepted the pills or condoms provided by the distribution program.

U.S. AID programs, over the last decade, have performed excellently in providing adequate supplies, information, and expert technical help to government and the capital cities in many LDC's. Urban programs, demonstration projects, and planning for rural coverage is well underway, with varying degrees of government support, in over 60 countries now, but the task of seeing that contraceptives, trained personnel, and continuing education and services actually reach the vast rural populations of these countries will require a further thrust and probably some additional resources from AID, as well as strong support from the top levels of government in each country.

Regarding my third point, it is clear that in addition to expanding their geographic coverage, family planning programs will have to develop and experiment with delivery systems that make family planning supplies and services acceptable and available through many different kinds of approaches. Sometimes, for political reasons as in Latin America and Africa, it is necessary to link the provision of family planing with maternal and child health services. In other

areas, to make programs more effective in reaching the most fertile population, such active local channels of communication as barber shops, beauticians, the military services, shops, and vocational schools are being encouraged to play an active role in providing both information and supplies for family planning. In other words, family planning should not be isolated or set apart from other national or community programs but should be located and identified in the context of other day-to-day activities of other programs to improve individual and community standards of living.

Each of the five countries I visited for the Senate subcommittee this spring has already begun to reorganize family planning efforts to integrate and coordinate them with economic development and health services, though with varying degrees of effectiveness. Egypt is considering a broad range of social policies relating to education, labor, and the role of women, with a view to their potential impact on producing desired fertility decline. Pakistan is augmenting its family planning program by delivering much needed health services to women and children through the family planning clinics.

India, which has been innovative in many areas of family planning service delivery, including most recently mass vasectomy camps, is now seeking to refocus and broaden its family planning efforts, in part because of uneven success throughout this vast country. A current approach is to integrate family planning into its health services and its rural economic development programs.

The new Government of Bangladesh is taking an aggressive public position in favor of population control, although the effects of the Government's efforts, since Independence, have, to date, been negligible. One problem in Bangladesh is that most of the health workers in the field have been malaria workers. They have all been men. The men cannot talk to the women, given the religious social setting where women are in seclusion. Therefore, there is a further need for trained female workers to go to the houses and talk with the women about how to control their fertility, how to care for their children, and how to take care of their own health and hygiene. Currently, the World Bank is putting money directly into the governmental program of training and putting these women into the field.

In spite of the poor social and economic conditions in Bangladesh, the likelihood of some success with this approach is quite good for several reasons. First, there is clear evidence that the Government is not effectively delivering services in the rural areas as attested by the fact that oral contraceptives in some areas are available only on the black market at prices 10 to 15 times greater than the Government subsidized prices. Second, there already are three small projects in rural areas, covering about 100,000 population where family planning services are being delivered by trained village women going house-to-house with contraceptive supplies. In each of these projects, about 20 percent of the women have begun using the contraceptives.

The Philippines, whose population is predominantly Roman Catholic, has, in fact, taken a rather aggressive approach to family planning. The Government has not only been able to openly support birth control but has even enlisted the support of the Catholic Church in teaching contraceptive methods to its constituency. More recently, the Philippines have introduced major changes in social policy, including restricting income tax exemptions to 4 dependents, eliminating sex discrimination in work, requiring industries employing more than 300 persons to provide free family planning services, and requiring applicants for marriage licenses to present certification that they have been counseled about family planning.

We now know that population growth is not the primary source of poverty, famine, disease, illiteracy, and other gross inequalities which now plague the world. These problems are related to the basic political, social, and economic institutional structures that exist within countries and between countries. Population programs, therefore, must go hand-in-hand with efforts to change the conditions which make poverty and high fertility endemic in three-fourths of the world. In this respect, I think it is noteworthy that the current Foreign Assistance Act focuses on agricultural development as well as population control. Increasing agricultural productivity will not only provide the basis for economic development in the rural areas but will also insure the food supplies essential to lower infant mortality rates. These developments are the fundamental building blocks for a successful fertility control program in the long run.

I would like to highlight this last point by citing my observations in a small village in northern Bangladesh this spring. The village we visited was 1 of about 60 villages that had been motivated by a local Bengali agricultural extension officer to organize themselves and to restructure their landholdings for the collective good of all of the members. All of the large landowners maintained their property rights; the tenant was guaranteed security of tenure, and the landless laborer was guaranteed regular work. This degree of cooperation, plus technical advice on irrigation, fertilizers, and seeds by the agricultural extension officer, led to this village moving from a chronic deficit situation to a surplus producing economy. All members benefited—from the wealthy who got more production from the land to the landless laborer who got regular work and job security. Women were also required to participate in production by raising vegetables in kitchen gardens, raising poultry, and starting cottage industries. Under these changed conditions, the villages not only realized that they could be self-sufficient, but recognized that to maintain self-sufficiency they would have to restrict their population growth. Thus, family planning was encouraged and the limited data I saw suggested that there had been a substantial fertility decline. While this case does not represent the national situation in any way, it is indicative of what, in fact, could be achieved in Bangladesh at the present time.

The point to stress is that, even as these social changes are evolving, it is important to keep basic family planning services and supplies available. While there is a continuing need for programs of education and social changes, we know already that there is a demand for fertility control services right now that is not adequately being met and that is increasing from year to year. Many people in the LDC's already know there are means available to control their fertility. Further, they see that fertility control is for their own welfare. For this group, it is not enough merely to inform them that they have the right to control their fertility and that they should act on this right, unless we actually help provide the means to exercise the right.

What happens if there is social and economic change and education but no family planning services? People then have to use primitive means to control their fertility. The most common means that is used worldwide is self-induced illegal abortion, using sticks or feathers or poisons or other means to terminate pregnancy. This causes enormous risk to the mother and very high rates of morbidity and mortality. This situation occurred, and was documented by studies in Chile in the early 1960's. In fact, Chile introduced family planning as a means of alleviating the problem of illegal induced abortion. About half of their medical care services were being used to pay the costs of complications of these self-induced abortions of women who were clearly motivated to practice fertility control.

Egypt and Turkey are facing the same problem at the present time. In a recent visit to one of the southern provinces of Turkey, I interviewed about 10 gynecologists and learned that they were treating an average of 1 to 3 women for complications of abortions for every live birth they were attending. In Egypt a recent study has shown that 50 percent of the costs for medical services in one of the maternity hospitals was for the care of women who had self-induced abortions which resulted in complications.

The point I want to stress is that there is a continued need for providing contraceptive services to these countries. There is a growing demand, both because of increasing motivation and increasing population of women; and these demands for help now should be given first priority.

The World Population Conference on World Population Year in 1974 offered a substantial impetus for initiating and expanding a variety of programs to reduce fertility in all parts of the world. The real impact of the World Population Conference came out of regional consultations in each of the U.N. Economic Commission regions, specifically, Asia-Pacific, Latin America, West Asia Africa, and Europe. Most noteworthy was the response of the countries in the Asia-Pacific region, representing 75 percent of the population in the developing world. These 26 countries viewed population as a major problem which took high priority as an independent effort. The countries, in fact, actually outlined what their population control goals were, including a timetable for reaching zero population growth and what their immediate needs are. The Arab countries, while not being so explicit in growth targets, did recognize that information about family planning must be made available, and family planning services must be integrated into the health program. Even the Latin American countries,

though primarily concerned with issues of human rights, did reaffirm that all couples and individuals have the basic right to decide freely and responsibly the number and spacing of their children, and to have the information, education, and means to do so. A dramatic policy change occurred in the case of Brazil which stated that, since birth control should not be a privilege enjoyed only by the well-to-do, the state should provide information and services to assist less well-off families.

These statements by the developing countries themselves have been translated into specific requests to U.S. AID and U.N. Fund for Population Activities for a tremendous increase in support to assist these countries in achieving the goals they have set out for themselves. Unfortunately, although all of the major donors have stepped up their assistance for family planning, the United States has reduced its assistance for population in the last 2 years.

I would like to conclude by saying that I took the opportunity, before testifying, to look over some of the hearings and discussions on the new foreign aid bill which I understand authorizes about $165 million for population planning this year and $185 million next year. It should be obvious that I feel the trust of this new legislation, with a focus on low cost delivery systems for family planning and health to reach the poor sectors and the rural areas, is very much on target in meeting the present needs of the developing countries. These community oriented development programs, however, are not easy to establish because people must be trained, supplies widely disseminated. They clearly require a long term commitment from the governments concerned. They can be substantially strengthened by a similar long term commitment of outside help and support from the United States and other donors.

Dr. MOSLEY. Thank you.

I will try to avoid duplications of the other speakers but I would like to stress a few points. Basically I would like to make my statement in the context of three major issues, one which has already been addressed, that is that the present population growth rates in the developing countries must be reduced rapidly or else other developmental efforts in agriculture, nutrition, and health just simply will not be able to achieve their objectives.

Second, that programs to reduce fertility will have to reach more vigorous and effectively into rural areas because this is where 80 percent of the population lives and third, that programs to reduce fertility will have to be linked not only in providing services and supplies, but linked to other programs, educational programs, rural development, improved status for women, employment opportunities, and a whole range of community activities, in order to have a strong impact.

To take the first point briefly, I don't want to duplicate what Dr. Taeuber has said, but he mentioned that there are now about 200 million women in the critical reproductive ages 20 to 29 now, and that this would increase to 390 or maybe we could roughly say 400 million 20 years from now.

I think though that to even make the problem a little more clear, the fact is that these 200 million in this present period 10 years from now would be replaced by about 300 million and 20 years from now would be replaced with about 400 million, so that actually the women who need the services, 200 plus 300 plus 400, which means about 900 million women just in that critical age group, because one group is moving in, so not only is the group going to be twice as big, but in fact moving through that 10-year period in the next 25 or 30 years is about 1 billion women, and this is a critical group that must be reached by contraceptives, so that this is something that we have to consider, not only the number is larger but that people are moving through it, some are moving out as new ones are moving in.

That just highlights the magnitude of the problem. Clearly to get development in these countries we have got to do something about the population problem itself. If Dr. Handler was here I am sure he would have quoted a report that has just come out of the National Academy of Sciences with regard to the world food problem where they noted, quoting one sentence here, "The problems associated with meeting overall food needs for the next 5 or 10 years appear manageable. The outlook for subsequent decades is alarming unless real progress can be made in reducing the rate of the population growth."

We could say the same thing about other sectors of the economy, whether it is jobs, whether it is education, and whether it is agricultural development and so on. I won't go into those aspects in detail.

I think when it comes to how to reduce fertility it is becoming very clear now that programs have to reach out into the rural areas. Although we have had family planning programs at the national level for about 10 years, to a considerable degree the effort has been focused to the urban areas, and we can say reasonably that the average rural peasant woman in South Asia still has no one within her village to go to on a regular trusted basis for safe, good, up-to-date advice on pregnancy, family planning, infant care, nutrition or supplies to put the advice into practice.

It is interesting that the developing countries, however, are really recognizing this problem. In Egypt, for example, they did a recent survey in one village and they found out that although this village had a family planning clinic for 4 years 51 percent of the wives in that village didn't know what family planning meant and only 30 percent of the wives and 20 percent of the husbands actually knew the correct use of oral pills and only 3 percent had been seen by somebody, a female motivator who had been there for 3 years, in terms of making a home visit.

To combat this, Egypt is beginning to test house-to-house distribution of contraceptives. In Pakistan the same type of situation has evolved. In 1969 they did a survey, about 4 years after they had a national program, and found out that only 15 percent of the people could name a person or a place where you got contraceptives, much less in knowing how to use the contraceptives.

In response, Pakistan has recently initiated what they call an inundation program, to make pills and condoms widely available to the people through virtually every small shop in the country.

Thailand had the same problem. Their contraceptive program was moving slowly between 1969 and 1970, and then in mid-1970 they decided to release the pills from a physician prescription by permitting village midwives to dispense the pills. This in effect increased the distribution in the rural areas by a factor of 10, and the number of acceptors of contraceptives went up correspondingly.

Indonesia has had the same approach permitting nonprescription distribution of oral contraceptives, and currently they are getting about 1.5 million acceptors a year, and they estimate by next year to have about 15 percent of the eligible population practicing contraception. This is a rather dramatic achievement in a 5-year period in a country like Indonesia.

It is interesting that we have worked in Taiwan. We have had a project jointly with the Government of Taiwan, with house-to-house distribution of oral contraceptives. Taiwan is cited as a successful program in terms of fertility control, but in fact in 12 townships where the teams were working, they visited 20,000 women, and found out that 8,000 were not using contraceptives, and simply by making the supplies available about 4,000 accepted the pills and condums, and about two-thirds of these subsequently started using them, so that even in a country where the program has appeared to be relatively successful, there is evidence of unmet demand, and that could be achieved by delivery systems.

Regarding the third point, there indeed needs to be a multifaceted approach to the contraceptive delivery and to delivery of family planning services in general, not simply in terms of family planning but also in terms of overall development. It is interesting in this context again that Egypt has reorganized the agency that had been responsible for delivering family planning services to look not simply at delivery of services, but to consider a whole range of social policies relating to education, relating to labor, relating to the role of women, and they have made recommendations to a variety of other ministries about what they should do in their programs, in transportation, in education and so on, with the idea that these particular social changes would have an effect on fertility, so that Egypt is not simply looking in family planning alone.

Pakistan also has recognized that they were not adequately doing enough in their family planning program simply by delivering contraceptives, and so they have trained the women in the family planning clinics to deliver health services to women and children as well.

Bangladesh has had an aggressive population policy, but unfortunately because they just have not been able to get themselves organized as a new country, they haven't had a very effective program. One of the problems is that they plan to use health workers to deliver the contraceptives in the field, but that almost all of these health workers were former malaria workers and were all men, and unfortunately in this very conservative society they really can't talk to women. As a result, they have developed, they are developing a program to train female village level workers to go house to house and this is going to be funded by the World Bank.

You might ask how much good this will do in a country like Bangladesh? People are so poor and without much economic development, will they accept family planning? I am personally familiar with three projects in Bangladesh, one in Companyganj, one in Sylhet District and another one just north of Dacca. Two are run by a mission group and two by private organizations each covering about a 100,000 population where they have trained village level women and sent them out into the villages to provide simple advice about health care and also about contraceptives and to deliver contraceptives, pills and condums. In all three of these projects about 20 percent of the women have accepted and started practicing contraception. This is a remarkable achievement considering the fact that the overall level of practice in the country is only about 4 percent. This indicates that there is even in a country as poor as that, and with low economic development, an unmet demand.

I would like to indicate, stress one point about the unmet demand. That is that demand is growing in these countries for two reasons. One is because there is a larger number of women that are moving through the reproductive ages as I have illustrated.

Second, because there are social changes going on in these countries that are being promoted by the government but that are also going on among the people themselves.

What happens though if you have an increasing demand and services are not being made available? Basically, people will have to use primitive means to control their fertility. This primarily means in these parts of the world that they use self-induced illegal abortion using sticks, feathers, or poisons, or other means to terminate the pregnancy.

We have numerous illustrations of this happening in developing countries. Chile, for example, had an early experience in 1960. They documented that about half of their hospital care services were being utilized to treat women with self-induced abortions, and about half the blood transfusions given in the entire country were for that one cause. As a result, in the early 1960's they introduced family planning to combat illegal abortion, and to protect the health of the mother.

Turkey and Egypt are facing that problem right now. I was in Turkey about 3 years ago and visited a rural Province in the south and talked to about 10 gynecologists. I asked them what is your most common gynecologic problem, and everyone said self-induced abortions. On the average for every one woman they delivered a baby, they saw two or three women with induced abortions they had to complete.

In Egypt, there was a study of maternity in the hospitals which revealed 50 percent of the medical costs in that hospital was utilized for treating women who had self-induced abortions and required hospitalization for the complications.

The point is that there is a growing demand for services because of a growing number of women and also for increasing motivation, and that services must be provided in ever-expanding amounts to these people.

Finally, we might ask do these countries really want to have a program? Are we simply imposing something on them that they don't want?

Well, many people have interpreted the World Population Conference as perhaps being negative about family planning and a primary push on development, but I think the best way to interpret it is to see what came out of regional consultations held by the U.N. Economic Commission after the World Population Conference. These were held in four regions, Asia-Pacific, Latin America, Africa, and Europe.

Let's take the Asia-Pacific region, for example. These 26 countries in that region met together in January of 1975, and these countries represent about 75 percent of the population in the developing world that we are concerned about. These countries said that population control was No. 1 in their priority. They actually outlined a target for stopping, for reaching zero population growth in terms of times and dates that they would like to achieve, and they requested that services and assistance be made available in achieving that. This is their own decisions.

The Arab countries were not so explicit in terms of defining growth targets, but they did recognize that information and services must be made available to the people although they would put it in the context of a health program.

In Latin America, the concern was largely with basic human rights, but still they said that among those rights was the right for couples to decide and choose the number and spacing of the children, and that they had to have the information.

Mr. LONG. Are you almost through, Doctor, because one of our panel has to leave shortly?

Dr. MOSLEY. Yes. What I want to say though is that these statements by these leaders have been translated into actual requests to AID and the U.N. for funds for services, and the requests far exceed the budgets available of these agencies at the present time. The countries have made a commitment, and the responsibility, I think, is for us to assist them in any way that we can. Thank you.

Mr. LONG. Thank you very much for your statement, Dr. Mosley.

Let me introduce two of our committee members who have just come in, Congressman Ed Koch of New York, and Joe Early of Massachusetts.

STATEMENT OF PROFESSOR GEORGE SIMMONS

Our next panelist is Prof. George Simmons of the University of Michigan, I believe, who has spent some time in India and knows the situation with regard to population control in that country, which we all know to be a critical problem.

[The statement follows:]

During the past 10 years, there has been a rapid increase in the quantity of U.S. funds allocated for the support of population planning programs in LDC's. Recently, however, the level of this support has levelled off and even declined marginally. This decline is taking place during a period of great inflation, and thus there is a strong need to reexamine the grounds for expanded emphasis in the area of expenditures for population planning. It is my feeling that there is a well justified need for an increased appropriation for expenditures in international assistance in population and family planning. In the following short statement I attempt to address a series of issues I consider important:

1. What has been the effect of past expenditures?

Our assessment of the impact of past expenditures depends very much on the criteria by which those expenditures are judged. There is no doubt in my mind that the family planning expenditures sponsored by AID and other international donors have had an important role in reducing fertility levels in a number of countries around the world. This fertility reduction has in many cases been small compared to the absolute number of births which are taking place in the countries concerned, but when one takes into account the costs of providing alternative impacts on the standard of living in those countries, in my opinion the expenditures are well justified. If past expenditures are judged on the basis of whether they have eliminated the population problem or brought it largely under control, our assessment should be negative, but surely this is an unreasonable criterion to apply to population programs. Development programs in general have not eliminated poverty, and may even have accentuated inequality of income distribution. Even domestic programs oriented toward the elimination of extreme poverty have had mixed results, according to all reports; and family planning programs, in my opinion, should not be judged by such strong criteria, but rather should be judged by whether they are as effective or more effective in achieving the ultimate objective of improving the standard of living. In my opinion, they have accomplished that goal. By their very nature, population pro-

grams have results which cumulate slowly and with low visibility. The results of these programs are of the greatest importance, but patience will be required. The problem will not be solved overnight. Our ability to provide assistance in the solution to the problem will be enhanced with additional funding.

2. Has the reduced level of expenditure in the last 2 years had serious effects on population programs?

My own answer to this question is affirmative. By eliminating a significant share of the budget as it was at its peak level, Congress has forced AID to eliminate many of the flexible programs which were an important part of the goal of finding effective ways of reducing fertility. Early commitments to the purchase of contraceptive supplies, to direct service programs, to the development of new biomedical technology in the contraceptive area, and to expenditures channeled through multilateral agencies have all forced cutback on other forms of expenditure. It is my feeling that the most important contributions that the United States can make to population control programs is through foreign exchange and through the development of new knowledge about programs, their impact on the target populations and the reasons for success or failure of individuals to adopt contraception. This latter type of activity has been adversely affected by the budget cuts of the past two years. In particular, there has been a cutback on research on the motivational aspects of family planning and on a variety of inquiries into alternative strategies for dealing with population control. This has had a particularly strong impact on universities by undermining the continuity of research and training activities.

3. What changes need to be made in the emphasis of the U.S. aid program to increase its impact on population programs?

The present program is quite correctly concentrated on the short-run problem of making contraceptives available to countries that might not be able to afford them because of foreign exchange problems or because of an inadequate appreciation of the importance that should be given to such programs. It is my feelng that this concentration on the provision of services neglects the profoundly important questions of motivation and of organization. It is clear that in many countries family planning has been less accepted than we might expect, even where contraceptives have been relatively available. Moreover, many people who have accepted family planning measures in the past have not continued their use. It is extremely important that we make better efforts to understand what it is that motivates people to accept family planning in the first place and what are the primary reasons for the continuation or discontinuation of family planning use. An emphasis on motivation is in many ways in contrast with an emphasis on the provision of services. It would involve a different kind of research and experimentation with a wider range of programs designed to work on motivation as well as on the provision of services. A second range of questions which have been inadequately explored due in large measure to the lack of finances have been the set of organizational issues related to the way in which family planning services are best delivered. There are countries with extensive bureaucracies that have been set up to deliver family planning services where the number of acceptors is considerably lower than one would anticipate. Investigation of this situation in some of these countries has revealed that the existing organizational structure is not always well equipped to deal with either the motivational issues or with the complexities of delivering services into the remote rural areas where they are most needed. Little effort, however, has been devoted to exploring either the organizational problems inherent in the current delivery systems or on experiments designed to explore the alternative organizational strategies that might be used. Both of these neglected areas could be more effectively addressed with additional funding.

4. How effective has been the past administration of USAID expenditures?

In the past, much of the expenditure for U.S. aid has been channeled through the U.S. aid bureau offices in various developing countries or through international agencies. My own subjective impression is that while there are many advantages to multilateral approaches to aid, that the international agency approach to the provision of services is open to a number of questions. One of the results of expansions in this area has been the depletion of qualified staff for running programs internally in countries. Many small Asian countries, for example, have been depleted of some of their best personnel, who have gone to

other Asian countries to work as United Nations representatives in pursuing international efforts at population. This exodus of qualified manpower is inevitable under circumstances where the economic motives in the form of higher international salaries offers such a strong temptation. It is my feeling that the question of the United Nations' channels should be reexamined carefully and consideration should be given to funding U.S. alternatives for providing some of the services currently provided by the U.N. At the very least the agencies should be encouraged to explore mechanisms for making sure that the personnel losses in key countries are not as serious as they have been in past. Finally, it is my impression that the AID Washington office has been greatly hampered by the severe fluctuations in the budget from year to year during the recent past. It is very difficult to make long-run commitments to programs if the level of funding fluctuates wildly. Moreover, it is often those activities which have the greatest long-run importance which tend to be cut during periods of shortage. In particular, expenditures on research, although they constitute only a fraction of the AID budget, have been subject to large fluctuations which made it difficult for institutions in the United States and abroad to develop the cadre of skilled personnel that are required for sustained contributions to the development of a higher level of understanding of population problems and how they can be resolved.

Mr. SIMMONS. I would like to speak to two or three issues.

First of all, I would like to address myself to the question of whether family planning expenditures have been effective in the past. In answering that question, I think it is very important to first of all ask ourselves by what criterion or set of criteria should we judge whether these expenditures have been effective in the past?

My own feeling is that we all too often have rushed into this question using the criterion of how dramatic has been the effect on the birth rate? We look at the crude birth rates in the various countries and if they have dropped off dramatically we think there has been an effective family planning expenditure, and if it has not dropped or only dropped a small amount we think the effectiveness of these programs has been very small.

I think that is appropriate if you only want to address the question of what has been the effect of family planning programs on population growth, but my own view is that in the legislation both in this country and in foreign countries that have supported family planning, family planning and population control activities have been veiwed not as ends in themselves but as means toward some higher end, and that higher end is usually specified as trying to increase the standard of living in the countries which are implementing these programs.

My feeling is that family planning or birth control is much more effective in terms of increasing the standard of living than most of the kind of development and foreign aid activities which we undertake either in terms of what is happening in the developing countries themselves, or in terms of what the United States is giving in terms of foreign aid.

It is by that criterion, that is what is the effect of family planning expenditure on the standard of living, that I think we should be judging these programs.

Now in India my estimates suggest that if we were to look at or ask the question of what is the ratio of benefits to costs in family planning that the ratio is absolutely enormous. It would be on the order of 30 or 40 to 1, which is much higher than you would get with normal programs.

How do you get such a high ratio? The basic reason you get these kinds of results is that family planning activities, even where the birth rate has not been dramatically reduced, so reduces the requirements for generating additional national income that they have a far more than proportional impact on the standards of living.

Furthermore, the recipients of these services in most countries tend to be people who are at the poorer end of the spectrum. They are not necessarily the richest or the most influential groups in the community. The more priviledged groups tend to be able to get their family planning services through private channels. The poor get them through public services. Thus, there is an important impact on the distribution of income within these countries. We should not judge the success of the program in India only by the criteria of the demographic goal of reducing its birth rate from 41 or 42 down to 20 as a criterion. India has been able to reduce its birth rate from the 41 or 42 which prevailed at the beginning of the sixties down to a level in the mid-thirties by this present period, and even this limited reduction has made a big contribution to economic development, a contribution which easily justifies past expenditures on family planning. Ideally it would have been better to reduce the birth rate to replacement levels or at least to much lower levels than it is now but the failure to accomplish this ultimate goal does not mean that that program has been unsuccessful in terms of acting as an effective means toward the higher end of improving the standard of living in the country.

We should not judge these programs to have been failures, just because they have not had as dramatic an impact as we would have liked.

What evidence is there that the family planning programs have been ineffective? Unfortunately in India and in many countries the vital statistics are inadequate for many purposes and it is very difficult to make direct linkages between family planning expenditures and the birth rate. We can however use indirect measures. My impression is that in India there has been enough activity generated by that program so that the program has cumulatively probably prevented on the order of 3 or 4 million births per year, that is there are 3 or 4 million births fewer per year at present in India than would have taken place had the program not been initiated in the first place.

When you look at this cumulatively it seems to me this is a very important contribution to the standard of living of the people in India.

How valid are the statistics on which these indirect estimates are made? Often comments are made to the effect that these statistics must have been generated in the imaginations of the administrators that exist in the program.

I have had two experiences in India where we have gone out to the field to try to trace down contraceptive acceptors. In both cases we were surprised when we found that about one third of the acceptors who were listed in the clinic records were not traceable. On the other hand, we were delighted to find when we went to the villages and inquired about who was using contraceptives in the villages we found an almost equal number of people using contraceptives not listed in the local statistical registers. That suggests to me the poorly educated people who maintain these records are not very good in writing down the names.

In the State of Haryana where we worked at one point the records for some incomprehensible reason were kept entirely in English, although they spoke Hindu or Urdu. They would have to translate those names out of Hindu into English script, and then in order to read them they would have to read them in their own minds back again, and the spellings were very inconsistent including the spelling of village names and other things. My impression is that we often overstate the inaccuracy of these statistics in these countries.

There may be other areas in which these statistics are wrong. For example, I think oftentimes the statistics on the ages of acceptors may be misleading, but that again may be as much attributable to the difficulties that the people who are recording these have in recognizing the exact ages of people as they are at any attempt at direct misrepresentation.

Now I would like to turn to one other question.

What has been the role of AID in these programs and what has been the implications of the severe cutbacks in the last couple of years?

In many countries, including India, the funds given by AID were important stimulants to the development of local programs. The provision of contraceptives and the indirect provision of services that were authorized or encouraged by the AID funds I believe were important stimulants to the development of the program in India, and in several of the other Asian countries with which I have personal contact.

My impression, and this is a personal view, is that the most important way in which we can help these countries in their population programs are in terms of providing them foreign exchange for contraceptives, and in terms of providing them technical assistance for developing high quality programs.

The AID program I think has been very important in both of these roles. I would like to add, however, that the result of the cutbacks in the last couple of years is that AID has had to concentrate its attentions very strongly in the area of provision of services, and I think has been spending less money on the development of basic research and on technical assistance than it would have been able to had the allocations of funds been more generous.

In conclusion I would urge you to do whatever you can to provide a higher appropriation for these programs. I think they have been severely curtailed by the appropriations in the last 2 years.

Mr. LONG. Congressman Ed Koch of New York.

Mr. KOCH. Mr. Chairman, I have to go to another committee meeting on the District of Columbia appropriations. I really appreciate you taking me out of order.

Let me see if I can understand what you are saying.

You are saying that there aren't adequate statistics, and that the birth rate has not diminished, but in some way or other the standard of poverty has been reduced, and you want to attribute that to family planning. That is really what I heard you say.

Mr. SIMMONS. No, Congressman, that is not what I am trying to say. What I am saying is that we have great difficulty in having current and fully accurate information on the level of fertility, so in order to estimate the level of fertility itself or the indirect impact of these expenditures, we are obliged to resort to indirect procedures to get an exact measure.

Mr. KOCH. First of all, I happen to be supportive of family planning, but the statement doesn't support it as I hear it. I thought you said that you cannot find direct correlation because of various reasons, but that therefore you would use the increase in standard of living, bettering the standard of living, as the basic statistic to use by way of comparison.

Mr. SIMMONS. No.

Mr. KOCH. Maybe I misunderstood you.

Mr. SIMMONS. I was making really two points. I have often encountered the belief when I talk to the people about the effectiveness of family planning programs that in order to be successful they will have to demonstrate that the birth rate has not only fallen but fallen dramatically.

My point is that if the program in India can demonstrate that the birth rate has fallen from something in the low forties to something in the middle thirties, that may not be an enormous fall, but its impact in terms of the standard of living in India is dramatic and important.

Mr. KOCH. How do you demonstrate a standard of living as having been attributable to what you describe as a reduction of possibly 3 million births in the period of time that the program has been in effect? Is that what you said?

Mr. SIMMONS. I was saying 3 million births per year. That accumulates over this period to on the order of 30 million births. That is what we are talking about. How do I get to that point? I try to ask the question how much additional income would have to be generated in order to provide the higher population that would have existed in the absence of this program, the same per capita income that will exist when you have the lower population.

Mr. KOCH. You take the 3 million births, and the costs of the program, and if you had taken that same sum of money and put it into increasing agricultural surpluses, do you have any figures on how that would have enhanced the standard of living?

Mr. SIMMONS. There is no single figure. In general when we do a cost-benefit analysis of projects, either prospectively or retrospectively, if we can find the benefit-cost ratio of 1 or more, we conclude that the project really ought to be undertaken, although we tend to rank projects according to how high this ratio is.

My guess is that the benefit-cost ratio for the Indian program is on the order of 20 to 1, not 1 to 1. The agricultural projects in general would have been on the order of 1 or 1.5 to 1. That I think gives you some sense of the magnitude of impacts that are involved.

The reason why this happens is that if you think in terms of national income per capita, as a measure of the standard of living, generating additional income in the form of agricultural output only affects the numerator of that expression, income divided by population. The numerator is affected by generating more agricultural output which is of course extremely important. When you talk about population control, you have a direct impact on the denominator, and therefore on the amount of income which you would have to generate in order to obtain a given standard of living.

Mr. KOCH. Let me make one more observation or question and then I will cease.

The chairman of the committee, Mr. Passman, as you know, takes a jaundiced view to the program. Generally his opposition is predicated on the fact that the people involved normally reject the planning because they are simply not familiar, and the educational process has in some way or other not been sufficiently used to engage their interest. That is generally the statement that he makes in his own way.

Is there any bona fides to that?

Mr. SIMMONS. My belief is that education and general development is extremely important and will have itself an accelerating effect on the acceptance of contraceptives so I don't think it should be neglected. In fact provision of services should be only one of the thrusts that any family planning program will have, and that that program also ought to have a strong thrust in the direction of research as to the impediments to acceptance. and research into the motivational issues which lie behind acceptance.

These are very important issues, but I still believe that if you look for dramatic results only in terms of the change in the birth rate, you will be misinterpreting the impact that these programs have on the standards of living.

Mr. KOCH. Thank you, Mr. Chairman.

STATEMENT OF DR. ELIZABETH CONNELL

Mr. LONG. Dr. Elizabeth Connell of the Rockefeller Foundation, associate director of the health service division of the Rockefeller Foundation.

It is a great pleasure to have you here, Doctor.

[The statement follows:]

I wish to thank you very much for giving me the privilege of sharing with you today a few thoughts of a physician deeply concerned about the effects of the rapid growth of the world's population and the programs now underway to deal with this problem.

I have been fortunate during my professional career to see health care and family planning delivered to many different types of people amid many different settings. I first practiced medicine as a general practitioner for 5 years on the rockbound coast of New England in a town of somewhat less than a thousand people. There I took care of people of all ages, from newborns to sturdy 90-year-old downeasterners. I delivered women of their babies under ideal circumstances in the aseptic brightly lit hospital delivery room. On one bitter cold night I also delivered a woman of her eighth child by moonlight on the front seat of an ancient snow-covered pickup truck, surrounded by her distraught husband and her seven fascinated children.

After completing training in obstetrics and gynecology, I practiced as a specialist in New York City. It very soon became clear to me that one of the major unmet needs of women in the ghetto in which I was working was the provision of family planning services. I therefore instituted and gradually developed contraceptive clinics first in Spanish Harlem and then at Columbia University where I served as associate professor of obstetrics and gynecology and director of family health services. In 1973 I joined the Rockefeller Foundation. I have also been chairman of the medicaid committee of Planned Parenthood, president-elect of the Association of Planned Parenthood Physicians, and vice president of the Association for Voluntary Sterilization. I currently serve on the AID research advisory committee and as a consultant to, member, and chairman of various Food and Drug Administration advisory committees on contraceptive methods.

During these years I have become increasingly interested in the related issues of health, family planning, and population at the international as well as the

national level. My work most recently has been in helping to extend and coordinate the programs of private voluntary agencies and governments in the family planning field. In this connection, I have had the opportunity to inspect and evaluate family planning activities in many parts of the world, including Turkey, Iran, Pakistan, Indonesia, India, Thailand, Haiti, and the Dominican Republic.

Reflecting upon my own experience and upon your invitation to testify on the subject of family planning, I would like to emphasize four points that seem to me of particular relevance for this subcommittee in considering appropriations for foreign assitance operations:

First, family planning programs in addition to their demographic effect have a direct impact on the improvement of family and community health.

Second, family planning is well accepted today throughout the world. Facilities that provide convenient and sympathetic services usually find that the requests for help soon exceed their available resources.

Third, family planning and health services both must utilize local paramedical workers, male and female, to provide the bulk of services in developing countries.

Fourth, in improving and extending family plannnig to reach the majority of the world's population, private voluntary and professional organizations need to work in close cooperation with the programs established by national governments.

With respect to the health aspects of family planning, it is increasingly recognized that too frequent and too many pregnancies exact a heavy tool from both a mother and her infants. Running like a leitmotiv through all my experiences is the woman who has too many children too rapidly. She looks very much alike whether she is found under the snow-covered evergreens of New England or under the sun-drenched palm trees of Southeast Asia or in the grimy tenements of New York City.

Wherever she may be, the woman who has more than three children faces health risks that increase progressively after each birth. Similarly, the woman who has children before 20 or after 35 faces higher morbidity and mortality rates. Even assuming that a woman's babies are born alive and she herself survives, this is only the beginning. Repeated pregnancies coupled with prolonged lactation severely deplete a woman's proteins, calcium, and iron, the so-called maternal depletion syndrome. This results in damage to her babies, her own premature aging and often her death as a still relatively young woman.

The child that is born under these circumstances is equally disadvantaged. When the interval between births is less than 2 years, prematurity rates and neonatal, infant, and child death rates are markedly increased. Children from large families are smaller and shorter than those born into smaller families and the addition of each new child adversely affects the development of siblings.

Despite multiple racial differences, malnourished lethargic children look very similar throughout the world, rather like brothers and sisters. One of the most severe forms of malnutrition was given the name of Kwashiorkor when it was first described in 1935. The word is taken from west African tribal language and means "the disease of the deposed baby when the next one is born."

It has been noted in many areas where malnutrition is severe that girl babies die at a much higher rate than boys. Since this is the opposite of the normally observed pattern, it is clear that this amounts to selective infanticide carried out by the mother when forced to decide how to use her limited food supplies.

Actually, babies may begin to suffer from the effects of malnutrition long before they are born. It has been clearly shown that malnutrition retards the growth of the brain during the critical period of time before birth. We also know that children born to older mothers run a much greater risk of having congenital malformations and that mental retardation and cerebral palsy appear to be more frequent among children in large families. At the same time, various intelligence tests show lower scores among children whose births are close together.

Women and children are not the only victims of too large families. Physical and mental illness are increased in both parents with increasing family size regardless of social class. The number of illnesses per person as well as the total illnesses per family increases with the addition of each new member. Food supplies are often limited. Housing is crowded and the quantity and quality of parental care for each child is reduced. Thus the health of the entire family suffers from the burdens of unplanned and uncontrolled fertility.

It is sometimes suggested that the best way to reach such families—whether they be in New England, New York, or New Delhi—is by major social reforms

which will provide better nutrition, comprehensive medical care, adequate housing, and more education. There is no doubt that in the past increases in living standards have been associated with decreases in fertility. But achieving this stage of development is a very time-consuming process. It requires massive and long-term commitments of sophisticated and expensive human and physical resources. Developing countries cannot wait one or two generations for a social and economic transformation to solve these health problems and bring down birth rates. If present population growth rates continue, the number of young people in their prime reproductive years will double every 25 years. Their dreams of social and economic progress will turn into nightmares of ever greater poverty and deprivation. And the parents who look on their children as a form of social security for old age will find that there is no security for anyone if population growth outpaces food and resources.

The choice today therefore is not between expanded health programs or expanded family planning programs. Family planning is a health program, because optimal family planning—that is, two to three children spaced at 2- to 3-year intervals while the woman is below 35—can effect a marked improvement in family as well as community health. The subcommittee might be interested in having for the record a more detailed review of the full range of health benefits provided by family planning. I would like therefore to ask permission to include this study following my remarks in the hearing record.

Second, I would like to emphasize that today family planning services are accepted—indeed, welcomed—by men and women in every part of the world. Those who have lived with the burdens of uncontrolled fertility, mothers who must choose which child will eat and which will go hungry, wives who see themselves growing old and sick before their time, fathers who agonize that they cannot provide food for their families—these people want to control their fertility. They want to resolve on their own individual level the over-population problem that looms so large on the global level. Every program with which I have been associated in this field has soon been swamped by the demand for services. Case loads invariably exceed the time and staff originally allocated. In New York City, for example, in January of 1964, I started a clinic at Metropolitan Hospital, which is one of the larger municipal institutions. At that time, it was open 2 hours a week and I constituted the entire staff. However, the needs and demands were so great that it grew rapidly. At the end of 6 years it was open 5 mornings a week and had a staff of over 30 people.

It is true that many women in developing countries, who have little chance for education or a career outside the home, want to have more children than the middle class American. After marriage, for instance, Asian and African women usually want to produce a baby quickly to prove their fertility. They may think of four or five children and two or three surviving sons as ideal. But if you stop to talk with these women, especially those who have reached their 30's, if you ask them whether they really want more children, most do not. It is not their own attitudes, but rather the multiple obstacles they face which often discourage them from the regular practice of family planning. All too often these women have to travel for miles, by foot or bus, to reach a clinic. They have to wait for hours to see a doctor or nurse for a month's supply of oral contraceptives or to have an IUD inserted. The further the clinic or facility is from a city, the more likely it is that supplies and staff will be scarce. Then when they need a resupply or experience bleeding, cramps, or discomfort, they have to come back to the clinic. Thus many continue childbearing well into their 40's—to the detriment of themselves, their children, and their community. Others become desperate and resort to abortion, often illegally performed under unsanitary conditions by untrained people. It is estimated that each year some 35 to 50 million women have abortions to avoid unwanted children. In many developing countries, women suffering from the consequences of illegal abortion fill one third of the beds in maternity hospitals. Surely no one can argue that these women are not motivated to limit their fertility.

The need and the demand for effective means of family planning exist today but it is not always easy to meet these needs effectively. Even in the United States we have not yet succeeded in eliminating all unwanted pregnancy or reaching all of the estimated 5 million women who need but cannot afford help in controlling fertility. The task is obviously more difficult in the developing countries. There are simply not enough physicians in these parts of the world to insert IUD's, prescribe oral contraceptives or give advice and counseling on family planning to some 400 million women most of whom live in rural areas or

small villages. Even in New York City, I found that we did not have enough doctors to provide quick, convenient, and affordable service to all the women who came in.

My fourth point, therefore, is to emphasize the urgent need to recruit, train, and deploy nonprofessionals, that is, paramedical staff, indigenous health workers, and even village midwives, to take on the important task of providing family planning services. When I began to train and use paramedical staff in my New York clinic for simple tasks and counseling, a few eyebrows were raised at first. But it soon became evident that these personnel were very capable. Moreover, they were often less hurried and better able to establish rapport with the patients than highly trained specialists. In the developing countries, where physicians are scarce at best and in rural areas virtually nonexistent, it is clear that family planning will never reach a majority of the population unless paramedical personnel are mobilized for this purpose.

The Rockefeller Foundation has provided considerable support for training of paramedical workers in different countries. AID has also supported a number of projects, both through private voluntary organizations and as a part of national government programs. A good example of what can be accomplished with local nonprofessional personnel is shown by the Indonesian family planning program. In the early 1970's Indonesia began recruiting village leaders to educate the people on improved health, nutrition, sanitation, and family planning methods. After a short training period, these workers would go back to their own communities. They would visit from door to door, hold meeting,s and distribute supplies as needed to familiarize the village women with the idea of family planning and with specific methods. At first there were doubts but increasingly these indigenous village men or more often women proved themselves intelligent, well-motivated, and quite imaginative in encouraging their colleagues to take up family planning. In some villages, for instance, to remind women to take their pills daily the village bell would be rung each day at the same time in a special way.

From what I have seen myself in villages in Java, I would judge this approach to be highly successful. About 18 percent of the fertile couples in Bali and Java are now using some form of contraception. Moreover, U.S. AID, which encouraged the program by offering the initial funding and contraceptive supplies, now contributes only a small portion of the total cost, most of which is paid, quite properly by the Indonesian Government.

U.S. foreign assistance is also supporting programs with local leaders and outreach workers in Korea, Pakistan, Thailand, Colombia, Bangladesh, the Philippines, and several other countries. It should be noted that these programs not only create an effective local network for family planning communications and supply. They also provide a basis for other actions to promote health, village development, a higher status of women. At the same time, village women who might otherwise be confined to their homes and fields have a new opportunity for part-time training and employment that expands their own horizons. From many different points of view, this experience can be valuable for the whole community. I believe it is very important for private groups and the U.S. Government to increase support for these efforts. We should take special pains to be sure that these people are trained appropriately and that they are encouraged to perform their work conscientiously, and with a real sense of pride in their own accomplishments and the contributions they are making to their country's development.

My final point deals with the increasingly fruitful collaboration in the population field between private voluntary organizations and government programs. The Indonesian case is only one example. There are many others. As you probably know, the first family planning services in the developed countries as well as in the developing world were provided by private voluntary organizations long before governments recognized the importance of reducing excess fertility. These clinics reached only a relatively small number of women, mostly in the cities, but they became a model for more extensive goverment programs. Today this is still the pattern. In developing countries, the private organizations have usually acted first, mobilizing local leaders, developing educational programs, opening clinics, and gradually persuading their governments to provide planning services. Sometimes these services are integrated with existing health services. More often, since health services in developing countries are poor, family planning services have been initiated with separate trained personnel and then either coordinated with existing services or used to help disseminate other health and development activities.

Support from AID has been an important factor in this whole process. Initially, AID provided support to a number of U.S. universities to train family planning specialists and program managers. At the same time, help to private U.S. and international voluntary organizations strengthened the ability of these groups to make an impact in countries where governments were not yet ready to initiate formal programs. Now AID is negotiating directly with governments to strengthen their national programs while continuing to encourage private groups to provide leadership, to develop innovative new outreach programs, to test pilot projects, and to undertake operational research as to what approaches really work best.

There is a great deal of coordination, both formally and informally at the country level and among all countries now providing population assistance to avoid duplication of effort. But it is increasingly clear that to reach a large proportion of the fertile couples in these countries, multiple channels for help are needed. In the Philippines, for instance, AID provides direct help for the national family planning program which operates through government facilities. At the same time AID supports a joint planned parenthood-church world service program which operates through a network of highly respected mission hospitals around the world to provide training and supplies for a broad range of family planning services. In the Philippines specifically a cooperative effort through an indigenous religious organization, the Iglesia ni Christo, which includes about 10 percent of the Philippine population, is providing family planning services now to about 25 percent of its target population. In Peru, a private organization is cooperating with a group of Catholic priests to provide oral contraceptives as well as advice on the rhythm method. I will be visiting that program next week.

These private programs have strong grassroots support and can often call on dedicated volunteers to provide a model and set the pace for government programs. At the same time, private organizations have a special role to play in demonstrating what methods and approaches are most effective and acceptable in different cultural settings. I have also been personally active in the association for voluntary sterilization. That experience in extending voluntary sterilization programs has been a particular revelation to many in the family planning field because on the whole U.S. physicians and demographers have not promoted sterilization as a fertility control measure. Yet within 4 years the international project of the Association for Voluntary Sterilization has established 50 service and training programs in developing countries, has won wide acceptance in medical and medical education communities for expanded training, and has seen men and women from countries as different as El Salvador, Egypt, India, Nepal, and the Philippines begging for sterilizations after 4, 3, or even 2 children.

Although costs vary greatly from country to country, a study in Korea has shown that a male sterilization costs about $10 to $12, and a female sterilization costs about $25–30. Sterilization is therefore a very cost-effective approach for couples who do not want more children because complications are rare and there is no continuing need for services or supplies.

Because these pilot private programs, which were sometimes controversial when they began, have now proved so popular and cost-effective, a number of governments are beginning to include sterilization in their national programs with costs covered by social security or other national health programs. In these cases, the private organizations and governments cooperate to provide training, public education, and services as well as continuing research to find simpler and safer techniques that will be suitable under different conditions.

There is no doubt in my judgment that family planning is absolutely essential if other economic and social development programs are to succeed. This is not an either-or proposition because only about 5 to 6 percent of U.S. economic assistance has so far been allocated to population programs. Both dollarwise and percentagewise population assistance should be increased. Many governments that were once reluctant are now ready to initiate family planning programs or to extend and expand existing efforts. The cuts in AID appropriations in the last two years have severely strained both private organizations and government programs.

Yet I believe their work must continue and be expanded in order to insure that other development programs will really succeed in improving the quality of life in the developing countries. Not only will it be physically impossible for governments to feed, house, educate, and find employment for populations that continue to multiply at rates of 2 and 3 percent annually but also it will be impossible for individuals and families to retain even the rudiments of human dignity and human potential under conditions of uncontrolled fertility.

Besides their demographic effect, family planning programs have much to contribute to overall development efforts. They bring a chance for better health, some degree of education, increased employment, and enhanced ability to deal with other social problems within the community. Given an opportunity, most parents will control the size of their families. They, their children, and all of us will be the ultimate benefactors if they are given the means to do so.

Thank you, Mr. Chairman.

Dr. CONNELL. I would like to go back a step in time before I begin, if I may. I was first a general practitioner in New England for about 5 years, next, completed my training in obstetrics and gynecology and then moved to New York City where I started several family planning clinics so I have had some very personal experience with development of these services before I joined the Rockefeller Foundation and began to see the same sorts of situations on a worldwide basis.

I feel that there are many parallels that run through the development of such programs everywhere. I would like to address myself first as a doctor and second as a woman to some of the issues that I feel are very important. I will restrict my comments to just four points, since I realize that our time is limited.

First of all, I would like to address the issue of the maternal and child health aspects of family planning. I think these have a massive financial impact on any society and of course have a great deal of impact at the very personal level of women, their husbands and their children.

I think it is a well recognized fact that many of the aspects covered before are important, but I would like to look at the actual effects of the availability of family planning on people. If women were able to have babies during the optimum years when they are healthy and young, between 20 and 34, and if they could space their children properly this would produce a tremendous decrease in maternal morbidity and mortality and infant morbidity and mortality rates. High rates are very destructive on both a personal and a societal basis, having large impacts on individuals, communities and governments. Women can not be healthy when they are malnourished and are having babies every year. When there is not enough food the children are not fed and a woman may have to decide which child she is going to feed and which child she is going to let die.

It is very difficult under such circumstances to convey to women the fact that they should not have five, six, seven, or eight children in order to keep two or three. This is particularly true when sons are wanted either for social reasons or as a source of support in old age. Unless we help these people we are not going to cut the birth rate, I don't believe, because a woman is going to overproduce to protect herself and her family. The resulting toll in women's health and lives, the uprooting of families and the production of unwanted, unhealthy and dying children is immense. I think this is a very real situation that one can look at coldly and objectively as purely a financial issue, but as a doctor, I see it even more in terms of the sheer destruction of people. Many of these unhappy events would not occur if women could only space their families.

Mr. LONG. Do you propose to encourage them to have more children when they are younger, or discourage them from having children when they are older? I have always been told a good way to curtail

population is to get people to postpone having children, since they would be less likely to have them.

Dr. CONNELL. That is of course what the Chinese are doing now very effectively by postponing the age of marriage and by offering good family planning services of all sorts. Ideally, from an obstetrician's point of view, if women would simply have their babies at certain ages we know statistically that they and their babies would both be healthier.

Mr. CONTE. What ages are those?

Dr. CONNELL. If women would limit their childbearing to ages 20 to 34, you cut the maternal infant mortality and morbidity tremendously. Teenagers have much higher rates of morbidity and mortality, and so do women over the age of 35. Of course when you get to 40 you begin to see an increase in mongoloids, hypertension, and many other diseases. If women could space their children, have them 2 or 3 years apart, have only two or three and have them when they are ready biologically, this would offer a tremendous asset in terms of the health of women, their families and their communities. I think this is one very important thing we have learned from family planning.

The second point I would like to touch on very briefly is an issue that has often been raised. Is family planning acceptable?

By and large, I believe from what I have seen both in our country and overseas is that family planning is unquestionably acceptable. I opened a little clinic in Spanish Harlem, and overnight was swamped with patients. It grew rapidly from one session a week to 7 days a week. I have seen this same demand in foreign countries. When you go out into the villages and talk to women you find that by and large women would like to limit their families. They would do it if they were given the means by which to do so which are safe and effective, and these were offered in a way which is kindly and considerate, and made them easy to obtain.

I don't think there is any question that almost everywhere in the world family planning is now acceptable, desirable, and would be seized upon, if it were offered in a way which was consonant with any particular society. I don't believe that this is a debatable issue any more.

The third point I would like to address is one which I think has been touched on before. To me it is absolutely critical, not only overseas but also in this country, to continue the development of the nonprofessionals, paraprofessionals, whatever you choose to call them. A lot of people have said very facetiously that health is too important to leave to doctors, and I think to a certain extent that this is true. You have great rural areas of the world where there is only 1 doctor for every 50,000 to 100,000 people. Even if we train more doctors, we know that they are not going to go out there. I think a very important part of AID programs in the past has been the training, motivating, and utilizing of paramedics or paraprofessionals in these countries.

I think it is very important in terms of getting not only medication, but also information out to people—how to eat, what is good sanitation, all tied together with health care and family planning. I think it is critical that we continue to support these sorts of programs.

The fourth point I would like to make is that there has got to be continued and growing liaison among private organizations, professional groups, and governments. I think a number of these links are on the horizon and they have got to be supported if we are going to do the many essential jobs in health care, agriculture, and other related fields.

It is my firm belief that without family planning, we are not ever going to be able to implement foreign policies and goals we have set for ourselves. This is true from a financial as well as a humanitarian point of view. I fail to see how we can impact on agricultural problems, pollution problems, and all of the other things which we are concerned about, unless there is also a very dominant and a very important and hopefully an enlarging family planning element to these programs.

I feel that given the opportunity most parents will control the size of their families if we give them the means to do so. This will favorably affect every other aspect of their lives and ultimately, I think without any question, all of us will be the benefactors.

Thank you.

Mr. CONTE. Thank you very much, Doctor.

Is Professor Stycos here?

I guess he was not able to come. I want to thank the members of the panel very much. We all have questions to ask. Perhaps we can address ourselves to the whole panel.

Mr. EARLY. I have another meeting to go to.

Mr. LONG. Very well.

Mr. Early of Massachusetts.

Mr. EARLY. Dr. Connell, you said the Chinese have an effective program.

Dr. CONNELL. Yes. This is very interesting. If you listened to the polemics at Bucharest, you will remember that they talked very vigorously against family planning. However if you speak to people who have been in China, you will find that they probably have the most effective family planning program in the world.

Mr. EARLY. Do they have statistics to verify this?

Dr. CONNELL. These are a little hard for us to get. Dr. John Knowles, the president of the Rockefeller Foundation came back just a week or two ago, having spent 3 weeks in China. He has corroborated what many other people have said, that there probably are data now. He had the opportunity to see how they do their family planning. They marry late. They all wear the same clothing. They have complete access to contraception. They have the paper pills that you have probably read about, which we are also looking at in this country as a possible new way of giving oral contraceptives. They have free access to abortion. They have free access to sterilization. Finally, the message is constantly given both directly and at a subliminal level that you are to limit your family to two or three children, and you are given the means to do so.

Mr. EARLY. Everything I read and everything I hear about this subject seems to imply that we are not doing enough in the way of edu-

cation. As far as the availability of contraceptives they seem to be readily available.

Dr. MOSLEY. I would like to answer that a little bit by saying I am not to sure where you got that information. In Bangladesh, where I have worked, you go out in many of the rural areas, the pills have actually gotten into the black market and are 20 to 50 times the price that presumably they would be offered for by the Government if they were available, so that supplies are not available and haven't begun to meet the demand.

The same thing is true in countries, as I have indicated, like Egypt and Turkey, where they have little epidemics of abortion because the contraceptive supplies are not actually available to the people who want to control their fertility. Granted, in Bangladesh we may only be talking about 20 percent of the population which is not enough yet to have the demographic impact or replacement production that we would like to see, but we have got to start somewhere and we haven't even made a dent in many of these countries.

Mr. EARLY. What you are telling this committee then, is that with the black marketing there is a tremendous demand for them?

Dr. MOSLEY. Correct.

Dr. CONNELL. I have been in areas where you might say there are supplies, but a woman would come into a village and be given one or two condoms and maybe one cycle of pills. She may have hiked 10 miles to get to the clinic, and she is not going to do this every month. You not only have to have supplies but must have enough supplies. It is impractical as well as inhumane to render this type of service. This is unfortunately a constantly recurring pattern in many areas.

Mr. EARLY. Thank you very much, Dr. Connell.

Mr. LONG. Thank you, Mr. Early.

Mr. Conte?

Mr. CONTE. Doctor, I notice in your statement you practice up in New England, some rocky shore. Where is that?

Dr. CONNELL. I practiced in Blue Hill, Maine, which is a thriving metropolis of about 900 people. They have their family planning problems up there too. They have long, cold nights.

Mr. CONTE. Any of you can answer some of these questions, because I think what we are trying to reach out in this committee, at least some of us are trying to reach out to get the full value for our dollar, and to try to utilize it as best we possibly can. We would like to know what direction AID should take, whether the right direction is the direction they are in now, whether that is a good direction or whether we are spreading our efforts too thin, too many places, whether we should maybe zero in on some of the more problem places of the world such as India, Bangladesh, and others.

This question of education, I think that comes up here because there are two schools of thought. One is that if we don't get out into the countryside and educate the people out there, then all of the contraceptives that we send out are for naught, because once they run out of them and they miss the pill for 2 or 3 days, we have wasted a whole year's effort in that particular area.

Can you tell us just what we should be doing, exactly what the role of the United States should be?

Dr. CONNELL. I will take a crack at it from a medical point of view. I think all of us have recognized that it is important, No. 1, to have commodities there. That is a—given in the equation. As Dr. Mosley has pointed out, they aren't always there, at least not in sufficient quantity.

As we have gotten a little bit more sophisticated I think we have realized that this is not enough, without the training of people and without the development of the health care infrastructure. How this is done is going to vary from area to area, because they are so different in their medical capabilities. You have got to develop a cadre of people who get out and do community training and not just in family planning, but also in all of the other things that go into improving the quality of life. Community education can be done very well by these individuals, and I believe that using this mechanism, you can convey a great deal of information of diverse types to people. You can easily develop a demand for family planning services since the perceived need is there anyway. It really only involves getting across to people how to do what they know they want to do already in most instances.

I don't see how you can totally restrict yourself to any one area. You might want to intensify activities in areas that have larger problems, but I don't see saying let us send all our money to India, for example, and don't worry about Bangladesh, Pakistan or Indonesia. I think you have to diversify your portfolio but with a little bit of commonsense.

I think one of the nice things we see as a voluntary organization is that when you get something successfully started, very often local governments or agencies will pick up the ball and run with it and that allows you to pick your resources and more somewhere else. I would certainly say that adequate supplies are important. I would certainly say that good training is essential, and I would certainly say in answer to all of your questions that you can not overspecialize in one area without producing damage in other areas.

Dr. MOSELY. Let me expand on that a little bit. First I think it should be very clear there is no single approach in any country of the world because the countries are vastly different in capabilities, infrastructure, demand, and so on. I could contrast two situations where we are working directly, one in Turkey, which has a relatively well-developed infrastructure. They have more than 5,000 midwives. There are about 7,000 midwives, about one for every 4,000 persons. These midwives have had several years of training in terms of maternal care and child care. They know nothing about contraceptives, and so the thrust in the Turkey program is to train these midwives about condoms, about pills, and also about IUD's, get some change in government policy so they could insert IUD's, then provide the commodities, and get family planning going within a well-developed health infrastructure.

In Bangladesh it is a very different situation. This is a country with one doctor per hundred thousand persons in the rural area. You cannot get the services out to the people via a health infrastructure because it doesn't exist. There the thrust is to develop a relatively low-level worker, with training, and get them out house to house, with one of

the primary objectives making contraceptives available to the people who want to use them, and then building on that structure, a broader base.

Now, another area that AID is working on is what are the methods to control fertility. I think we have to realize that the methods that are currently available are not wholly adequate for the developing world. The IUD does cause bleeding. This is not only socially distressful in many of the countries, particularly Moslem countries, but also it could be a health problem in terms of anemia in countries where you already have chronic low blood.

The pill, interestingly enough, the recommendation in this country is that the pill not be used in breast-feeding women. The fact is that if you don't use it in breast-feeding women in the developing world you don't use it at all because the women goes from breast feeding one baby to conceiving the next while the infant is still on the breast. This is not entirely satisfactory because the pill contains estrogen which suppresses breast milk production and could be detrimental to the baby on the breast while you are trying to pace the next one. Indeed, ID is supporting some research now in trying to develop what we call a milk pill. This is a pill that works by the same mechanism that fertility is suppressed in lactation, and the woman can take this pill during lactation. It will not only enhance her milk production, both the quality and quality of milk, but can also suppress ovulation by the mechanism that she is accustomed to. Then when she is ready to stop breast feeding, she could switch over to the regular oral contraceptive, so there needs to be research in terms of better methods that are available for developing countries. It is a multifacteted approach, and we can't say this is going to do it or that, but it depends on the country, and the situations.

Mr. Long. Professor Stycos has just come in and I will ask him to give a brief presentation, around 5 minutes or so.

Mr. Stycos. I don't have a prepared statement so I will dash through a few informal comments.

I thought I would address myself to 3 questions. First, is there any hope for substantial declines in fertility in developing countries in the near future. Second, do we need intervention programs in this area, and is there any evidence that such programs really work. Finally, what aren't we doing that we might be doing.

I think there is reason for reasonable optimism on the first question. The fertility declines that we have been seeing in the last quarter of a century have been occurring much more rapidly than those which occurred earlier.

For example, in the early 19th century those countries that declined in fertility took about 70 years to bring it down to modern levels. At the beginning of this century they took about 40 years, but the declines that started around 1950 or so have only taken about 20 years.

In our hemisphere the upward trend in fertility that was evidenced by Latin American countries in the 1950's appears to have been arrested and in a number of cases to have been reversed, the most sensational case being Costa Rica.

What explains these new relatively rapid declines? First there is the new contraceptive technology. Second, there has been a communica-

tions revolution, in the sense that the kind of things that could not be discussed in mass media are now being discussed. Third, I think there is some evidence of an increasing public demand for services. Fourth, there is demand emerging from governmental or leadership groups. Most of this is new. Most of this is essentially revolutionary in terms of traditional patterns in the hemisphere.

If birth rates are coming down by themselves why should we bother them? Do we need intervention programs?

The answer to that is, "Yes," if we want to accelerate those natural processes, and maybe even if we want to trip them off, although we are less certain about that. Each of the points that I mentioned can profit by intervention methods.

For example, the technology may be there, but it needs adequate delivery systems. The communications may be there, but at the present time they are largely hitting groups that need fertility control the least.

The demand may be there, but it is a latent demand. It needs activation and intensification in order to turn it into a real active demand.

Finally, the governments very often need the same kind of activation of demand. They are aware of the problem, start programs, but need nudging to activate that demand.

Is there any evidence that intervention programs work? The answer is, "Yes" and "No," and, more importantly, "Don't know."

In a number of countries you could make a good case that the family planning intervention programs have accelerated fertility declines—Korea, Taiwan, Barbados, probably Chile, Costa Rica.

In most places it is too early to tell. Half of the programs in which governments have officially given support to family planning are only about 5 years old. There are only eight programs that are 10 years old or more, and it is going to take a while before we really find out what is happening.

My major concern is that we are not really learning enough as we go along. We are doing the intervention programs in a number of countries. We may be counting the number of women who use IUD's or take pills, but we are not learning enough in a serious way about the conditions under which we can expect a dollar expended in family planning to yield so much as opposed to conditions when we might expect it to yield nothing, or under conditions which we might expect it to yield a great deal.

Why isn't this being done? Well, when I talk to officials in the field, for example, AID population officers, they often place the blame on Congress. They say Congress wants quick results. Congress is demanding fast action programs, and they don't want to hear anything about research. But, half the time there hasn't been enough research to answer the tough kinds of questions I hope we are going to hear from Congress.

Mr. Long. It is the first time anybody ever came before me asking for a tough question. I shall try to accommodate you.

Mr. Stycos. I may apologize for that later.

At any rate, I think we need to be able to marshall the kinds of answers which, as I say, I hope that Congress is going to ask. Of course, dollars do go to research, but not enough on which to build operational strategies. It is enough for a shotgun approach but not

enough for sharpshooting. We are really not determining the conditions under which programs will really work. The investment is too small, too fragmented, to add up to very much.

I am not suggesting we cut out action programs and substitute research. I am suggesting that if additional appropriations were made, that a top priority be given to the kind of research which would help programs.

Finally, I am very sympathetic with the congressional sense of urgency and the need to show results, but I think we have to keep in mind that we are dealing with reproductive habits which are the product of centuries of customs imbedded in religion and traditional economic and political systems, and in conservative ideologies. In view of these negative forces, the changes that we have seen in the last decade are really extraordinary, but to continue this momentum, to accelerate these natural forces of change, I hope the Congress will amplify its support to agencies dealing with action and action-related search on international aspects of population problems.

Thank you, Mr. Chairman.

Mr. LONG. Thank you, Mr. Stycos. I will get started on some questions. Isn't the real goal of population planning, either now or before too long, zero population growth, not merely to get the birth rate down, but to keep the population from growing? Aren't we in a race between keeping people from being born on the one hand, and keeping people alive through better food and better health on the other hand? Isn't the latter winning in the race?

Where we have been most successful in our AID program, it seems to me, it has been in achieving the latter, keeping people alive through better health, and food.

When I was young, the birth rates were very high. Probably they weren't much higher than they are now, but people were dying at a terrific rate. They didn't have adequate transportation, they had terrible toll from disease in all these countries, and many factors have combined to change that.

It has been pointed out to me, in doing my homework for this, that population planning is not a very good device, because population planning merely undertakes to let people have the families they want to have, which may be completely different from what would be required to have zero population growth. I am wondering whether there is any empirical or theoretical reason for expecting that a planned population of families could add up to a zero, or very low, population growth.

My final question is, If population planning won't do the job, what will work? Can we use devices like paying people to be sterilized and that sort of thing? Who wants to tackle that?

Dr. MOSLEY. Let me tackle a few of these things. One I think is in terms of our race of control of birth control versus death control, we have a tremendous headstart. Take India, which suffered from famines in the 19th century. The British Government in their colonial days invested, I don't know, millions or billions of pounds in huge irrigation programs, irrigating more than 60 million acres between 1900 and 1950 and putting in highways and railroads, primarily to control famine, which was quite effective, because India did not have any famines in

the 20th century except in 1943 during the war, and then we had the Bangladesh famine, again with the war. We have got 50 more years of headstart on death control. We have got to recognize that we haven't even thought about population control, and funded it, for example, in this country, for more than 8 or 10 years, so that we have got a lot of catching up to do, and it is too early to say that we have failed when we haven't given it half a chance.

Now you say, but can simply letting people have as many children as they want to have solve the problem? I would agree that certainly in the Western World it has not yet solved the problem in most of the countries. The United States, for example, has no population policy. We let people have as many children as they want to have, and right now they are not having so many, but we are not sure that 5 or 10 years from now if we pull out of this economic recession we may go through another baby boom, so there has to be Government policies that really mitigate against having children.

A number of governments have done this, and moved in this direction very vigorously. China, of course, is one, but outside of China, Singapore has policies with, for example, increasing costs for delivering children after the third or fourth birth, more taxes for more children. The Philippines has the same kind of policy that there are no tax exemptions after 3 children. Korea has just passed a law in this same regard shifting the tax structure to make the cost of children more evident to the people who are having the children.

Mr. LONG. I would hate to have to explain that policy on the stump when I am running for reelection.

Dr. MOSLEY. It has been discussed even in this country.

Mr. LONG. Well out of reach of the angry electorate.

Dr. MOSLEY. That is right, but other countries are doing this. They are far ahead in terms of population policies that would directly lead to a smaller number of children. It would be a disincentive to having children. We are part of this world. I think we have to recognize that both the United States and Bangladesh are producing about 3 million births a year. Now we say the Bengali have got to cut down on the number of births they are producing because they can't be self-sufficient but we are not self-sufficient in our energy requirements. Yet, we have not considered a population policy even as a public statement that is anywhere near as positive as the government of Bangladesh has been prepared to make to their people. Countries recognize the fact that there has to be a positive effort.

Dr. CONNELL. I think if you view the situation from a purely academic standpoint, you can say what you just said, that zero population growth would be ideal, but I think as pragmatists we all know that this is not going to happen in the next few years, and I think that this is probably——

Mr. LONG. That is the ultimate goal?

Dr. CONNELL. The ultimate goal.

My feeling is that is where we are today, which is obviously disastrous, if continued and over here is the ideal. I believe that by giving sufficient funds and sufficient support to family planning programs, you begin to move toward the idea. Maybe you won't have every woman——

Mr. LONG. You feel that population planning is an effective first step?

Dr. CONNELL. Absolutely. By making all the things that we think are necessary available, women might drop from nine children to four children. Maybe they should only have two, but the impact of decreasing even to four in many of the areas where we work would be considerable and would be the first step toward the ideal.

Mr. SIMMONS. In the part of India where we were working, over a woman's lifetime the typical woman would have over eight children. On the other hand, well over 50 percent of the women who had at least three living children said that they wanted no more. If you could just bring those two desires into some sort of balance, that is if you could reduce the number of children from the observed numbers over eight down to the order of three or four, which would be the result of bringing fertility practices into line with fertility desires, you would have removed a great proportion, a great share of the problem. You wouldn't have gotten to zero population growth but you would have changed the whole arena in which decisions are made.

I think it is at least a very important beginning.

Mr. LONG. Dr. Taeuber.

Mr. TAEUBER. This question you posed was discussed very much at Bucharest. It would have been a complete failure if anyone had really pushed hard for anything other than education, motivation, trying to get governments and in turn people to recognize that they can control their fertility, getting governments to recognize the obligation to make the information and the supplies and the services available, but leaving it to the individual family and hoping in the long run to persuade families that they ought to limit their fertility to the replacement level.

Of course we are there now in spite of the absence of a population policy, perhaps in spite of a good many other things.

Mr. LONG. I wanted to ask you a question because you are an expert on this thing. Can we trust this population growth figure of 1 percent? I know enough about demography to know that a lot of people don't get counted, babies don't get counted, blacks don't get counted to a large extent, other minority groups don't get counted; we have right now, I believe, about 8 million illegal aliens in this country. Are they counted in our figures, and can we trust this 1-percent figure that we have?

Mr. TAEUBER. I don't know whether illegal aliens are counted or not. My guess is most of them are, because most of them occupy space somewhere, and the space does get recognized. Sure, there is some undercount here, but these rate of growth figures also go back to another set of measurements. That is the number of babies which women are having and the number of babies which women say they expect to have.

One of the suprising things in recent years has been how when you ask young married women how many children they expect to have in the course of their lifetime, this has stabilized at two or three. It has stabilized at a figure which, on an average, would mean replacement, just replacement of the population.

The number that say zero is still very small and has hardly changed over the years. The number that say one has gone up somewhat. The number that says more than three has almost disappeared.

Mr. LONG. Who wants more than three?

Mr. TAEUBER. Who want more than three. Not all women are going to be successful in holding to these levels.

As individual predictions these may not be very good. For the group as a whole, some of the surveys have asked how many do you expect in the next 5 years, and when you test that against a similar group of women 5 years later, as a group of their predictions have been reasonably good.

The other point I wanted to make is that I think there is a startling difference in the situation today in the United States and in Western Europe compared to 40 years ago. The Swedes, the Germans, the Belgians, the Dutch were frantically trying to raise their birth rates because they saw population going down, and you mentioned the projections for the United States at the same time. West Germany for 3 years running has had more deaths than births. Now they got their population up by importing people from southeastern Europe, but so far as I can tell, there is no government policy that says this is terrible and we ought to do something about it, as there was back in the early thirties.

There apparently is a recognition today that zero population growth, even a mild decline in population, is not all bad. The Population Commission we had in the United States said in effect zero population growth is good for you. We haven't had any real clamor to boost our birth rate back up, now that it is down to levels where it had never been before, even during the early thirties.

Mr. LONG. As you know, at one time the population growth was so small that we had a new school of economists talking about stagnation. I think our population at one time was expected to each a peak of 160 million, some years before this, and then start declining. This was because of the Great Depression and the fact that people were terribly depressed about the future.

I guess the net reproduction ratio was well below one during the depression years, but since that time it has gone way up again.

Mr. TAEUBER. But it has come down again.

Mr. LONG. Now it has come down again. Of course we have no way of knowing whether it won't go back up again, and that is something I think that we have to concern ourselves with. The same is true with Germany. Germany had the lowest net reproduction ratio of any major country in Europe, lower than France during the Hitler period, when Hitler was imploring people to have children, with or without benefit of clergy. Then I believe it went way up again after that, didn't it, after the war?

Mr. TAEUBER. It went up somewhat, yes.

Mr. LONG. Not a great deal but just somewhat?

Mr. TAEUBER. Somewhat, but I think the climate today is very different. Somehow at least as I see it at the moment, the industrially developed countries aren't as worried as they were then.

Mr. LONG. Shouldn't we be worried though, Dr. Taeuber? One percent doesn't sound like very much, but somebody once showed me a little piece of arithmetic to indicate that if we had started at the time of the birth of Christ with 100,000 people, actually there were probably 150 million people at that time, but if we had started out with

say 100,000, with a compounded rate of 1 percent we would now have 4 billion people per square foot of the Earth's surface.

I haven't checked those figures out myself yet and I invite somebody to do it with a sliderule. But I suspect that there is a good deal of truth to that. Consequently, can we even be satisfied with this 1 percent for an industrial country?

Mr. TAEUBER. No.

Mr. LONG. We can't.

Mr. TAEUBER. Ultimately zero population growth has got to come.

Mr. LONG. Dr. Stycos?

Mr. STYCOS. Congressman, you made the statement that the ultimate goal is zero population growth, and I think maybe for you, for me and a number of us here that is correct and we see it that way, but in fact most of the developing countries at this point do not.

Extending Dr. Taeuber's remarks, what is apparent from the attitude of the developing countries is that normally at best they want a reduction, a slowing in the rate of their growth, but zero population growth is not the objective in most countries.

Mr. LONG. I said ultimate objective, Doctor.

Mr. STYCOS. But whose?

Mr. LONG. Just from the standpoint of the fact that the planet isn't going to hold that many people, and when they come to us for financial help then we have a right to say something about their population policy, don't we?

Mr. STYCOS. Now you are talking about strategy. On the assumption that our objective is world stabilization of population, zero population growth at some point, how are you going to get it? I would say that the way to get it is not by trying to influence other countries to accept that objective, but rather to move with them where they are, and push them a little bit.

In other words, if you want to get down to two children, you have still got to go three and four. If you start the processes in motion which will allow people to have four, by the time they get there, you will be in a very good condition to talk about having two, but if you start off by talking about having two, or trying to get other countries to accept that point of view, I think it can be counterproductive.

Dr. MOSLEY. I would like to add a little bit though, because while you are right that most of the countries do not espouse zero population growth, the 26 Asian countries in essence did, and that represents most of the population of the developing world, namely about three-quarters of them, and so we have got a good chunk of the world's population at least as a statement saying that they see that zero population growth is neccessary.

Now, many, many countries are left, but for those countries that have stated that, we have got a big population to work with right there. That is a good start.

Mr. LONG. Does a country have the right to say, "We have our population expansion aspirations and you have got no right to interfere" and then throw their hungry and starving on our theoretical doorstep and say, "Feed our masses because they are poor and pitiful"? You see the ads in the magazines, "Send your contributions," and so on. Do they have that right to expect us to provide some kind of subsidy

66-317 O - 76 - 40

for some policy with which we have no sympathy and for which there is no real ethical case?

Mr. STYCOS. Of course they have the right to do whatever they want. We have the right to respond in any way that we choose to. My point is that if you try to push countries which aren't ready to accept something like zero population growth, you will be defeating your own purpose.

On the other hand, you may say OK, if they don't want to do that, let them starve. I think that the political and economic consequences of that are probably worse than the population growth.

Mr. LONG. You are speaking as a politician, aren't you, Dr. Stycos?

Mr. STYCOS. I suppose I shouldn't be but I guess I am. I am saying to try to give other countries objectives is something that we can't do. I am saying that I think we can move them along a little bit further than they are, but it will be counterproductive to try to push them too far.

Dr. MOSLEY. I think, though, that governments cannot stay in power if they don't in the long run do something to benefit their people. At least one advantage of moving in this direction with population policy is that intimate links of that are first a general improvement in the way of life, but in particular an alteration in the role of women, really bringing them into the mainstream of economic productivity and of society. I think that even if one takes that tack in say the Latin American countries or Arab countries for example or many of the African countries, that pushing that is going to be a major shove, so to speak, toward a population control in the long run.

Mr. TAEUBER. Again to cite Bucharest for a moment, after all the obeisance to the principal of national sovereignty, each country has a right to determine its own population policy, and to develop its own population policy, it was still agreed that in developing its own it should take into account the situation elsewhere in the world.

The statement says that a family, in developing its own plans, should take other things into account. We have to move slowly in that direction.

There was an agreement that each country has an obligation to recognize the problem.

Dr. CONNELL. There is an old adage that you attract more bees with honey than with vinegar. There is a parallel here. I realize that there are any number of people who would like to tie population policy to foreign aid. I think if you often do this, in a sense you are offering vinegar. You may lose all contact and turn off all possibility for developing into a dialog which would ultimately produce the desired slowing of population growth. I think to say "No money unless you cut your population" is counterproductive. I think there are nicer ways of handling this solution, by giving a certain amount of support, all the while getting across the message which they actually believe themselves, but they need help in accepting. I think you still have to be a little bit permissive although you might like to say "No money."

Mr. LONG. This country in the last 20 years has given away in one way or another between a quarter and a third of a trillion dollars and in that time we have let these countries finance wars against each other and proceed with unlimited population growth. Our own people are in great rebellion over this.

Nothing we do seems to work.

Dr. CONNELL. I am simply suggesting that, along with population help you can give agricultural, and other types of help. I think they go well together and you might get further, giving them certain other things which they also need.

Mr. LONG. Aren't we in a position of feeding a cancer? You don't stop a cancer by feeding it. Isn't that what we are really doing with all our food programs, all our health programs?

Dr. MOSLEY. I would like to address that a little bit. This spring I went to five countries looking at the food and population. India, Bangladesh, and the Philippines. We have been putting a lot of food overseas, but we have to recognize that Public Law 480 was set up in 1954 and was not designed to help these countries; it was primarily designed to assist us in getting rid of food surpluses. It was to assist our farmers to keep them from going broke because they could produce more than we could consume. This program was administered by the Department of Defense.

Mr. LONG. They preferred to produce more than we could consume. There is no reason why a country has to have surpluses. We maintained a price support program which caused an imbalance in the food production market. We needed not to have done that. I wonder whether we haven't done more harm than good.

Dr. MOSLEY. I think in the past one could legitimately say that because the food that went into these countries, India and Bangladesh, for example, went into a ration system that went into the urban areas that benefited the middle class, the military, the workers, students and so on and therefore their farmers had no good market for their crops and had no incentive to produce. This we are now recognizing and I am pleased to see that in the new act the food distribution program is linked to stimulating agricultural productivity within the country. That is a change in our policy. I think we are now recognizing, have a clear idea of where to go.

We are moving ahead in what we hope are the right directions.

Mr. LONG. You are still talking about feeding the cancer.

One of the things that disturbs me is that we already are turning this planet into a pig sty. What is going to happen when the population is twice, three times, or five times what it is now?

Suppose we had unlimited food—say by managing to get unlimited hydrogen energy without pollution. It has been pointed out we might heat up the atmosphere—possibly we are already doing so—and possibly start the melting of the polar icecaps and the flooding of the seaboards of most of the countries. I believe the bulk of the people of the world live within 300 feet of sea level. These are some of the horrifying possibilities. Whether they are genuine or not, I have no way of knowing, but I don't think we can dismiss them altogether.

Aren't we really faced with an impossible arithmetic and shouldn't we begin to confront that now and realize that you are not going to solve this problem by trying then to win the race of food and health over population growth?

Mr. SIMMONS. I think we have some idea of what you are saying. We don't know what is going to happen in the future.

On the other hand, I think a lot of us feel this work that has been done in family planning has made considerable progress in the last

5 or 6 years when it has received major funding and has the promise of making more progress over the next decade. There is no instantaneous solution, but it seems to have been making progress and it seems to portend even more rapid progress in the future than we could have anticipated on the basis of our knowledge of what happened in this country or Western Europe or in the presently developed countries.

My own feeling is that you will probably do more harm for this cause than help it if you tie food aid to population controls. The countries feeling most strongly about this are small countries which do not constitute the bulk of the problem. They are slowly beginning to recognize they need to do something in population anyway and there is very little difference between what they would do if you make these controls and what they are doing on their own except you will generate reaction on the part of their own politicians.

Mr. LONG. We are told exactly the same thing about our financing of wars.

We sell twice as many weapons—by grants, cash, or credit—as all the rest of the world together.

We are told if we say, "No economic aid," it will just make these countries mad at us and that will be counter-productive. But don't we have some obligation to take account of the impact of our AID programs? Is there evidence so far that any country by itself has done anything significantly to get its population down to anything like zero population growth? There is no instance, is there?

Dr. MOSLEY. In the developing world at the present time?

Mr. LONG. That is right. Japan is supposed to have something.

Dr. MOSLEY. Their reproduction rate is below one.

Many of the problems you address when you talk about pollution and these other things are not primarily due to population, but they are primarily due to consumption and that the countries that are really the guilty parties are the Western World, the United States, Europe and Japan, and Russia as well. The high-consuming countries.

I think it is a little bit unjust, if nothing else, to say that the world is getting over-polluted and therefore we have got to have less Indians, Africans, and so forth when we are the ones that are contributing to the problem.

Mr. LONG. Do you mean we are the only country that is the cause of a pollution problem in the world? Have you been to Japan, to Hong Kong, to Singapore, to Brazil?

Dr. MOSLEY. I think we are a major cause. We consume at least half of the world's resources, including oil, coal, and so on, which generates all that pollution that gets into the air.

Mr. LONG. I will show you a very bad pollution problem in any country you want to go to.

Dr. MOSLEY. You are talking about human waste, perhaps?

Mr. LONG. More than that, industrial waste—especially Japan.

Dr. MOSLEY. But that is biodegradable.

Mr. TAEUBER. India is an enormous country with a wide diversity of conditions. Sure, we don't know whether the birth rate of Indians today is 41, 42, 38, or 39, or maybe even 37, but I think we do know there are areas in India where these programs have been very effective and where the birth rate has come down very substantially from what it was a generation ago or even 10 years ago.

If you look at Gujarat, Kerala, Punjab, Tamil Nadu, to mention a few of the states, you think you would say there are evidences of real success in the Government's facilitating a decline in the rate of population growth.

They are not down to zero population growth by any means, but they are well on their way, as Professor Stycos was describing a moment ago, of substantially having reduced the number of children which couples want to have and the number of children which couples are having.

There are small areas in that enormous country where we do have some records.

The Chinese are certainly doing it by themselves on their own.

Mr. LONG. In an authoritarian country.

What is the main device by which the Chinese manage to keep their population down? I understand they work the heck out of them to begin with.

Mr. TAEUBER. You are talking to an immediate source of information.

Dr. CONNELL. All the people I have talked to who have come back recently from there point out two major factors. First, there are the social factors, such as late marriage. Also I believe that China is the only country in the world where there is true equality between males and females. Not only do they look alike because they all wear the same clothes, but they work alike. You find just as many women moved upward based purely on capability as you do men. I don't believe that there is any other country in the world where this is true. So I think there are the social factors.

Mr. LONG. If the women look like the men, no wonder the birth rate is falling.

Dr. CONNELL. The other factor is what I discussed before, the availability of commodities and services. I think this is very important, particularly, in light of the decrease in the amount of money that your committee has been giving to the AID population program. I would certainly hope this trend would be reversed over time. I understand that the Chinese people have contraceptives readily available in every commune; you don't have to trek 20 miles to get one condom or a cycle of pills. You go to the person in your village responsible for family planning services.

If you have four children and want an abortion, you can have one performed. If you have two or three children and you want to have your tubes tied or your husband wants a vasectomy, this is done. The answer is good medical care, plus the particular social structure; both factors are very important.

Mr. STYCOS. I have to get you in a more optimistic frame about the population programs. Take the case of Costa Rica.

Mr. LONG. Don't forget, doctor, I used to teach in the thirties. The Malthusian theory was old hat then. I think most economists felt that way at that time. We felt this belonged to a certain period. Now Malthus is right back in business.

I asked one of my staff, a very bright young man, to get me Malthus and he brought me his volume on Political Economy and not his essay on population. It startled me a little because when I first asked this young fellow to get me Malthus he said, "Whom does he work for?"

You know, if we had to pick 10 books which I think have influenced the world more than any other, I think the Essay on Population would be one of them. Yet so many people don't know about it and it is right back in business. Wouldn't you agree?

Mr. STYCOS. Yes.

The point I want to make is that zero population growth is too tough an objective as the immediate target.

Mr. LONG. You have already pointed out though, haven't you, that even if you succeed right away in getting your reproduction rate way, way down, it is going to take an entire generation to get your population under control. So even as an ultimate objective, you had better get started on it pretty soon.

Mr. STYCOS. All right, but the point I want to make is, while we can't point to a case of a developing country that has achieved zero population growth, what we can do is show some pretty remarkable and unexpected progress.

Only a few years ago we were using Costa Rica as an example of the world's champion in fertility. The rates were running between 45 and 50 in terms of birth rates in the early sixties. It is a Catholic country; it had an urbanization level that was quite low; the percent in agriculture was quite high, and nobody would have predicted what actually happened, which was that from something close to 50, the birth rate declined in about 12 years from about 50 to about 28, where it is today. Now, that is still not zero population growth, but it is an incredible change.

Mr. LONG. This may not refute what you have been saying, but I have a quote here from the Population Council which says, "It should be emphasized finally that the fertility decline of Costa Rica began prior to the spreading of family planning programs in the mid-1960's."

Mr. STYCOS. I didn't get to the cause of the decline. If you look at the statistics, what you find is the total fertility rate declined by about 15 percent, 5 years before the program was initiated. But by about 30 percent 5 years after the family planning program began. There was an acceleration of the decline after the family planning program.

If we had only put enough money into research throughout that period, we would be able to tie down the question of, "was it the family planning program that did it or not?"

At any rate, my only point is that it can be done. We are not exactly sure how, but fertility decline is occurring in countries where we couldn't have expected it to happen.

Mr. TAEUBER. There is something about the Eastern European experience which has a bearing here, particularly in Bulgaria, Romania, and Hungary. They were rapidly reaching a stage of population growth where the Government said, "Stop, we don't want to go that far."

As has been pointed out several times here, the resort to abortion made it evident that the population, almost in spite of the Government's desires, wanted to be able to control their own fertility.

Mr. LONG. That is another real problem we haven't discussed adequately. In view of the nationalistic aspirations of countries where

population rightly or wrongly plays a very strong role, do we have much hope of getting populations down in the world? Countries like Venezuela and Brazil just want more and more people. They care nothing about their environment; they are willing to slash their forests, poison their rivers. They advertise, "Bring your industry here; we care nothing about environmental control."

Is it going to be possible to do anything in that kind of world? But that is what we are up against to some extent in giving money to countries through AID; we are up against competitive nationalistic aspirations in various countries which certainly are not part of our scheme of things. I can't go back and sell my constituent on the idea that we should throw money into various countries with the idea of helping them compete with each other (1) to see how many people they can produce, on the ground that that is their business, and (2) to see how many weapons they can get to threaten the country next door, on the ground that they are sovereign countries and that that is their business.

I can't sell foreign aid to my people on those arguments. We have to have something better than that.

Now, I gather that you are rather hopeful about the future of populations. The birth rate, at least. You feel there are signs everywhere that population planning does have a beneficial effect, but I gather also that most of this is still a matter of hope and there is very little in the way of empirical evidence that we can count on it.

Dr. MOSLEY. I have two points. I don't think any of us have said there is very little empirical evidence. We think there is substantial empirical evidence which will be in the record and I won't repeat it, but the time in effort has been relatively small.

Last year only 4 percent of foreign aid went into family planning. The World Bank allocation is about 1 percent.

How much has been put into this development effort? It has been small. If you put in the amount put in versus the change spread over the populations, it would come out in dramatic terms.

We must recognize of the aid you are talking about, we are not talking about delivering contraceptives to all of Brazil, or all of India. We are talking about a small amount of money on a global scale. Say to reach 1 billion women over a period of 20 years or something.

This money is very important as a catalyst to change ideas and these people are saying, "You are too polluted in your country. Why don't you ship your pollution to us. We can increase our industry and help our people and try to develop."

Our multinational corporations are willing and we are willing to have them export their pollution. We feel it will benefit them and us. The fact is, somewhere along the line we have to get a little voice through that says that this ultimately is not going to be the solution to the problem, but it is going to be a part of the problem.

I think the money we put into population—because it really is getting down to every individual couple having to make a decision about the role of women, the value of children, that we are trying to change these values and really say, "What is a better life?"

This tiny amount of money, relative to the problem is terribly important. I think it is tragic when we are cutting it back when it should be increased by increments from year to year.

Mr. LONG. I had hoped this discussion would be on a somewhat broader plane than the mere question: Should we continue to finance family planning through various contraceptive devices? It seems to me there are other very important questions.

One is, even if we do continue to spend our money on population planning, are we doing it in the best way? Are we giving it to the right countries? We have a very limited amount of money to give out. I know lots of people don't think so, but I can tell you from where I sit the amount is very limited, what the American people are willing to give. They are totally disgusted with it.

When we voted, we voted on our own.

Are we doing this in the best way? Are there other ways that would be more effective in achieving the goal? Is it, for example, wise to put so much concentration on technical means of contraception, or would it be better to try to get at the question of motivation of countries and families?

Mr. SIMMONS. I think it is clear the United States can provide but a small share of the total resources necessary to control populations around the world.

Second, it seems the sources provided should be used as a catalyst for getting other activities started.

What kind of activities can we do better than other countries can do? First of all, we can provide research on technical means of birth control. We have better equipped laboratories and better scientists than most of the developing countries do and it seems to me they are unlikely to develop quickly the facilities to do this research themselves.

The second priority is we also seem to be better equipped at the moment to do other kinds of research, working with scholars in developing countries. We can try to help change their minds so they are much more concerned with population issues.

When I was in India, I discovered though India has provided the world with a large number of technically superbly equipped economists, that there is very little interest in population in the various Indian universities.

If we encourage that kind of curriculum development in the United States, and we provide exchanges between American and Western scholars who come from prestigious economic academic institutions here to encourage Indian scholars to take up the same set of concerns, this may be an indirect means of encouraging people in that country to begin to be much more concerned about population as an integral part of their planning endeavor.

There are other things we can be doing as well. I think that research on a much wider spectrum than we have done in the past, in motivation, in the organizational impediments to population growth, it is very important and we can serve as catalysts in increasing our knowledge of the way these factors affect fertility.

We can serve as catalysts in getting international organizations to work better.

We are less equipped to directly provide the services which are undertaken in the countries.

Some of that we can do. We can encourage experimental programs; we can encourage in conjunction with other countries some sort of pilot

efforts to get things started, but we cannot underwrite the Indian family planning program for all of its expenses.

It seems to me if there is anything we can do, it is to start from this basis we have now of providing a great deal of the technical research that is the underpinning for family planning effort. To continue to help to finance some of the international organizations, and to provide some of the contraceptives where foreign exchange may be a major barrier to making it possible to implementing these programs and then to expand by spending more of our resources on trying to understand the basic nature of what is happening in these developing countries and encourage scholars in these countries to begin to be more concerned with these questions in their own mind than they have been in the past.

Mr. LONG. I don't know how you accomplish all of those things.

In the couple of trips I have taken to India, I have drawn the conclusion, rightly or wrongly, that there are two Indias, one of about 100 million people that represents something like a modern industrial economy with all kinds of bright, educated people, and there are 500 million destitute people who live in the villages about whom the hundred million couldn't care less. The one-fifth scarcely even sees the four-fifths.

You are never going to get any real concern about this until they understand the terrible tragedy of 500 million miserable people, many of whom are sleeping on doorsteps.

I was absolutely appalled when I was in Bombay having dinner at one of these magnificent hotels with a banker who with a straight face told me that only 5 percent of the people in Bombay lived in slums.

That is a problem you have. The ruling elites don't seem to care. In a sense they are saying:

> If you are worried about these people, you give the aid, but we are not going to do anything to help. We are going to spend our money on the military; we are going to let our population grow and if you agonize over it, that is your heartache.

Mr. SIMMONS. There is some truth to what you say. That is true in many countries of the world. I wonder if those in the United States are always concerned about the poor.

On the other hand, India is one of the countries that has devoted a large portion of its resources to family planning, not always effectively. India has less resources to devote in the first place. They are devoting by the Population Council estimates 3 or 4 percent of the Government budget. That is way more than you find in most of the developing countries in the world. It is still inadequate to provide adequate services in the rural areas where we are working.

But there are great difficulties in getting to those villages—we did it during the dry season. We would take a jeep and get there during the dry season when the creeks and rivers were not flooded, but to get there during the rest of the year when there are no roads, there are no buses or other means of transportation, is nearly impossible.

The barriers these people have to overcome to begin to implement these programs are enormous.

I think we can do something by working with them to begin to direct their concerns more specifically to the plight of their poor. I think we have done that in the past. I see some progress in India in this direction.

Mr. LONG. I am sympathetic. I think Congress has been sympathetic. What strikes me is that these countries are unsympathetic. That is what worries us.

Dr. MOSLEY. I went through some of these countries in February. The world food prices and the oil prices, for the first time in many of these countries, particularly India, Bangladesh, and Pakistan, the rich as well as the poor were feeling the economic crunch.

In the past there were some food shortages in rural areas not affecting the people in the city, in part because our food distribution program went to the urban areas and protected them from what was happening in the countryside.

There is no longer a surplus of food simply to give away as we have been doing for the last 25 years.

I gather these leaders have recognized if the rural society doesn't develop and they can't feed themselves, they are going to go under with the rest of their people. A change in attitude has, therefore, come around in the last 2 or 3 years. We could give it a chance to be a more effective program.

Mr. LONG. Your group concludes that population planning is effective. Maybe not as effective as we would like, but effective, and necessary. Most of you seem to agree that we have to leave it up to the countries to push population planning. We cannot come in from outside and say, "You do this, or else." You feel, I gather, that this would be counterproductive.

You don't as a group seem to worry too much about the doubling, tripling, and quadrupling of the population. On the other hand, I don't believe I am alone in worrying about the possibility that we will have not 4 billion people, but 8, 12, 16, 25 billion, within possibly a century of time.

While you can't prove that population growth is being brought under control, you do see encouraging signs that it is. You don't feel we ought to give up hope, that population can be brought under control.

The idea of zero population growth you feel is an excessive demand to make.

I gather there is a feeling here that we should keep up our aid program into population planning. There is a feeling that by doing so we stimulate scholars and this, in other countries, will have a multiplier effect in the underdeveloped countries.

At this point I would like to point out that four of the five witnesses today represent universities which receive large contracts from the Agency for International Development (AID).

The starting date for the earliest of the universities' contracts was April 1965, though most began after 1969. Some of the contracts have been completed, but all four universities had substantial AID contracts still to be completed at the time of the hearing.

In reading the population hearing transcript, the American people should be aware of the continuing relationships between AID and these universities.

I gather you don't think it is within the realm of feasibility to suggest anything more drastic than merely helping countries in population planning. The idea of financing people to accept sterilization and things like that, you don't think it is terribly feasible.

Mr. SIMMONS. From my point of view you misstate it when you say we are not concerned with the doubling in population growth. I think we are very much concerned with it and it is why we have chosen to devote our professional lives to this kind of work.

I think we feel that one of the most effective responses you can make is not tying food aid to population growth, but maybe go a larger appropriation for the work you are already doing. That would provide a much more rapid stimulus.

Mr. LONG. You feel we ought to spend more money or that we ought to spend it differently in different countries and for different programs?

Mr. SIMMONS. My personal view is that it is a combination of both. I think the amounts of money have been highly inadequate at present. If I were in charge of the entire program, I might make some minor adjustments in the pattern of expenditure. I think there is a real need for more research, in terms of biomedical research and research on social motivation factors.

I have some question about whether we shouldn't adjust our dealings with international agencies. One of the things I have seen that I regard as tragic is that by using these international agencies we often have recruited effective people from within developing countries to work in other developing countries where they are not effective. This has undercut the effectiveness of programs in many places.

I think administrative changes that are highly desirable would help discourage that kind of an effect. These are small things.

Mr. LONG. I do not think that the Inter-American Development Agency, the African Development Bank, and so forth, are sufficiently alert to this problem.

Mr. SIMMONS. I think some are moving relatively effectively. The World Bank has been working in this area and UNFPA. The people used are often recruited from the countries we intend to help. Many Bengali scholars are working outside of Bangladesh. India has a lack of good demographers working within its boundaries, although India has supplied a large share of trained demographers to the world. Many are working in other United Nations-funded programs abroad.

I think we should do something to encourage this expertise to be maintained in the countries where it can be most effective. This is a small problem compared to the larger problem of trying to raise the overall magnitude of the efforts that are going on.

Mr. LONG. Have you any criticisms of the aid program with regard to return to population or do you feel they are doing the best they can with the money?

Dr. CONNELL. I think there is one area we haven't touched on, maybe because I am in the minority here. I have watched the money going into reproductive research and contraceptive development, and have seen it go steadily down over the last 2 or 3 years.

Look at the NIH budget. You will find in the cancer program we are expending $1,000 for every cancer death versus 88 cents for every woman in the reproductive era. Assuming it takes two to tango, if you want to count the men too, we are spending about 40 cents per person for basic research and contraceptive development. I think that, unfortunately, this attitude is being reflected out of this country to other areas.

The AID proportion of the research dollar has also gone down. I happen to sit on the AID Research Advisory Committee so I have the opportunity to observe where the money is going.

Mr. LONG. Should AID be spending this money in different countries?

Dr. CONNELL. I think AID should spend more money on research. I think it has the ability, directly or through contacts with other agencies, to support methodology. You don't have to pick up the paper very often to find out that the ideal contraceptive is not here yet. For example, our best current methods produce abnormal vaginal bleeding. In some countries a woman who is bleeding can't cook, can't sew, can't take care of her children and can't have sexual intercourse with her husband. I think this is a sign that we could be increasing expenditures for research. We haven't touched on contraceptive techniques, but I think AID could well spend more than they have been spending on pure technical development.

Mr. LONG. Why does this have to be done by AID? Why on Earth with all these fine universities and medical schools all over the United States are we not getting that kind of research which AID and other countries could then take over?

Dr. CONNELL. I don't think funds can do or should come only from AID. We at the Rockefeller Foundation and many others support a lot of basic research.

On the other hand, there are programs we are not paying sufficient attention to, giving too much attention to the professionals who are not really the people who are going to function in family planning programs in developing countries. I think the training program AID is carrying out now for paramedical personnel are far more effective than training more professionals, bringing them here and teaching them things they can never use and then sending them home. You should train the right people, train them at home where they are the most effective and leave them there. I think in this area AID is moving in the right direction, but it needs a great deal of additional support.

Mr. LONG. You say you don't think we should cut down on the money for population planning. I am inclined to agree with you. This is a chance to say to a country, "We are not going to give you any money for aid unless you do something about your population." That might be a little heavy-handed and won't work out very well.

Why can't we say, "You have no interest in this. We are going to give our aid for population planning to someone who will use it effectively."

Since we haven't enough money to go around, why don't we use it in those countries that have a promise of using it effectively. Would you agree with that?

Dr. MOSLEY. I believe countries that do not have a population policy have refused to accept AID money for population so there is no problem about putting money in there because the countries won't accept it.

Mr. LONG. So there is no money wasted?

Dr. MOSLEY. Not in that sense. I think AID has put the most money in the countries that have made the most rapid progress.

In countries like Bangladesh, they have programed money potentially to be used in that country because it is such a desperate problem; but wthen the country is not moving, then the money is transferred to someplace where it can be used. They have their priorities fairly well established.

Mr. CONTE. During the hearings that we had here this year, a great point was made about this: There is a lot of wasted money in this program. We are going to be hit with this on the floor of the House. Children were using these as balloons in the streets and everything else. Is there a misuse of this money? The testimony you offered earlier today indicated one of the problems is getting the product there and having a shortage of products rather than have an overabundance of products.

Dr. CONNELL. We have all heard these stories. I can only say that I have been in many developing countries, and I don't think that this is actually the case. In many of these areas, supplies are very badly needed. If there are areas where commodities have piled up, it may be because we haven't concentrated on doing with supplies what we ought to. I think people are nonappreciative of the fact that to get out into these areas, you have to use indigenous people. Perhaps we haven't handled these things as effectively in the past as we should have. However, to cut off funding based on old prejudices instead of recognizing that we have made progress in our understanding of how to handle these issues, would be very self-defeating.

Mr. CONTE. In your experience in going around the world, you have not seen any evidence of this misuse?

Dr. CONNELL. I have seen very few bulging warehouses, but I have seen a lot of villages where there is crying need for services, education, and supplies which are not getting out there. I admit that many cities are well covered. However, I think we are aware that this is not true in the rural areas, but we are learning how to handle this problem.

I would contend it is quite possible to get to all of the people of any country and begin to effect the changes we think are important. We are learning how to do this much more effectively, and therefore we need help in order to accomplish this goal.

Mr. SIMMONS. One of our people did once contact a child playing with a condom as a balloon. I have sat in many clinics in India where there were no contraceptives available.

There is some waste. There is no doubt about it. You can overstock or you can't predict how many pills will be used in a given place. It would seem to me better to go a little bit the other way. That is, to have more supplies available than to be understocked. It is a terrible thing when they find themselves short of supplies and can't provide supplies to the people who need them.

Dr. MOSLEY. I think AID has been quite effective in programing the supply situation because you know it takes about 2 years from the time you place an order to get it manufactured, to get it tested, to get it packaged and shipped and into the warehouses and so on, up to where it gets into the field. When AID has been programing their situation, they have to sort of predict what will be the demand 2 years in advance.

As I admit, they have been ordering larger and larger numbers of supplies; there were those of us who thought they were out of their heads, they were overstocked. It seems they had better foreknowledge than we did about what were the unmet demands. They are finding they are not keeping up commodity with the demands simply because of the demand in many parts of the world.

Mr. CONTE. Another thing is the question of encouraging sterility of a woman. This is frowned upon here in the United States, and we would not condone it here in Washington.

I want you to address yourself to that question.

Dr. MOSLEY. This is one of the methods particularly popular among older couples. Thirty percent of the couples now over 35 are now sterilized. It is one of the things that has shown the most rapid rise in the last several years. I think the Association for Sterilization estimated there were 645,000 female sterilizations in 1974. That is in this country.

Mr. CONTE. What was mentioned in the Washington Star article was—there was a program in Nepal, only 174 men who were willing to undergo vasectomies——

Dr. CONNELL. I happen to have worked very closely with IPAVS in the past few years and have watched the programs supported by AID with great interest. I think there is very clear refutation to that article to be found in the programs we have funded with AID money. If you are there and you offer sterilization services, people are extremely anxious to use them, even in those countries in which you might assume a sterilization program would fail. In fact sterilization programs, if adequately funded, can be incredibly effective. I think we are dealing with a misconception in this instance.

Mr. CONTE. Can it be done on a large scale?

Dr. CONNELL. When sterilization is offered in a dignified and concerned manner as the AID programs have done, they are very successful. They have had incredible acceptance of sterilization far beyond what was originally expected.

I think that this is an area where there is great need not only for continued but also for expanded support. On a purely financial basis, one can sterilize a woman for much less than it would cost to give her contraceptives for a number of years.

Thus the sheer cost effectiveness of these programs, aside from their great advantages to people, makes this a very good route to travel and it should certainly be continued.

Mr. SIMMONS. In my looking at the AID program, I would say if there is anything wrong with it, it may be too much emphasis on direct provision of services without having provided enough related programmatic research, so we know what is happening.

I think there is a lot of sterilization being accepted. We don't know exactly how it is being accepted, by whom, or what are the resulting social and economic effects.

These programs are being accepted. We should know more about them. By themselves they will not solve the problem of poverty, and we should be exploring ways to resolve both population and development programs more effectively.

Mr. CONTE. Could you put in the record, any one of you, where the greatest problem exists insofar as population growth in the world is concerned? I think it would be very important to us, when we have been up here we can find whether there is sufficient money.

Dr. MOSLEY. They have done that by making a list of countries which were characterized by four or five criteria including the rate of population growth, the level of the economy, the size of the country. They have listed all 174 countries—a few developing countries. Countries like India and Bangladesh and Singapore are at the bottom of that list.

That has been done and when they speak to us as a university and we are interested in doing collaborative work or developing programs in different countries, they point at that list and say: "Now we prefer talking to countries at the top of this list because these are the countries that, you know, by certain criteria in terms of the needs and the magnitude of the problem are tough on their priorities."

This has been done and this list is available and could be put into the record.

Mr. STYCOS. I think most of us would agree with the list in terms of sheer need or magnitude of the problem, but in terms of some of the things several of us have been talking about here—that is, the need for more research, the need to learn more about our successes and failures—then the criteria should be somewhat different.

I was talking about Costa Rica a little earlier. Costa Rica is low on the AID list, precisely because the birth rate has already come down; but that is precisely why research is needed: To find out why and how it was achieved.

I think different criteria should be applied. The one AID is using right now largely is in terms of need.

Mr. LONG. I hear that the reason why people have an awful lot of children in these countries is because they have to have a certain number, given a high death rate, to make sure they have someone to take care of them in their old age and that you are not going to get the birth rate down in those countries unless you deal with that problem.

Dr. MOSLEY. I have done considerable study on this subject. First, I think that indeed in societies where you have very early marriage, and where offspring are supported—not simply for old age support—they are young in age, working out in the field—and likewise as they reach the childbearing ages marriage is arranged, which links a family into another family in a social network and it is terribly important to have these family networks. Children have a very high value. There is no question this exists in many societies.

The point is, the link is not directly between infant mortality and fertility in a simplistic fashion.

Again though, I think this will is addressing that problem because a key element of it is food and rural agricultural development—and we now know that about—in studies that have been done all over the world, that about 50 percent of the infant deaths are directly related to lack of food; either a direct cause or associated cause.

Make the food available and raise the income for the people so they can buy the food; that in itself will have a very dramatic effect on infant mortality.

Mr. LONG. Right. That increases the population. We are talking about reducing the population.

Can you see a direct relationship between cutting infant mortality, thereby assuring people whatever children they have are going to survive and thereby causing them directly to reduce the number of children they have?

Dr. MOSLEY. There is not a direct relationship.

Mr. LONG. Is there a good enough and quick enough item we can get to work with?

Dr. MOSLEY. No. The fact of the matter is, many of these societies, in effect infant mortality is a method of controlling their reproduction. That is why you see selective deaths among the younger children and you see selective deaths among the females. They haven't the facilities to take care of all of them so, concsiously or unconsciously, they let the males or the females die. They command in a sense control of reproduction. If we could change that death of reproduction to birth control or fertility control, you would find a good response.

I think the fertility in many countries will come before the death control.

Mr. LONG. Is it related to it at all?

Dr. MOSLEY. Not in any clear-cut relationship that we can identify, either historically in the European countries or in developing countries at the present time.

Mr. SIMMONS. I think this problem has been overworked by people who argue that infant mortality is directly related to fertility. The danger of it is, the corollary of that is the same people make the argument and say it is very important that we tie these programs to health programs. Then they will present you a budget, a copy of a pamphlet showing certain health objectives that ought to stand on their own feet and are certainly desirable, but where the empirical connection between these health activities and more effective fertility control programs is not demonstrated.

Mr. LONG. A word that causes the American Congressman to turn pale is abortion. He hates to even have it mentioned for various reasons. Some of the reading I have done would indicate some scholars at least believe that this probia against abortion is a major factor in preventing us from getting an adequate control on the birth rate. Do you feel that we do have to wait for changing views on abortion to really get an effective population control?

Dr. CONNELL. I think you are talking legal abortion sanctioned by governments, and sanctioned by religious groups. I believe that it is quite clear, if you look around the world, that abortion is today the major form of birth control. An IPPF study reported this fact a couple of years ago. It showed that if you look at all the moneys going into the control of fertility, the majority of the money is going into abortion. It is clearly specious to say that should it be or shouldn't it be—the fact of the matter is it is.

Mr. LONG. But it would be a lot more if the laws of social attitudes were different?

Dr. CONNELL. That is true. What I am trying to suggest is that regardless of the laws, women will always get abortions. If they cannot get safe legal abortions, they are going to get them illegally. The argument that was raised after the Supreme Court decision—if you turn off legal abortion, will abortion disappear? It won't; it will

just go underground again. You will once again have all of your hospitals full of women bleeding, infected, and dying, and this is certainly even more true in developing countries. I recognize the political sensitivity of abortion and I realize the problems that you face. However, abortion has always been there; that is a matter of medical history. It will always be here, at least in the foreseeable future. We don't have perfect methods of conception control. We don't have as yet even universally acceptable methods of conception control, ergo my plea for continued research support.

Mr. LONG. Is it true that this is a means by which population was held down in Japan?

Dr. CONNELL. At one time they solved their population problem by abortion. I think many countries do although they don't admit it. They are keeping their population down by illegal abortion. In hospitals you see three women in one bed, many bleeding to death. A major cause of death among women in many countries is illegal abortion.

Mr. CONTE. You are saying if you had a good family planning program and really got ahold of this thing it would cut down on abortions.

Dr. CONNELL. I think that has been clearly shown in this country. However, you have got to do it the right way with the right tools. At the present time we are not doing it totally the right way nor do we have the right tools. Therefore we can't get out of the abortion business yet.

Mr. LONG. Are there still strong moral and legal objections to any kind of family planning in most countries, or have they ceased to be a real factor?

Dr. CONNELL. I think even in the Catholic countries and in many seminaries all over the world, you get a very clear move toward the acceptance of contraceptive techniques per se.

Mr. LONG. But you are not there yet.

Dr. CONNELL. I think in many areas you are getting there.

Mr. LONG. This is moving very rapidly.

Dr. CONNELL. That is right. You have Catholic programs distributing contraceptives. You have teaching in some of the Catholic seminaries that pills and IUD's are acceptable, pills particularly, and you have areas where sterilization is even being considered as a contraceptive alternative. I think these institutions don't like these alternatives but they keep down abortion and abortion is anathema to many people, and therefore they will accept a lot of these alternatives rather than have to deal with the issue of abortion. On this basis alone you are able to reach many people.

Mr. LONG. Thank you very much.

Does anyone have anything that they feel we ought to take into consideration?

I might point out that the Appropriations Committee can appropriate no more than is authorized, and the authorization is going to range somewhere between is, $248 million and $203 million. It will depend on the conference. If it splits the difference it will be roughly $225 million. Two-thirds of that is stipulated to be for population planning, so that would be about $160 million roughly.

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Whatever that turns out to be, we can't appropriate any more than that but we can appropriate less.

Dr. CONNELL. We would hope not.

Mr. LONG. I think what you have had to say has been of benefit to us.

Mr. CONTE. Very good, excellent.

Mr. LONG. I have enjoyed this hearing, both as a Congressman and intellectually. I thank you all for coming down.

Dr. CONNELL. We appreciate being invited.

Mr. LONG. If any of the witnesses are in Washington tomorrow I hope they can come by and correct their remarks in the transcripts, unless you feel that you have such a command of English that you don't need to worry about that little matter.

[Whereupon, at 3:35 p.m., the subcommittee was adjourned.]

STATEMENTS BY INDEPENDENT PUBLIC WITNESSES

Mr. PASSMAN. A number of individuals and representatives of non-governmental organizations submitted statements which they wished to be made part of the official records of the House Appropriations Committee, Subcommittee on Foreign Operations for this fiscal year 1976.

(The information follows:)

STATEMENT OF RANDY V. ENGEL, EXECUTIVE DIRECTOR OF U.S. COALITION FOR LIFE

Mr. Chairman and members of the committee, my name is Randy Engel, executive director of the U.S. Coalition for Life and editor of The Pro-Life Reporter, a quarterly publication specializing in documentation on federally funded antilife programs including, but not limited to, projects, programs, grants and policies funded under title X—Programs Relating to Population Growth, section 291, Foreign Assistance Act of 1961 as Amended in 1968 by the 90th Congress.

I thank the committee for the opportunity to testify on the proposed authorization for fiscal year 1976 of the Foreign Assistance Act. My remarks will deal primarily with foreign assistance programs funded by the United States under title X and policies related to family planning and population control as formulated by the Agency for International Development (AID).

Introductory Remarks

Mr. Chairman, I should first like to take this opportunity to praise the many excellent foreign aid programs of the Agency for International Development.

Since 1965, as the founder and director of a national refugee and orphan relief agency for Southeast Asia, I have had frequent contacts, both at home and abroad, with AID specialists committed to humanitarian assistance in the area of refugee aid. Likewise, as an incorporator and director of MAP, Inc. (more agricultural production), I am well aware of AID efforts in the area of food production and related agricultural advances in developing nations.

It is perhaps this sensitivity to the praiseworthy efforts of AID officials and field staff, that makes my testimony on AID population control abuses, both direct and indirect, so harsh since many of the Agency's true humanitarian efforts are frequently neutralized or even discredited by ill-conceived and deadly tax-supported and promoted AID policies and programs and contacts/grants designed to bring the most intimate act of all, the act of love, under Government control lest the production of unlicensed offspring disrupt the fiscal year's projected availability of goods and services.[1]

Secondly, as part of my prefatory remarks, I should like to note that last August, in testimony before the Committee on the Judiciary, Constitutional Amendments Subcommittee in favor of a Human Life Amendment to the Con-

[1] "Controlling the Populace Through Population Control," Gary Potter, Rough Beast, Issue No. 23, Washington, D.C.

stitution of the United States, the matter of AID's Office of Population under the direction of Dr. R. T. Ravenholt promotion of red, white, and blue condoms (with stripes and bars), in connection with the Bicentennial Year was raised as evidence of the degree to which so-called family planning Federal programs have degenerated. (See attachment No. 1.)

Shortly threafter, I received an AID-State Department postmarked envelope containing the following items—a selection of colorful Tahiti condoms, a flipbook on instructions titled Proud Pete, and a handwritten letter from Dr. H. Huber of the Office of Population Affairs of AID containing references to several biblical scriptures.

This is my first opportunity to acknowledge AID's solicitiousness in this matter. However, since I never requested such items and in light of public laws related to the corruption of public morals and the separation of Church and State, I am returning the packet to you with the request that Dr. Huber and his associates at AID refrain from such activities at the taxpayers' expense.

TITLE X—PROGRAMS RELATING TO POPULATION GROWTH SECTION 291

On February 1, 1968, William Gaud, Administrator, Agency for International Development, appearing before the Subcommittee on Foreign Aid Expenditures, headed by the late Senator Ernest Gruening of Alaska, an influential Malthusian advocate in Congress, enunciated the four fundamental principles upon which AID based its population policy—briefly stated these principles are:

I. That overpopulation and underdevelopment go hand-and-hand and that population growth in developing nations is a liability to national as well as individual and family welfare.

II. That governments with "population problems" have the duty to promote and finance birth control programs among the general citizenry and that AID can legitimately assist in such programs. (After 1971, such AID assistance could encompass the formulation of host country population control policies and the provision of contraceptive, abortive devices and drugs and equipment etc. for mass sterilization programs.)

III. That population control programs must originate within host countries lest U.S.-tax funded population programs be labeled "made in USA."

IV. That all AID family planning and population control programs be "voluntary", that is free of coercion at both the national and individual level of assistance and that acceptance of such programs designed to limit population growth not be made a condition for U.S. foreign aid in other areas, for example food relief. Further, that no individual would be coerced to practice methods inconsistent with his or her moral, philosophical, or religious beliefs.

On behalf of the U.S. Coalition for Life, I publicly challenge these fundamental principles upon which the Federal Government via AID and associated quasi-governmental agencies and international bodies bases its current population control program and policies. Further, we denounce the domination of foreign policy related to population by a small clique of individuals and vested interest groups who seek to impose ill-disguised totalitarian measures on the rest of mankind for the sake of a blueprinted future with all the characteristics of an animal colony rather than a human society.[2]

In reviewing the past history of congressional authorization and appropriation debates relates to population control programs and policies under title X, I find it frightening to behold the abysmal ignorance and naiveté of Congressmen and Senators with regard to the totalitarian nature of Population Control.

The distinguished psychiatrist and author of A Sign for Cain—A Study of Human Violence, Dr. Frederic Wertham reveals the nature of the beast when he says, "* * * concealed under a cover of moralisms, the whole idea includes a depreciation and devaluation of human life * * * It is a dehumanization to speak of procreation as barnyard activity or rabbitlike behavior * * * controlling the size of a whole nation, although the avowed motive may be to bring about a better life, comes perilously close to forcible elimination. * * * If someone in authority tells us that we have no right to procreate, it is only one step further for him to tell us we have no right to live. * * * It is strange how few people realize the close connections—psychological, social and politi-

[2] "Let's Hear It for Population Growth!" James E. Weber, The Wandered, vol. 108, No. 20, May 15, 1975, p. 1, St. Paul, Minn.

cal—between the very term population explosion and the extermination of populations." [3]

Milton Himmelfarb, editor of the American Jewish Year Book, that the primary motivation of population control is to achieve political power over people—a power so intense that it "is hardly distinguished from totalitarianism." [4]

The editor of Rough Beast, Gary Potter, in an article titled "Controlling the Populace through Population Contral" notes that this new totalitarianism is the ultimate in tyranny because population control is not only an attack on the person, but on personhood itself. Hence one must by federally funded decree "Love Careful" as the planned parenthood slogan goes "in violent contradiction to one of the chief facts of human experience, that men and women love with abandon if they love at all." [5]

The point to be made here is that the underlying philosophy of population control is based on an economic and technocratic view of man and man's ultimate destiny. While individuals may claim the right to hold such a view, they have no claim to the public treasury in order that tax funds might be used to promote and finance such views which are alien to our Christian heritage. Moreover, the U.S. Congress under the Constitution is forbidden to use tax moneys for the establishment of religion including the religion of secular humanism in which population control finds its philosophical roots. It is perhaps long overdue, that Congress and the Federal Government in general be reminded that in matters of morality—and population control including abortion, contraception, and sterilization are first and foremost moral issues—the Government is not the final arbitrator. [See attachment No. 2.]

Advocates of the Neo-Malthusian/Sangerite philosophy in responding to the charge of the unconstitutional use of tax funds for population control, which generally goes under the guise at home and abroad as government family planning, may state that such programs may be justified as public health measures, that is, such governmental programs are directed at improving maternal and child health care and insuring family stability and only secondarily as measures to limit the size of families.

Again, I challenge the incorporation of contraception, abortion, and contraceptive sterilization and related schemes of population control as public health measures. (See attachment No. 3 for detailed list of fertility control measures including increased homosexuality, housing restrictions, and compulsory abortion and sterilization.)

I refer this committee to one of the most outstanding articles on the relationship between public health and population control by the distinguished child and family physician Dr. Herbert Ratner found in our agency's "Special Report on the U.N. World Population Conference-Tribune," Bucharest, Romania, August 19–30, 1974.

Titled, "The Public Health Aspects of Population Growth," this report notes that the public health needs of countries are intrinsically independent of population size and/or density and that "A mother, not seduced away from breastfeeding by Western promoters of formula or bottle feeding, can do more to cut down infant mortality via better nutrition and natural child spacing associated with breastfeeding than all the contributions of AID, the U.N., and other international bodies."

Dr. Ratner characterizes the pill as chemical warfare against women producing more than 50 metabolic deviations, the long-range significances of which we are ignorant, and scores the health hazards of induced abortion.

"The goal of public health is, to recall an old principle of medicine, primun non nocere—first do no harm. The poor and the have-nots of the world have enough misery, without it being complicated by iatrogenic, that is physician caused, disease. Public health deserving of that name recognizes that public health is people, individual people, not just numbers and statistics."

In a similar vein of inquiry, Dr. Ratner in the classical publication, "Child and Family," Fall 1969, in an article on the myth of the value of child spacing from a Sangerite point of view titled "The Effect of the Interval Between Births on Maternal and Fetal Outlook," demolishes the factitious construct of artificial child spacing via artificial contraception-abortifacients, and what is perhaps

[3] Ibid., p. 6.
[4] Ibid., p. 6.
[5] Ibid., p. 1.

most significant is that he uses as evidence in support of his premise, scientific data gathered from a Planned Parenthood-associated scientist, and supported by the late Dr. Alan Guttmacher, M.D.

". . . (with regard to numbers and spacing of children) The physician can be certain of several facts. First, youth is a respected ally of successful pregnancy and delivery. Second, no physical harm has been proved to tresult from having children very close together." [Alan F. Guttmacher, M.D., Pregnancy and Birth Revised 1962.

In truth, if the advocates of population control and federally funded programs and projects related to government family planning wish to pervert the authentic ends of medicine and subvert anthropomedicine into veternarian medicine let them do so under a more suitable guise than public health. (See attachment No. 4 for complete text of Dr. Ratner's address.)

Before moving on to more specific charges with regard to AID population control abuses issuing forth from faulty principles, I would like to note that the previous report on the World Population Conference contains many other outstanding presentations delivered by our 12-member team to the Bucharest Population Conference-Tribune. I submit therefore the following articles for inclusion into the record as part of my testimony and strongly recommend that each member of this committee review them carefully in the very near future.

The Five Phases of the Demographic Cycle, including Decline: Their Relation to Socioeconomic Forces, and the Implications for Policy Implementation, by Prof. Albert T. Kapusinski, an economic demographer and author on population.

The International Anti-Life Movement, by Rev. Paul Marx of the Human Life Institute.

A Comment on the Draft World Plan of Action, by constitutional lawyer, Prof. Charles E. Rice of Notre Dame Law School.

Some Infrequently Considered Aspects of the Population Issue: A Study of Distortions, by author and lecturer Frances Frech of the Population Renewal Office.

The Food Question, by nationally known agricultural expert George Barmann, founder of MAP, Inc., of Dayton, Ohio.

Every Granny a Wanted Granny, by John Linklater, M.D., of London, England.

Population Optimism, by H. Patrick Dunn, M.D., of Auckland, New Zealand.

Love for Life—A Pastoral Note, by Rev. Anthony Zimmerman of Japan.

Birth Control—For Rats and Other Non-Humans—A Special Report from the Rome World Food Conference by Dr. Reginald Gallop of the U. of Manitoba.

Abortion

Returning to specific charges of violation of the human person by the Agency for International Development and tax-funded quasi-governmental agencies such as the Planned Parenthood Federation—international—London based—and the Population Council funded under title X, and the four fundamental principles of AID policymaking according to Dr. Gaud, let us examine the role of AID in the promotion and financing, directly and indirectly, of induced abortion, that is the destruction of unborn children, and in the development of new instruments of the fetal-death technology.

First, it should be noted that abortion is a required element in any government-sponsored population control program or so-called comprehensive family planning program designed to reduce the birth rate. Abortion is the handmaiden of artificial contraception and contraceptive sterilization.

According to Dr. Sung-bong Hong, Obstetrics and Gynecology Department of Korea University in Seoul, "Contraception and abortion are complexly interrelated. They may be mutually stimulating as well as mutually competitive." Thus the contraceptor is frequently an aborter and the aborter a contraceptor." Induced abortion is a realistic measure in the context of the present technology available." (USCL reprint No. 0002.)

Similarly, at the Second World Population Conference held in 1965, a Korean official told Rev. Anthony Zimmerman that a nation which launches a birth control program owes it to the citizens to liberalize abortion laws to a certain extent. There will be many unwanted pregnancies, he explained, and the people should have a method of dealing with the problem. This statement which was taken from a Zimmerman article, "How to get 6,000 Abortions A Day," was followed by statistics on abortion in Korea. The author notes that following a 2-year pilot project at Wondang to popularize contraception, the total number of abortions was higher than the total during the entire lives of the women up

to that time. He concludes, that when government seeks to promote birth limitation in the peoples' eyes it at least tacitly approves of every method. "Official laws and policies are a powerful influence in forming or deforming consciences."[6]

Dr. George Langmyhr, medical director of Planned Parenthood-World Population, in "The Role of PP–WP in Abortion" written in 1971, 2 years before the Supreme Court decision, notes "that most professionals and volunteers with PP have accepted the necessity of abortion as an integral part of any complete or total family planning program, since a legitimate method failure or any type of unwanted pregnancy cannot be avoided by PP clinic personnel." Dr. Langmyhr then proceeds to detail the pioneering role of his agency in abortion.[7]

In HEW's "Five-Year Plan for Family Planning and Population, 1971," Dr. Ravenholt, AID's leading Malthusian zealot notes that postconceptive family planning that is abortion is imperative for adequate control of fertility and that AID had invested $11 million for once-a-month methods. In appendix C of the HEW Five-Year Plan, Dr. Ravenholt documents fully the role of AID in the development of abortion technology especially protaglandins for second trimester abortions.[8] Included in his report is sufficient documentation of the Federal subsidy of the Upjohn Co. for the development of Prostin Alpha F_2 for second trimester abortions. (See attachments for further documentation on AID's abortion program.) We find little consolation in the fact that since coming to AID Dr. Ravenholt has not performed any abortions. Even with the Helms amendment to the Foreign Aid Act prohibiting the promotion and performance of abortion, Dr. Ravenholt continues to be the No. 1 crusader for abortion within AID, rivaled only by his domestic counterpart in the Office of Population at HEW, Dr. Louis Hellman.

For example, early last year, the GSA procurement office rescinded bids for thousands of miniabortion kits, euphenmistically known as menstrual regulators. Shortly thereafter, Dr. Ravenholt organized a meeting of quasi-governmental population control groups including those related to the Rockefeller interests which he himself chaired in an attempt to find a buyer and/or distributor for the miniabortion kits to the developing nations.

Mr. Chairman, according to Intercom, AID's mouthpiece and general antilife alert mechanism, March 1974 issue, by June of 1974, AID was to have some 60,000 kits ready for distribution with bid solicitations calling for another 100,000 by the end of the year. Would you indicate in the record, what action has been taken on these miniabortion units and the extent to which they have been distributed by government agencies and/or by quasi-governmental agencies receiving Federal funding under title X such as the IPPF and the Population Council and Pathfinder Fund?

Dr. Ravenholt, as his travel vouchers will amply demonstrate, is a frequent speaker and/or panelist at numerous international meetings and seminars on population control. While in attendance at such functions under the auspices of the Office of Population Affairs, and in spite of the passage of the Helms amendment which prohibits AID officials from propagandizing for abortion, Dr. Ravenholt manifests grave difficulty in restraining from abortion promotion—via prostaglandins, minisuctions, or other techniques. Furthermore, he displays total insensitivity to the merits of natural family planning methods and the advances which have been made in this field over the last 10 years.

To demonstrate the extent of Dr. Ravenholt's technocratic bias, I include for the record the following quip made at an International Planned Parenthood Regional Federation Conference in the fall of 1973 in which Dr. Ravenholt in conjunction with another AID official, J. J. Speidel, M.D., states:

"Although enthusiasts for 'natural methods' of fertility control have advocated a variety of methods for more specific identification of time of ovulation and so forth . . . none of these has been demonstrated to be more effective than simple avoidance of M minus 14 . . . Furthermore, methods requiring intensive exercise of foresight, vaginal soundings (?), use of temperature charts, and so forth, before expressions of love and passion can hardly be considered natural. Given this statement of ridicule and antiscientific bias with regard to the effectiveness

[6] "How To Get 6,000 Abortions a Day," by Rev. Anthony Zimmerman, Reign of the Sacred Heart, December 1966, Pp. 3–5, 27.

[7] "The Role of Planned Parenthood-World Population in Abortion," George Langmyhr, Clinical Obstet. & Gynec., 1971, 14, 1190–1196.

[8] See also Inventory of Federal Population Research—Fiscal Year 1974, DHEW Publication No. (NIH) 75–133 for abortion contracts and grants and financial data.

factor, how does the executive branch and Congress expect Dr. Ravenholt to execute the program espoused by Dr. Gaud regarding the implied provision of family planning services consistent with a wide range of methods to insure availability of methods which are consistent with a patient's particular moral, philosophical, or religious preference?

We see the practical implications of a similar technocratic bias in a Population Council report on "Differentials in Contraceptive Use-Effectiveness in The Philippines" from "Studies in Family Planning," vol. 5, No. 10, October 1974 by John E. Laing, currently serving with the P.C., a beneficiary of millions of tax dollars under title X funding as well as other funding mechanisms within HEW.

In his concluding remarks, the author notes that "every effort should be made to maximize reliance on the most effective methods, especially the IUD, and minimize reliance on the least effective ones, especially rhythm" and . . . while no one would be refused a less effective method nevertheless ". . . efforts should be made to persuade her to try the more effective one."

In the past, Congress has rubberstamped AID population control efforts—all the while beating its breast that the programs in question are voluntary, and moral, philosophical, and religious beliefs of patients are respected.

In fact, the Agency for International Development's Office of Population Control under the direction of Dr. Ravenholt, is internationally recognized for its tightfisted Malthusian tactics which run roughshod over both national and individual sensibilities.

Before leaving Mr. Laing's Population Council study, it might be important to raise the issue of AID's massive promotion of abortifacient IUD's in such countries as the Philippines and throughout Latin America either directly or in some cases indirectly through the use of organization fronts such as the Pathfinder Fund by which AID is able to funnel funds for the promotion of abortive devices such as IUD's and mass sterilization without coming into a head-on clash with the Catholic Church.

Mr. Chairman, we would appreciate a detailed report from AID's staff in which the Agency outlines the informed-consent procedures by which patients from developing nations scheduled for IUD insertions are clearly informed of the principle mode of action of IUD in addition to the manifold complications of the device and hazards to unborn children conceived with the device in situ. Furthermore, with regard to mode of action, such information should also be made prior to the distribution by a physician of the modified birth control pills which are primarily abortive in nature and do not inhibit ovulation but rather render the lining of the uterus inhospitable to new life newly conceived. If in fact, AID did respect national sovereignity, how does it justify the promotion and financing of massive abortive devices as well as mass experimental drugs such as Depoprovera and Diethylstilbestrol—each with known abortive qualities—in countries with stringent antiabortion laws and strong religious sanctions against abortion in all forms including chemical, surgical, and via abortive devices such as IUD's?

For the record, I am including in my testimony, evidence and documents in support of my charge that IUD's and minipills are primarily abortive agents at various periods of fetal gestation up to and including the third trimester. (See attachment No. 5.)

AID and Religious Bias

Two years ago, the Coalition for Life initiated the research into what was to become the so-called LOS SUPERMACHOS scandal. (Attachment No. 6).

In 1974 the Coalition filed two separate complaints related to religious bigotry against the International Planned Parenthood Federation and its quarterly publication People. AID is the IPPF's biggest stockholder despite the attempted guise of being a private agency.

Enclosed are selections of population control cartoons to which we took objection, particularly since the Agency involved IPPF (London) is funded directly and indirectly by the American taxpayer via title X funding as well as other funding mechanisms. In response to our complaint, an AID official stated that the IPPF would be directed to refrain from similar attacks against the Catholic Church and so forth, in the future. Shortly thereafter, the IPPF issued another objectionable series of population control cartoons in People including one in which a man is featured being guillotined below the waist because he broke the law prohibiting large families. Sick perhaps is the only word to describe the

cartoon. Yet it offers perhaps an insight into the very nature of the population control movement which I described earlier in my testimony.

I would also draw this committee's attention to certain UNESCO (United States National Commission for UNESCO—based at the Department of State) population publications including the World Population Year News Service funded in part by the American taxpayer via various foreign aid funding mechanisms. When asked what action AID might contemplate for continued publication of offensive cartoons in the UNESCO–USC newspaper, AID responded that the U.S. Government could not hope to play the role of censor in opposing a particular viewpoint on UNESCO and other U.N. related organizations (we would include UNICEF).

Now I am saying to this committee that both the executive and legislative branch of our Government have the duty to insure that tax funds are not used to promote antireligious views or slurs. Given the choice of correcting their errors in judgment, I am sure both the IPPF and USC–UNESCO will do so rather than lose their hold on the American tax purse. I trust that this committee will explore the necessary legislative action needed to bring about reform in this matter.

The myth of voluntarism

AID population control legislation dictates that the program of family planning services related to contraception, abortion, and sterilization must be voluntary, and that AID's modus operandi be centered around meeting the needs and filling requests which issue forth from the host country.

The fact of the matter is however that AID and not the host countries, with few exceptions, has been the primary initiator of a wide variety of population control schemes.

In order that one might appreciate the significance of this statement I quote the prominent international condom pusher Dr. Timothy Black, of Population Services, a nonprofit agency and its commercial counterpart, Population Planning, Inc.

". . . New approaches which go beyond the provision of services and information (are needed) . . . These approaches are directed at . . . creating a demand (among potential contraceptors) which is presumed not to exist. . . .

There is no overwhelming or latent demand for contraceptive clinic services. . . .

. . . *Family planning is a process of creating and meeting a mass demand for contraceptives.*" [Black, T. (1972) Family Planning, 21, 31. As quoted in the IPPF Medical Bulletin.]

Dr. Black's comment is important to understanding the nature of so-called Federal family planning programs which indeed do have as their primary function the need to create the demand among potential consumers for services and commodities related to family limitation, and not merely to fill the demand. This explains why any AID-funded programs must employ motivators or engage in illdisguised efforts at behavior modification or lure potential vasectomy victims into sterilization festivals using cash and other incentives.

As was quite evident at the Bucharest World Population Conference, the developing nations of the world are not interested to any great degree in population control but rather in development of agricultural and economic and educational potential. Thus when Dr. Ravenholt recently explained that millions of women around the world have an intense desire to be sterilized what he in fact means is that Dr. Ravenholt has an intense desire to sterilize millions of women via the new belly but on techniques which he was promoting at the time of his press interview.

In truth, from its beginnings, the AID population program has been one massive Malthusian campaign designed to bring the United States as well as the developing nations of the world into line with the objectives of the international population control movement—a small but powerful clique whose arms reach into every level of government. Where the movement has been inhibited by antiabortion legislation such as the Helms amendment, it has provided alternate mechanisms of funding for abortion through AID-funded quasi-governmental agencies such as the United Nations Fund for Population Activity, J.D.R. III's Population Council and the IPPF.

AID is in fact currently funding a number of at least nominally coercive population control schemes including an apartment building complex in Seoul, Korea, where vasectomized applicants for housing are given top priority, and a contraceptive (abortive devices) inundation program in Pakistan where the people have

to be enlightened in the merits of officially promoted mutual fornication and abortive techniques. Under the Pakistan plan orals will be made as easily available as tea and salt. Never mind that the pill can kill and maim, even with proper medical supervision! And so the IPPF and its affiliates press for nonmedical distribution of the powerful oral contraceptive—the hell with informed consent and proper medical aid! These people need to be saved from themselves. Death and physical mutilation is a small price to pay, is it not? And speaking of price, let us not forget that population control is a multibillion-dollar business involving the powerful international drug lobbies and international corporations with vested interests in restricting population growth in the developing nations as well as a wide assortment of money-minded individuals including abortionists and family planning workers whose pensions need constant propping up by increased patient flow and university professors at home and abroad who have prostituted themselves in the service of a scientific and intellectual charade commonly referred to as the population explosion.

Mr. Chairman, thus far I have touched on bits and pieces of programs and policies funded under title X. In my concluding remarks, I should like to attempt to draw these pieces together, by detailing a singular AID-funded program, which I think characterizes the summary of all coalition complaints in the area of federally funded population control programs under the Foreign Assistance Act. The case study which I am about to describe is true. All details can be substantiated by either AID contract/grant packages or court records.

ADVANCED TRAINING IN FERTILITY MANAGEMENT—A STUDY IN DEATH TECHNOLOGY

History.—Training in Advanced Techniques for Management of Fertility (ATMF) is an AID program piloted in 1972 at Johns Hopkins University and later expanded to the University of Pittsburgh and West Penn Hospital in 1973 followed by Washington University at St. Louis and the American University at Beirut in 1974.

Under the ATMF program these university based medical centers have provided ATMF training to over 134 physicians from 45 developing nations.

The program is administered under a corporation associated with Johns Hopkins (JHPIEGO) and has as its primary mission according to an AID-funded report from George Washington Medical Center "to strengthen the teaching and practice of obstetrics and gynecology, including family planning, in developing countries." (September 1974 Population Report, series J. No. 3)

Funding.—The total cost for the ATMF in 1973 was just under $3 million tax dollars. The breakdown by institution is as follows:

	1973
University of Pittsburgh	$479,000
Washington University	841,000
American University	257,000
Johns Hopkins	1,387,000
	2,964,000

Additional funds were allocated in 1974. It is unclear if the ATMF will continue into 1975–76. Mr. Chairman, I would appreciate you requesting the AID staff to insert into the record any additional expenses allocated for 1974–1975, and 1976 by institution. (University of Pittsburgh—June 29, 1974 received an additional $62,740 for 1974).

The ATMF lasts from 4-to-6 weeks. As of June 1974 some 134 physicians had taken the course.

If my math is correct, using a ball park figure of $3 million that comes to about $30,000 per physician for a month to 6 weeks course.

This figure of $30,000 per physician includes transportation to the university base, food and lodging expenses for a period of 4–6 weeks.

When the physician completes his course equipment necessary for carrying on fertility management in his country's own institution is shipped to the medical center. After the equipment arrives, faculties composed of field training workers from the U.S. based medical centers visit the home institution to help install and demonstrate equipment. Prior to his or her departure from the United States, a physician may obtain supplementary training at the University of North Carolina or Hawaii.

WHAT EXACTING IS ADVANCED TRAINING IN FERTILITY MANAGEMENT?

Publicity brochures and public relations information on the ATFM program indicate that physicians attend numerous lectures in such areas as social work, nutrition, environment, administration with the emphasis on the clinical, didactic and public health aspects of fertility management. The physician also frequents lectures and practical demonstrations on fertility management procedures and participates after training in the fertility management procedures.

Fertility Management Procedures at the University of Pittsburgh in conjunction with Western Pennsylvania Hospital

NOTE: The Coalition has selected the University of Pittsburgh program for a detailed evaluation for this committee since the coalition office is located in Pittsburgh and we have first hand knowledge of activities there connected with the AID–ATMF program, collected from University of Pittsburgh and West Penn Medical data and nurses and physicians associated with the ATMF program.

University of Pittsburgh-West Penn ATFM program-schedule

First Week.—Orientation, lectures and exams, sterilization demonstration and, Women's Health Services (all trainees).

Second Week.—Planned Parenthood visits, infertility lectures, Out Patient Clinic (OPC) Orals and Injectables (Depo-Provera?) and Women's Health Services.

Third Week.—Sterilization and Hysterectomy procedures, Women's Health Services, Prostaglandin abortions, first trimester abortions, and incomplete abortions/OPC.

Fourth Week.—Midtrimester Abortion/Planned Parenthood, Sterilization and IUD's, Fetal monitoring and OPC.

Fifth Week.—Sterilization, Women's Health Services, foams, jellies, creams, diaphragms, and condoms[1], Women's Health Services, prostaglandin abortions.

Sixth Week.—Sterilization, Women's Health Services, Forceps, Vasectomies and Prostaglandin and mid-trimester abortions. Graduation.

In reviewing the training chart program for the 6-week period one notes that almost all of the practical medical-hospital demonstration and practical training program is in either sterlization and/or abortions. Women's Health Services it should be noted is Pittsburgh's largest abortion mill.

WOMEN'S HEALTH SERVICES

WHS is Pittsburgh's first and largest abortion clinic. It performs only early suction or menstrual extraction abortions. WHS inserts IUD's and distributes orals and other techniques only to its post or pre-abortion clients.

WHS was incorporated as a charitable 501(c)(3) group in October, 1972. In its first year of operation it grossed more than $1 million with an average charge of $175–150 for first trimester abortions.

WHS incorporators were primarily associates with Planned Parenthood of Pittsburgh as was the initial training staff at the WHS.

In 1974 WHS performed about 9,000 abortions.

For second and third trimester abortions patients are referred to West Penn, home of the ATFM or other local hospitals.

ATFM director

The Project Director for the AID–ATFM is Dr. Leonard Laufe.

Dr. Laufe was a medical director of Women's Health Services Abortion Clinic, as well as advisory board member of the Abortion Justice Association and a long time associate of Planned Parenthood of Pittsburgh.

Dr. Laufe is internationally known for his activities in the development of new techniques of abortion including prostaglandins and pregnancy termination involving vaginal hysterectomy.

Dr. Laufe is salaried by the American taxpayer in a number of ways. First as project director for ATFM program, second as an advisor to the International Program of the Association for Voluntary Sterilization. (Note: The AVS has launched Project Lawsuit designed to force hospitals to perform sterilizations for

[1] Natural methods of family planning are not indicated on the training chart although they are understood to be covered in lectures. Description of complications resulting from childbirth are not listed on the 6-week training chart in terms of practical demonstration and application.

contraceptive purposes.) He receives tax funds from AID also for activities at the University of North Carolina and at the Battelle Memorial Institute. The AID funds are in addition to travel costs for Dr. Laufe's activities. In addition to AID funding, he receives funds from the Upjohn Co. and private foundation moneys. He is currently facing a lawsuit on the IUD.

Prostaglandin-Laufe Experimentation at West Penn

The ATFM program at West Penn includes the use of prostaglandins supplied by Upjohn for first and second trimester abortions. In his first series of prostaglandin abortions Dr. Laufe used all clinic patients including a minor, age 15.

Enclosed is a detailed report on the manner in which these abortions are carried out. Note that patients are told this is the method that has been selected for them rather than by them and that the patients are not given true informed consent as to complications and the nature of the abortion.

With prostaglandin abortions, patients deliver in their beds. The babies are delivered alive but are too young to survive and equipment is not available to assist those that might have a chance for life. These babies are banded and shipped to the lab as laboratory specimens. Some "specimens" have weighed more than 1 pound 3 ounces and measured 30 centimeters in length.

The prostaglandins are supplied by Upjohn who also receives the experimental data resulting from the abortion efforts.

The Trial of Dr. Leonard Laufe.—During the period in which Dr. Laufe was Project Director of the ATFM program a trial which drew national publicity comparable to that of the Edlin trial. Following an inquest, Dr. Laufe was found innocent in the death (infanticide) of baby Jane Doe who Dr. Laufe attempted to abort via a vaginal hysterectomy. Baby Jane Doe was between 22–27 weeks old at the time of the abortion. She weighed more than 3 pounds.

The abortion was carried out under the ATFM program at West Penn.—The procedure in question at the trial involved a vaginal hysterectomy. It should be noted that the patient's husband had undergone a vasectomy and that the uterus tissue indicated no pathology which would have made the removal of the uterus medically necessary.

Under the ATFM program, fellows are given special attention to "specific details of surgical technique required in the presence of intact pregnancies" (and associated with sterilization procedures at the time of the abortion.)

In layman's language, Dr. Laufe attempted to abort a baby more than three pounds in weight via the vaginal route, and trying to keep the sac in tact. Had he done so, he would have been the first doctor in history to perform such an abortion with so large a baby.

The entire abortion was filmed. Dr. Laufe stated that he paid for the filming himself even though the filming took place as part of the ATFM program.

I would hope that this committee draws up the next AID population bill after having viewed Dr. Laufe's film, in order that the members may acquaint themselves with the latest in death technology paid for by title X funds. We note that the Laufe abortion took place in March of 1974, almost 6 months after the Helms Abortion-Prohibition Amendment was known to be in effect.

SUMMARY

In conclusion, we object to AID's population control program because:

1. AID's programs are not in the interest of either the United States or the countries which such programs are carried out.

2. AID's limited foreign aid funds should be put at the service of life and not death.

3. Many current methods of "fertility control" are hazards to the public health including women and their unborn offspring.

4. Congress, despite abortion prohibition amendments cannot control any AID funds for abortion once they reach the hands of subcontractors such as the UNFPA or the International Planned Parenthood Federation which in fact use title X funds for abortion, abortion research and the promotion of abortion on an international scale.

5. Congress cannot insure voluntarism in AID's population control program. Note that compulsory population control bills have already been introduced in Congress.

6. AID under the direction of Dr. R. T. Ravenholt has been the largest exporter of death technology in the world. This situation will continue in the Office of Population Control until Dr. Ravenholt is removed from office.

Thank you Mr. Chairman and members of the subcommittee.

It is the hope of the U.S. Coalition for Life that in light of my testimony, this committee will hold expanded hearings on AID's population control programs in the very near future.

I would be pleased at this time to answer any of your questions.

STATEMENT OF T. BYRON COLLINS, S.J.

Congressman Passman, Congressman Shriver and members of this committee, I am T. Byron Collins, S.J., special assistant to the president of Georgetown University. With me is Dr. Conrad Taeuber, director, Center for Population at the Kennedy Institute at Georgetown University. Dr. Taeuber was a U.S. representative to the Bucharest Conference on World Population.

The Agency for International Development Office for Population and Humanitarian Assistance has informed me that for this present fiscal year a ceiling of $110 million was established for their population program and that this $110 million has been further reduced to $100 million by a required allocation for a share of administrative overhead costs. Despite such reductions the Agency for International Development has allocated for the U.S. contribution to the United Nations Fund for Population Activities an amount of $20 million.

I would like to request that the committee consider allocating a minimum of $30 million to the United Nations Fund for Population Activities. The authorizing committee on the foreign aid bill (H.R. Rept. 93-1471) had increased the funds for population to mark the importance of the World Population Year. I quote from the report: "The United Nations has just concluded the World Population Conference which has demonstrably quickened world interest in population issues. Many new requests for assistance in expanding or initiating population control programs can be expected. The United Nations Fund for Population Activities (UNFPA) has received valid project proposals from 92 countries totaling $140 million. Based on present projections UNFPA will have only $69 million to meet these requests. The committee expects that a larger U.S. contribution, which this increased authorization makes possible, in an amount made known to the Fund as early as possible, would help to elicit early and increased contributions from still other donors. The UNFPA already funds a wide variety of population programs, including the development of population policies, demographic data, research, education, and service delivery in 90 countries."

We are grateful to you and your committee for your continuing interest in our population program. Georgetown University is vitally interested in the UNFPA because their program is oriented to universities in one country working with universities in another country with emphasis on the indigenous nation addressing itself to the population program via demography. The United Nations money also requires that the $30 million be matched on a basis of United States 40 percent and other voluntary contributions at 60 percent. The backlog of worthy requests to the United Nations from developing countries far exceeds this amount.

DEPARTMENT OF STATE,
AGENCY FOR INTERNATIONAL DEVELOPMENT,
Washington, D.C., May 16, 1975.

Rev. T. BYRON COLLINS, S.J.,
Special Assistant for Federal Relations,
Georgetown University, Washington, D.C.

DEAR FATHER COLLINS: Thank you for your recent letter to Mr. Parker concerning congressional action on population planning and health appropriations. In appropriating $125 million for these purposes in fiscal year 1975, the Congress specified that no more than $110 million could be used for population programs. This ceiling is $27.5 million below the level requested by AID and it comes after a similar ceiling in fiscal year 1974 ($112.5 million). Thus we are able to meet only the highest priority needs of ongoing activities, including the efforts of the United Nations Fund for Population Activities (UNFPA).

The ceiling of $110 million for this fiscal year has been further reduced to $100 million by required allocation of our share for administrative overhead costs. As a result, we have severely cut many projects—even high priority projects—and virtually eliminated new starts. Despite the obvious adverse impact of such redeductions, we have allocated $20 million for the U.S. contribution to UNFPA this

year. Moreover, if sufficient funds are appropriated, we hope to increase that to $25 million during 1976.

As you realize, we are still faced with some difficult times ahead. We welcome your support and continued interest in this important effort. I hope the information I have provided wil be helpful. If you desire further information, please let me know.

Sincerely yours,

HARRIETT S. CROWLEY,
Acting Assistant Administrator
for Population and Humanitarian Assistance.

STATEMENT OF KATHERINE BAIN, CITIZENS COMMITTEE FOR UNICEF

Dear Mr. Passman, this statement is being filed on behalf of the Citizens Committee for UNICEF with your subcommittee at your request in lieu of our appearing before the subcommittee for a hearing as we had hoped would be possible. Because I have been the witness for the Citizens Committee for UNICEF this year in the appearances before the Senate Appropriations Committee and the two authorizing committees I am presenting this shortened version of our testimony to you. It has been authorized by the 35 important national organizations listed below.

American Academy of Pediatrics
American Association of University Women
American Baptist Churches, U.S.A.—Board of National Ministries
American Federation of State, County & Municipal Employees, AFL–CIO
American Federation of Teachers
American Foundation for the Blind
American Foundation for the Overseas Blind
American Nurses Association
American Parents Committee
American Public Health Association
American Veterans Committee
Association for Childhood Education International
Child Study Association of America/WEL MET, Inc.
Child Welfare League of America, Inc.
Church Women United
Cooperative League of the U.S.A.
Friends Committee on National Legislation
Industrial Union Department, AFL–CIO
International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW)
Jewish War Veterans of the U.S.A.
National Association of Colored Women's Clubs, Inc.
National Association of Social Workers, Inc.
National Council of Jewish Women
National Council of Negro Women, Inc.
National Education Association—Rural Education Association
National Jewish Welfare Board
National Urban League
Soroptimist International of the Americas
Unitarian Universalist Women's Federation
United Methodist Church—Board of Church and Society
United Methodist Church—Women's Division, Board of Global Ministries
United Presbyterian Church in the U.S.A.
Women's International League for Peace and Freedom
World Federalists U.S.A.
YWCA of the U.S.A.—National Board

REQUEST FOR A U.S. CONTRIBUTION OF $20 MILLION

These national organizations support the U.S. contribution of $20 million to UNICEF for fiscal years 1976 and 1977 as approved by both the House and Senate in the authorizing legislation. In the light of the vast needs of the world's children, we believe that you, too, would want to support this level of funding. UNICEF's Executive Director has requested even larger amounts for the work in the years immediately ahead, not only from the United States but also from the other developed and newly affluent countries able to provide larger contributions.

Contributions by governments other than the United States have increased sixfold since 1960. A contribution of $20 million by the United States in the year 1976 would closely approximate 25 percent of the total government contributions which UNICEF anticipates in that year for its general resources. Less than $20 million would result in the U.S. contribution to UNICEF at a rate below the U.N. assessment rate of 25 percent at which the United States is assessed as its

fair share of costs of U.N. programs. We call attention again to the President's words in his report to the Congress on U.S. participation in work of the United Nations at the time when the U.S. rate of assessment to U.N. agencies financed on the basis of assessments was being reduced, where he stated: "This proposed reduction in our rate of assessment does not affect our voluntary contributions to various U.N. programs. Indeed, the Lodge Commission recommended increases of at least corresponding size in voluntary contributions whose size depends on each nation's judgment of its own interests and capabilities." (H. Doc. 92-297)

Some have argued that the United States should not contribute to UNICEF on a voluntary basis at a higher rate than its assessed rate for other U.N. programs. If this argument were valid, the converse should be true. The United States should not voluntarily go below its assessed U.N. rate for its contribution to UNICEF.

WHY CONTRIBUTE TO UNICEF?

During this period of critical reexamination of U.S. relations with the U.N. when actions of some delegations have provoked U.S. displeasure with U.N. performance, there may be a few who would question why the United States should support any activity on a multilateral basis. Why contribute? In the developing countries of the world, UNICEF is seen to be a byword everywhere and a symbol for good wherever it is known. The effectiveness of UNICEF is one reason for a generous contribution, but the basic reason is the great need to help children. We cannot escape awareness of the dire urgency of the needs of children as our TV screens and other news media have brought into our homes vivid pictures of horrible suffering by innocent victims of an unending series of manmade and natural disasters.

EMERGENCY NEEDS

Last year, the UNICEF Executive Board passed a resolution declaring a world child emergency and appealing for special contributions to meet some of the most acute needs of the children affected: in Bangladesh, Ethiopia, India, the Sahelian region, the Indochina Peninsula, Honduras, Somalia, Sri Lanka and others. Special assistance programs were drawn up by UNICEF staff for these countries and plans are being prepared for other countries among the most seriously affected by the world economic situation. Aid for these will have to be sought outside the regular UNICEF budget.

Speaking at the UNICEF Executive Board meeting in May of this year, UNICEF's Executive Director, Mr. Henry R. Labouisse, called attention to what he called the quiet emergency. Children usually suffer first and most in almost any crisis, and the effects of the disaster cause continuing problems. Starvation is cruel but equally as devastating are the results of prolonged malnutrition, or chronic and debilitating illness, or exposure to contaminated drinking water and the lack of sanitary facilities. UNICEF is meeting many of these threats to children, straining its resources to the limit. UNICEF seeks to move, as soon as local conditions allow, for ad hoc emergency relief into programs of more lasting benefit to children.

LONG RANGE ASSISTANCE

Less spectacular than emergency campaigns but even more important in the long run are the comprehensive programs which UNICEF is assisting governments to develop to offer the hope for a healthy and useful life to millions of children around the world. In contrast to the emotional appeal of a sick and helpless child, UNICEF's long range programs stress the sound business wisdom that the development of healthy and functioning citizens is essential in efforts to raise the standard of living of any community. Where can one find a better financial return on an investment than when, for example, at the cost of a few cents, a vitamin A tablet can be given to save a child from blindness? Here the ounce of prevention can be applied to prevent the burden to society, as well as to the individual, that blindness means in condemning a human being to less than the fullest use of his abilities.

There are some 600 million children in need of assistance in the world. UNICEF is a vital part of a country's own development program, focusing on the needs of children as of the highest priority.

Illustrative of its dynamic force in meeting the needs of children is UNICEF's new emphasis on child health and the strengthening and extension of a network of rural health services, as well as in urban slums and shanty towns. The provision of health services for children has always consumed the largest proportion of UNICEF's resources. This year, plans call for a new approach, not providing more of the same, but rather concentrating on finding new ways of identifying basic health needs and of providing simple measures to meet these. The new approach, which is based on experience in a number of countries, would put first priority on the promotion of health through simple measures at the village level, relying on a primary health worker who might be part time and often selected from the village itself. The community would play an active part in identifying its health needs and in carrying out measures to meet them.

Inherent in this idea is the interrelationship of the various needs for services to children; i.e., food and nutrition, clean water, health measures, family planning, basic education, and supporting services for women. Crucial components of these services are the necessary equipment and supplies, and, most important, the development of local leadership. This "package" approach is a striking illustration of a case where the whole is significantly greater than the sum of its parts. The flexibility of this approach permits variations from country to country and even within a country.

UNICEF'S CAPACITY TO SERVE

A comprehensive and thorough management survey on UNICEF's organization and operations has recently been completed. The survey confirms our previous impression that UNICEF is basically sound and it adds another most important point. UNICEF, operating now on a budget slightly over $100 million, has the capacity to deliver services to children of twice that magnitude. UNICEF could efficiently offer assistance to the world's children amounting to $200 to $250 million.

Its administrative costs are remarkably low for the number of beneficiaries it reaches. In 1974, overall administrative costs amount to $7,644,000 while program support services (tied to direct project implementation) cost $12,666,000.

We know that the Congress would be impressed with UNICEF's experience in procurement of important commodities and its ability for quick delivery of urgently needed supplies in a crisis. This capacity has resulted in UNICEF's services being called upon by other public and private relief agencies. In 1974, UNICEF's purchases of supplies and equipment included several thousand distinct items. These orders were placed with over 2,000 suppliers in 94 different countries. Major commodity purchases, in order of magnitude of dollar value, were: drugs and dietary supplements, water pipe and fittings and pumps for village wells, hospital and laboratory equipment, transport vehicles. In 1974, UNICEF spent $35 million in the United States while it received $27 million from funds within the United States. UNICEF, thus, causes no financial drain on the U.S. balance of payments.

As with nearly all institutions, worldwide inflation has taken its toll on UNICEF's resources. Purchase prices of UNICEF supplies increased in 1974 by approximately 16 percent. In addition, UNICEF's resources were affected financially by the rather wide exchange rate fluctuations between the major world currencies and the U.S. dollar unit of account. Another reason why UNICEF's resources should be increased.

THE CHALLENGE AHEAD

The needs of children cry out to be met. The Universal Declaration of the Rights of the Child states that "Mankind owes to the child the best it has to give." Its children are a country's greatest resource and its best hope for the future.

Yet, recognizing that the U.S. Government is faced with severe financial problems at home, we nevertheless feel assured that you share our concern for the world's children and our belief in the necessity for assisting them to the fullest extent possible. The members of our national organizations urge your approval of $20 million as the U.S. contribution to UNICEF for fiscal 1976, as now authorized.

Thank you for your consistent support of the work of the U.N. Children's Fund over many years.

STATEMENT OF MRS. THOMAS KOUZES OF THE NATIONAL CONGRESS OF PARENTS AND TEACHERS

STATEMENT IN SUPPORT OF THE APPROPRIATIONS FOR THE UNITED NATIONS CHILDREN'S FUND (UNICEF)

Mr. Chairman and members of the committee: Consistent with our long and strong support for UNICEF and its many activities for the good of women and children, the National Congress of Parents and Teachers, on behalf of our approximately 9 million members, again state our support and strongly urge the contribution of $18 million for fiscal 1976. Further, if, in the final action on the bill, fiscal 1977 appropriation is included, we would urge you to grant an appropriation of $22 million for fiscal 1977.

We base our request again on the proven worth of UNICEF's actions around the world, its very good reputation in the 105 countries it is serving; UNICEF's recognized capacity to deliver greatly increased services, and most importantly on the enormous needs of children in the poorest countries.

On the basis of a contribution of $18 million from the United States this year, it would only represent $23.7 percent of the total estimated government contributions to UNICEF's general resources. Contributions from governments other than the United States have increased sixfold since 1960.

As you are well aware, UNICEF continues to care for the children in emergency situations, of which there have been many this past year. It frequently is straining its resources to the limit. But, UNICEF importantly emphasizes the long-range assistance to governments to develop healthy, functioning citizens who in turn can raise the standard of living of their community. Authorities state that there are 600 million children in need of assistance in the world. UNICEF, we believe, offers the best means of aiding them. It is a catalyst organization; it has vast experience in procuring needed commodities and making quick deliveries wherever needed; it provides training for workers, paramedicals, and teachers. A new approach is being emphasized this time also. This approach would put first priority on the promotion of health through simple measures at the village level and this has strong World Health Organization backing. This is not a new idea but rather one which has taken time to be accepted.

We think this is a sound approach and know it is one based on experience. Food, nutrition, clean water, health measures, family planning, basic education, and supporting services for women all would be components of the plan, as well as training local leadership and getting necessary equipment to the village people. It is now recognized that we are a long way away from spreading our professional services to all the underprivileged population, which is 80 percent of the people in the less developed countries.

UNICEF, according to a recent survey of its organization, has the capacity to deliver services to children of twice the magnitude of its present budget of slightly over $100 million.

I am sure you agree that we must do all that we possibly can to help the children of the world—the world's best resources and really only hope. We must help all countries raise healthy, mentally competent children who will in turn further develop the industry and capabilities of each of their homelands. In this totally interdependent world there is no other answer.

We sincerely hope that you will continue to support the catalytic effect of UNICEF funds in the development of peoples and countries and continue to show the strong U.S. support and leadership in this emphasis on human worth and development. Hopefully you will support the request for $18 million this year and keep in mind a substantial raise for the fiscal year 1977.

STATEMENT OF BRENNON JONES, OF BREAD FOR THE WORLD

Mr. Passman, thank you for the opportunity to submit testimony on behalf of Bread for the World to the Subcommittee on Foreign Operations.

Bread for the World is an interdenominational Christian citizens' movement against hunger and poverty. Eugene Carson Blake, former general secretary of the World Council on Churches, is president of Bread for the World; Bishop Thomas J. Gumbleton, of Detroit, is vice president; Owen Cooper, past president of the Southern Baptists Convention, and Norman Borlaug, Nobel Prize winning agronomist, are among our board members.

Bread for the World believes that every person has the right to food, and that this right should be seen as a cornerstone of U.S. domestic and foreign policy. We see the policies of the U.S. Government as being especially crucial regarding world hunger. We support effective foreign assistance, targeted to the poor, not only because we feel that justice demands it, but because we see it as an essential part to the solution of the world food problem.

We are pleased at congressional achievement in recent months in the drafting of the International Development and Food Assistance Act of 1975—H.R. 9005—legislation which is a significant step forward in the U.S. response to hungry people. We urge that the Subcommittee on Foreign Operations move quickly to draft an appropriations bill which preserves the humanitarian and nonmilitary features of H.R. 9005, and provides full funding at the authorized levels.

H.R. 9005, while not fulfilling all the requirements of the international community, marks a change from recent foreign aid legislation. Representative Thomas E. Morgan, chairman of the House International Relations Committee, has described it as a "humanitarian bill in the finest American tradition, containing no military aid and no aid to "rich cruel rulers."

Taken in perspective, the bill is a signal to the poor countries that the United States intends to honor the commitment to substantially increase development assistance which Secretary Kissinger made at the World Food Conference in Rome, and, more recently, at the U.N. Seventh Special Session on Economic Development and Cooperation in September. It could be the catalyst to a more cooperative relationship with the developing nations. One sign of the influence of this legislation is the House authorization vote on H.R. 9005, which occurred on September 10, during the seventh special session, and was a factor in changing the tone of the Conference from one of confrontation, to one of cooperation between the United States and the developing world.

Individually, the features of H.R. 9005 show the increased attention many Members of Congress have put forth this year to turning development assistance into an instrument whose primary function is to respond to the poor majority and the poorest countries. Bread for the World strongly supports these features of the bill:

1. The separation of development aid from military aid, so that development assistance can be judged on its own merits. With our Indochina involvement now ended, separate bills now have a symbolic value, as well, in showing congressional intent that development assistance be just that.

2. The $200 million authorization for the planned International Fund for Agricultural Development, a World Food Conference creation. With the OPEC nations expected to pick up over half the tab for the $1 billion S.D.R.—approximately U.S. $1.25 billion—initial funding for the IFAD, the U.S. share of 16 percent is a significant contribution, but hardly a disproportionate burden. When taken with increases in the U.S. contribution to various U.N. programs, including the U.N. development program and UNICEF, H.R. 9005 is more multilateral in character than previous foreign aid bills.

3. The requirement that at least 75 percent of title I food aid must go to countries with per capita incomes of under $300—a congressional achievement in its move to "depoliticize" aid. Coupled with the slightly higher food aid levels, the restriction assures more food assistance to countries which in recent years have lacked scarce foreign exchange either to purchase fuel, fertilizers, and pesticides for their agricultural production or to import food.

4. The "grant-back" feature which permits up to 15 percent of the value of all title I concessional food aid sales to be waived and granted back to selected countries for use in agricultural and rural development programs. This is an important step in integrating food aid in the development process, and making it an incentive for agricultural development in the poor countries.

5. The annual minimum of 1.3 million metric tons for the title II food aid programs, with 1 million tons to be administered by the U.N. world food program and U.S. voluntary agencies.

6. The human rights and development assistance amendment which prohibits bilateral aid to countries which engage in consistent violation of human rights unless there are assurances the aid will benefit needy people, and the fiscal year 1976 ceiling on bilateral aid to Chile.

7. The amendment calling on the President to establish criteria for evaluating the effectiveness of our development efforts, and the self-help efforts of the recipient nations.

8. The amendment authorizing and encouraging the President to seek international agreement for a food reserve.

Taken as a package, the features of H.R. 9005 clearly show that Congress is continuing the emphasis on food production, nutrition, and rural development targeted at the small farmer which was authorized by the Congress 2 years ago. H.R. 9005 authorizes $618.8 million in fiscal year 1976 and $745 million in fiscal year 1977 for bilateral food and nutrition programs alone. And according to the Agency for International Development, this year 72 percent of bilateral aid is to go to countries with per capita incomes of under $275 and 89 percent to countries of under $500.

H.R. 9005 is a larger development assistance bill than in recent years. But it comes when time is running out for an increasingly hungry world. And in terms of budget restraints, the fiscal year 1976 amounts are close to the administration request and within the targets of Congress first and second concurrent budget resolutions.

Bread for the World is disappointed that the bill does not endorse a systematic process for attaining the goal of at least 0.7 percent of GNP for official development assistance recommended by the U.N. General Assembly in 1970 at the beginning of the Second Development Decade. But the increase in development assistance does demonstrate U.S. concern at its current rank of 14th among the 17 developed nations in the amount of development assistance it gives when it is measured in terms of GNP. The United States has traditionally been the world's largest donor, reaching its peak during the Marshall plan with 2.8 percent of GNP in aid. But our assistance has been declining and in fiscal year 1975 we gave only 0.25 percent. H.R. 9005 demonstrates that the United States is ready to move toward rather than away from the United Nation's target.

Finally, the International Development and Food Assistance Act of 1975 is an impressive achievement because it reflects the desires of the country. Probably not since the Marshall plan years has there been, the grass-roots support, editorials and newspaper coverage for a piece of foreign aid legislation. It surely reflects what a recent Harris poll also revealed: a majority of Americans—79 percent—want to provide foreign aid if they are assured the aid gets to those for whom it is intended. H.R. 9005, with its focus on the poor, appears to be the vehicle to fulfill those desires.

Bread for the World is concerned that in light of this, the achievement of H.R. 9005 not be undone in the appropriation process. Last December, in the aftermath of the World Food Conference, Congress authorized a substantial increase in development assistance, but several months later the bill was radically cut, making it the smallest foreign aid money bill since the early days of the Marshall plan. Such a repetition would throw into question the depth of our commitment to cooperation with the developing nations which was made at the World Food Conference, and repeated at the U.N. special session; and our very willingness to respond to the pressing problems of food production, nutrition, and population which confront us as a world. We urge that H.R. 9005 be funded at authorized levels as a move back toward leadership in responding to the poor and hungry; and that it be a strictly humanitarian bill, with no military or security related features.

STATEMENT OF MORRIS J. AMITAY, EXECUTIVE DIRECTOR OF THE AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE

The views represented in this testimony are also the views of the Conference of Presidents of Major American Jewish Organizations, the coordinating body for the activities of the major American Jewish organizations as they relate to American-Israeli affairs. The Conference of Presidents embraces 32 national organizations, representing almost the totality of the American Jewish community.

The aid for Israel in the bill before this committee represents a prudent investment in peace in the Middle East. The levels of aid requested—some $740 million in security supporting assistance and $1.5 billion in military credits—would have been necessary even if there had been no Sinai Accord. But the fact is that Israel has taken exceptional risks for peace—and this cannot be overlooked.

Israel took these risks because her Government and people believe that every reasonable risk is justified if it enhances the prospects for peace. Israel originally sought concrete evidence of nonbelligerency from Egypt. It sought signs of accommodation which would imply the start of normalized relations and reconciliation.

Unfortunately, Egypt refused to make more than minor modifications in its political stance toward Israel. Its leaders repeatedly describe the Sinai Pact as a military agreement only, and will not agree to civilian participation in the joint body supervising implementaton of the agreement.

Because movement toward genuine Egyptian accommodation has not been sufficiently forthcoming, Israel cannot gamble its security on secondhand reports of Egypt's future good intentions. Israel remembers the lessons of the past—particularly the calculated Egyptian deception before the Yom Kippur war about which President Sadat boasts so frequently. Israel cannot afford to risk unreadiness or unpreparedness again. And the United States cannot risk having another Arab attack on Israel because Israel is militarily weakened.

The Arab today is divided not so much between moderates and radicals, as between pragmatists and radicals. In the pragmatists camp are Egypt and the oil-producing states of Saudi Arabia and Kuwait. The radicals are represented by Syria, Iraq, Libya, and the so-called PLO. In neither of these groups is there found and real acceptance of Israel's right to exist as a sovereign Jewish state. The two groups differ primarily on tactics, strategy, and timing.

Egypt is currently following a pragmatic course because President Sadat recognizes that his country is in dire economic straits. With a limited agricultural base, an uneducated, expanding population of nearly 40 million, an inefficient bureaucracy and a stagnant economy, Egypt is apparently seeking a period of nonwar. Unfortunately, this is not a period of peace, but rather, a respite during which Egypt might attempt to deal with its massive internal development problems. Right now, Egypt surely needs tractors more than tanks. But time is needed to determine whether Egypt is sincere in its professed new friendship with our country and whether it is really interested in moving toward genuine peace with Israel. The signs we are seeing today are not reassuring, nor are President Sadat's recent statements.

The radical Arab States view Israel's very existence as a shame which must be eradicated. By now, it should be realized that the creation of a so-called democratic secular state in place of Israel actually means the destruction of Israel.

Israel today still confronts an Arab alinement which seeks either Israel's immediate demise, or its dismantling in stages. First, back to the 1967 armistice lines, then back to the 1947 partition lines. A return to the 1967 lines would create a hair-trigger situation that, in the absence of a full peace, would create the certainty of war.

MILITARY AID

Israel's request for arms aid from the United States exists within this overall political framework. Despite the dangers which face Israel, Israel does not seek quantitative military superiority over its Arab neighbors. Rather it seeks the minimum necessary to deter future aggression, and if deterrence fails, to defend itself. Israel's arms requests and military posture appear to demonstrate a desire to maintain a 1 to 3 balance of military power in favor of the Arab States which would confront her, in troops, planes, and tanks. Yet it is likely that even this unfavorable ratio—which tests Israel's human capabilities to the limit—will soon grow even larger, and as absolute numbers increase, the ratios become even more dangerous. The ratios of the balance of military power against Israel are attached at appendix A, and are broken down to include the forces available to the confrontation states—an Arab-coined term, denoting Egypt, Syria, and Jordan—and the anticipated contributions of other Arab States.

Today, Israel's adversaries are purchasing vast quantities of modern arms from the United States, Britain, and France, but primarily from the U.S.S.R. The creation of an overwhelming military advantage against Israel will invite the Arab States to return to the war option.

Since 1972, there have been nearly 60 known major arms sales to Arab States from the West and the Soviet Union. The most sophisticated weapon systems in production have been made available. The net worth of these sales from both West and East has conservatively been estimated at $10 billion, and as high as $14.5 billion.

Most of these sales have been financed by Arab oil-producing States. Parenthetically, I would note that since the OPEC nations have raised oil prices by 500 percent since 1973, the Western oil-consuming nations have in effect been subsidizing these massive arms purchases. Saudi Arabia, Kuwait, and the United Arab Emirates have pledged to transfer weapons to the "confrontation states" on Israel's borders should there be another war. Already, a number of weapons

purchased by the oil-producing States have been delivered to confrontation states, particularly Egypt, which, for example, has recently displayed its new French Mirage F–1 fighter bombers.

Recently, there have been press reports that Egyptian pilots are being trained by Iran to fly American-made F–4 Phantom fighter bombers, and the administration, on December 2, described this as "demonstration flights." The Department of State also confirmed on November 18 that Saudi pilots, flying U.S.-made F–5 interceptor aircraft, participated in aerial maneuvers in southern Syria early in November and that all of the Saudi planes either took off from, or landed at, northern Jordanian airfields. The administration contends that both these actions did not represent a violation of the Foreign Military Sales Act since there was not training according to its definition, and that no U.S.-made equipment was actually transferred to a third party. However, the practical effects here are clear, and these strongly suggest that the operable provisions of the law should be made more explicit in curbing third-country benefits from U.S.-provided weapons. The billions of dollars worth of arms Saudi Arabia is now receiving from the United States must be regarded as a potential direct military threat to Israel—and raises grave doubts as to the wisdom of the magnitude of these sales.

Listed at appendix B are just some of the major aircraft deals already concluded or anticipated between the Arab States and Western and Soviet suppliers.

Most of the new aircraft supplied to the Arab States will be fitted with advanced air-to-air and air-to-surface missiles of French and American manufacture. This, plus the dense surface-to-air missile systems already installed, will pose a particular danger to Israel, whose defense depends upon air superiority. It is an open question whether Israel's pilots, no matter how skillful, could effectively combat the advanced aircraft, and thousands of missiles now being shipped to Arab States.

While he was in the United States, President Sadat complained that his principal arm supplier, the Soviet Union, was letting him down. He stated: "Up until this moment, I haven't replaced any piece of arms that I lost in the war." But according to the authoritative International Institute of Strategic Studies (IISS), the Soviet Union not only has replaced most of Sadat's losses in the Yom Kippur war, but has added to his military capacity in some areas. Your questioning of administration officials on this point should bear this out and also confirm the fact that Egypt has continued to receive vital spare parts, and this flow has recently been accelerated. Attached to appendix C is a listing of Soviet military supplies to Egypt and Syria since the Yom Kippur war.

This incredible buildup endangers Israel's security. According to the IISS, Israel in 1976 will face the Arab confrontation States' total of 1,500 combat aircraft, 6,500 tanks, and 762,000 troops, plus 1,051,000 reservists. Israel is listed as having 461 combat aircraft, 2,700 tanks, 155,000 troops including thousands of women, and 246,000 reservists. These reservists include men in their fifties who have fought in four wars.

An authoritative estimate of the actual lineup of forces Israel might have to face in 2 years is attached at appendix D. And again, we would invite administration comments on the accuracy of these projections. We note that these projections include realistic assessments of what percentages of forces the nonconfrontation Arab States will be able to supply.

During the Yom Kippur war, a total of nine Arab States gave their active support to Egypt and Syria in their attack. Attached at appendix E is a listing of these countries with their contributions, and Arab verification of this direct participation.

Saudi Arabia's acquisition of a large navy and a massive air and armor capability forces Israel to include that nation in its strategic planning. The recent formation of a top-level committee to coordinate political and military affairs between Syria and Jordan is also ominous because this new arrangement is almost tantamount to a joint command. It suggests that Jordan, despite its friendship with the United States, will be unable or unwilling to resist getting involved if Syria starts a new war with Israel.

In considering Israel's request for arms assistance, one must bear in mind the sophisticated nature of the weapons which Israel must purchase to match the high-technology equipment acquired by her foes. Inflation and advances in technology have increased costs 5 to 10 times over comparable levels a decade ago.

For instance, it is estimated that the 25 F–15 Eagle fighter bombers Israel will soon purchase, will cost her $600 million, compared to approximately $100 million for the same number of F–4 Phantoms.

It must also be borne in mind then that while Israel's Arab adversaries can choose among half a dozen Western and Eastern suppliers, Israel can only look to the United States for assistance. It has no alternatives. The $1.5 billion in military credits requested by the administration is the bare minimum for Israel to maintain its defenses and deter another war.

Because of the very valid questions raised in the Congress regarding the arms to be provided to Israel, attached at appendix F is a listing of the types of American equipment Israel is seeking to purchase in fiscal year 1976. The quantities involved could be supplied by the administration.

ECONOMIC AID

Israel's population of less than 3½ million have borne the major burden of their own defense. They are already the highest taxed people in the world, with more than 60 percent of an average week's salary going to the Government. As a result of this, Israel's economy is strained to the limit.

In evaluating the $755 million in economic supporting assistance being requested for Israel, it should be noted that Israel was hard hit by inflation in the wake of the Yom Kippur war—40 percent in 1974 and 20 percent this year. Private consumption has decreased by over 5 percent, building is down by 17 percent, and investment has dropped 13 percent in the last 2 years. Inflation and the removal of subsidies have nearly doubled the price of foodstuffs and fuel for the Israeli consumer.

The Israel Government has been forced to implement a series of austerity measures including devaluations and new taxes in order to maintain economic stability. The Israeli pound has been devalued 67 percent since November 1974.

Israel has reformed its tax structure by taxing formerly exempt items, such as fringe benefits and the cost-of-living allowance, and use taxes and duties have been levied or increased. Thus, the Israeli taxpayer faces even a larger tax bill in the coming year than ever before.

Despite these stringent measures, Israel's economic activity has slowed since the Yom Kippur war. In comparison with its 12-percent growth rate in 1972, Israel's GNP actually dropped 6 percent in 1975 and may drop in 1976. The austerity program has decreased Israel's nonmilitary imports by 6 percent, but Israel still faces a continuous deterioration in its foreign reserve position.

By 1976, it is expected that reserves on hand will only be capable of covering 12 percent of imports. Given Israel's tenuous and exposed geopolitical position, which may require large outlays on short notice, Israel should maintain foreign reserves at double the present level. There is little likelihood that Israel will achieve this in the foreseeable future.

The $755 million administration request for economic supporting assistance will not help Israel raise its standard of living because of new economic burdens undertaken as a result of the Sinai Accord. A breakdown of the amount shows a total of $150 million in cash budgetary assistance and $590 million commodity import program to purchase U.S. goods including some $240 million in the form of credits.

Although more than 90 percent of all U.S. worldwide military assistance since 1946 has been in the form of grants, Israel never received any grant military aid until 1973. Israel has, therefore, gone deeply into debt to pay for her security. Israel's foreign debt will be $7.9 billion in 1975, and $9.8 billion in 1976—over $2,800 per capita, more than five times that of any other nation. Israel's defense expenditures already consume 30 percent of the country's GNP, compared with 6 percent in the United States.

It is also important to remember that Israel remains America's second largest trading partner in the Middle East, after Iran. Israel plans to spend well over the amount requested by the administration in the United States this year.

Since a significant portion of the request is expected to be in the form of loans payable with interest, it is noteworthy that Israel, unlike many other nations, pays its debts. In 1975 alone, Israel will repay the United States $230 million in interest and principal for military credits alone. And it is also important to remember how wisely Israel uses each dollar.

The Yom Kippur war did not end for Israel on October 24, 1973. The state of alert continues to this day. The war consumed the equivalent of Israel's entire

1973 GNP in just 18 days. Its costs have created an enormous burden for Israel's people for the past 2 years. The foreign aid levels being requested will enable Israel to continue to work toward peace. There is no fat in these requests—any reduction will be cutting into bone.

As in recent years, it is hoped that the committee would earmark the aid in the bill for Israel, thereby making certain the funds proposed by the administration will actually be allocated. First, to earmark the $1.5 billion in military sales credits and the forgiveness of one-half of that amount on a mandatory basis. Second, to earmark the supporting assistance program; and third, a determination that military credits shall be obligated on a long-term repayment basis either without regard to the limitations in section 23 of the Foreign Military Sales Act or by the issuance of guarantees under section 24. These amendments have already been approved by the House International Relations Committee.

It is important to consider that American support of Israel has accompanied the improvement of the overall U.S. position in the Middle East. Following approval of the emergency $2.2 billion aid by Congress, the United States resumed diplomatic relations with Egypt and Syria, and has recently become the sole party trusted to mediate the Arab-Israeli dispute.

We fully realize that during this time of economic uncertainty in our own country, foreign aid is generally unpopular. But the public opinion polls continue to demonstrate understanding and support for Israel's needs.

Aid for Israel is an integral part of U.S. Middle East policy. As the Secretary of State recently stated in his testimony, "The keystone of our policy in the Middle East has always rested on the ability of Israel to persevere in its own defense."

Aid to Israel demonstrates continuing support for a reliable, democratic ally, and reinforces the common bonds between the American and Israeli peoples. Only a viable and secure Israel can convince the Arab States that negotiation, not confrontation, is the only means of solving the Arab-Israel conflict. Only then can it be hoped that Israel's neighbors will recognize the mutual benefits which may be attained from normalized relations, communication, and cooperation.

Aid to Israel should be seen as an investment in Israel's future, in America's future, and most important—it is an investment in peace.

Appendix A

RATIO OF BALANCE OF MILITARY POWER AGAINST ISRAEL

	1975		1980 (assuming full funding of $1,500,000,000)	
	Confrontation states [1]	Confrontation area [2]	Confrontation states [1]	Confrontation area [2]
Combat aircraft	2.8 to 1	3 to 1	3.2 to 1	3.8 to 1
Tanks	2.7 to 1	3 to 1	3 to 1	3.6 to 1
Artillery	6 to 1	9 to 1	8 to 1	9 to 1
Armed forces (divisions)	4 to 1	5 to 1	5 to 1	6 to 1
SAM batteries	10 to 1	12 to 1	18 to 1	20 to 1

[1] Egypt, Syria, and Jordan.
[2] Confrontation states plus anticipated contribution by states outside confrontation area—Egypt, Syria, Jordan, Iraq, Saudi Arabia, Kuwait, Libya, Algeria, Morocco, Sudan, and Tunisia.

Appendix B

Procurement of aircraft by Arab States

Abu Dhabi: 32 Mirage V fighter bombers costing $230 million; 18 Mirage III–E fighter bombers with an estimated cost of $125 million.

Iraq: 40 Mig–23's; 40 French Alouette III heilcopters.

Jordan: 24 F–5A fighters, via Iran; 36 F–5E fighter bombers at $200 million plus.

Kuwait: 36 A–4 Skyhawk fighter bombers, $250 million, including training, support, and spares; 18 Jaguar fighter bombers from the United Kingdom at $63 million.

Libya: 40 Mirage F–1's; 12 Tu–22 bombers; 29 Mig–23's. (Note.—Part of a $2 billion deal for aircraft, tanks, helicopters and SA–2, SA–3, and SA–6 missiles.)

Saudi Arabia: 38 Mirage III–E's. This sale also included 450 AMX–10 and AMX–30 tanks and Crotale Sam missiles for a total cost of $870 million; 90 F–5E's, $1.095 billion; 200 Bell AH–1J Sea Cobra helicopters, the first of 440 to be delivered.

Syria: 130 Mig–21 fighter bombers; 60 Mig–23's; 15–40 French Super Frelon troop-carrying helicopters.

Egypt: 20 Mirage F–1 fighter bombers at $315 million, paid for by Kuwait; 30 Mirage V's, paid for by Saudi Arabia. In addition, plans have been announced to purchase another 62 fighter bombers for direct delivery to Egypt in the next 2 years; 25 Mig–23 fighter bombers—all since the Yom Kippur war; 24 British Westland Commando troop-transport helicopters. More recently, there have been authoritative reports of a $1.2 billion deal for 200 British Jaguar fighter bombers.

Soviet transfers of weapons to Egypt and Syria

EGYPT

Immediately after the October 1973 War:

Combat aircraft—100.
Tanks—1,000 (including 600 T–62).
Armored personnel carriers—hundreds.
Artillery pieces—hundreds.
SAM batteries—30.

Since 1974.—Egypt has received $1.5 billion worth of equipment from the U.S.S.R. including Mig–21's, 25 Mig–23's, Sukhoi–20's, spare parts and ammunition. Egypt is, at present, continuing to receive munitions and spares, and there have been reports of new arms deals with the Soviet Union.

In addition, Egypt is purchasing combat aircraft, helicopters, antitank missiles, and electronics from France, Great Britain, Italy, and Germany, financed by the oil-producing states. Night-vision equipment is also being bought from the West, although Egypt already possessed this material in its arsenal before October 1973.

SYRIA

Immediately after the October 1973 War:

Combat aircraft—100.
Tanks—over 1,000.
SAM batteries—15.

Since 1974.—Syria has also received 60 Mig–23's, armored personnel carriers, artillery, electronic equipment and a battalion of SCUD surface-to--surface missiles. A new arms deal was concluded between the Soviet Union and Syria in October 1975; the quantities involved are unknown.

LIBYA—THE ARAB WEAPONS SUPPLY DEPOT

Libya is scheduled to receive several billion dollars worth of weapons from the Soviet Union and Mirage aircraft and helicopters from the West. It will form a huge arsenal from which the confrontation states can draw.

Libyan arsenal 1975:
1,100 tanks (600 T–62's);
15 Sam–6 batteries plus 11 in 1976;
Tu–22 bombers;
100 Mirages;
24 Mig–23's.

Libyan arsenal by 1979:
88 Mirage F–1;
12 Super Frelon helicopters;
12 missile boats (French);
4 missile-carrying Corvettes (Italian);
700 armored cars (Brazilian).

APPENDIX D

What the Arab States are expected to contribute in a future war with Israel

EASTERN FRONT—(SYRIA, JORDAN, IRAQ, SAUDI ARABIA, KUWAIT)

20 divisions;
1,000 combat aircraft;
5,400 tanks;
5,000 armored personnel carriers;
3,000 artillery pieces; and
150 SAM batteries.

WESTERN FRONT—(EGYPT, LIBYA, ALGERIA, MOROCCO, SUDAN, TUNISIA)

15 divisions;
1,150 combat aircraft (840 from Egypt);
3,500 tanks;
3,850 armored personnel carriers;
2,800 artillery pieces; and
250 SAM batteries.

APPENDIX E

Arab military participation in the Yom Kippur War

This is a list of countries, aside from Syria and Egypt, which participated in the Yom Kippur war.

JORDAN

While King Hussein refused to open a third front against Israel (he had apparently been kept in the dark regarding the Egyptian and Syrian invasions), he dispatched two of his best armored units—the 40th and 60th Armored Brigades—to Syria. The Jordanian force took positions in the southern sector, defending the main Amman-Damascus route. The Jordanian force was given the task of attacking Israeli positions along the Kuneitra-Saasa road on October 16. Three Jordanian artillery batteries participated in the attack carried out by close to 100 Jordanian tanks. An estimated 50 of these tanks were destroyed by the Israeli army.

IRAQ

A few months before the Yom Kippur war, Iraq transferred a squadron of Hunter jets to Egyptian airfields. During the war, the Iraqi 3d Armored Division, an estimated 20,000 men and 320 tanks, deployed itself in the central Golan sector and also participated in the October 16 attack against Israeli positions. This division was badly mauled, and an estimated 100 tanks were destroyed. An additional armored division and an infantry division were also deployed, with 280 tanks. Iraqi Migs, and pilots began operating over the Golan Heights as early as October 8, the third day of the war. They, too, suffered heavy losses. After the war, Israel returned 17 Iraqis captured during the fighting.

SAUDI ARABIA

A Saudi brigade was dispatched to Syria, beside a brigade-sized contingent stationed in Jordan since 1967. Estimated Saudi force in Syria: 3,000.

KUWAIT

Kuwaiti troops had been stationed on the Suez Canal since 1969 where they were apparently integrated to some extent into Egyptian formations. Postwar honors and decorations to Kuwaiti units indicate participation. There are also reports that Kuwait transferred Lightning fighters to Egypt during the war.

LIBYA

Despite a French embargo on transfer of French-made weapons, Libya turned over to Egypt approximately 40 Mirage III's. These jets took part in combat on the Sinai front, and several of them were shot down. Libya sent one armored brigade to Egypt in 1973 and during the war supplied Egypt with 100 tanks.

TUNISIA

A battalion-size unit was sent to Egypt and stationed in the Nile Delta.

ALGERIA

Three squadrons of Algerian planes—two of fighters and one of Il–28 bombers—were dispatched to Egypt, as well as an armored brigade. All took part in combat. Also, 150 tanks were transferred.

MOROCCO

Morocco sent the equivalent of three brigades to fight on both Syrian and Egyptian fronts. In Syria alone, there were an estimated 2,500 troops. A number of Moroccan troops and officers were captured by Israel.

SUDAN

Sudan announced the dispatch of 4,500 men to Egypt. An estimated 3,500 were stationed in southern Egypt.

LEBANON

Lebanon opened its entire southern border allowing terrorist gunners to shell Israeli civilian settlements. In addition, Lebanese radar units, particularly at Jebel el Baroukh, were used by Syrian air defense forces.

Non-Arab support for front line states.—According to reliable reports, 30 North Korean pilots flew base defense missions for Egypt, and clashes with Israeli jets took place. It was recently revealed that two North Korean pilots were shot down in these dogfights. In addition, there were reports of Pakistani pilots participating in fighting in Egypt and North Vietnamese SAM technicians and Cuban tank officers participating in Syria. Yugoslavia transferred 150 tanks to Egypt.

You might also find Egypt's President Sadat's comments on this issue interesting:

Cairo Domestic Service, July 23, 1975.—"We thank our Arab brothers, directly after the commencement of the battle, they hastened to give us assistance. Saudi Arabia, Kuwait, Abu Dhabi, Qatar, and all our brothers helped, and before them, as you know, President Boumediene purchased arms for us during the battle from the Soviet Union . . .

"As I said in a previous speech, one of the most significant achievements of the October war was the Arab solidarity or the unified Arab stand which we had not been able to achieve for centuries.

"First there is the Arab Maghreb. You remember that King Hassan of Morocco and the Moroccan people adopted a stand. They sent Moroccan forces to play a role in the Suez battle which we will never forget * * *

"Then there is Algeria. President Boumediene, without contacting anybody, left secretly during the battle for the Soviet Union and paid $100 million for Egypt and $100 million for Syria. He asked the Soviet Union to send the arms requested by Egypt and Syrian quickly. This was during the battle. He did not stop at this. He sent Algerian armored forces and planes which arrived here after the cease-fire. These forces were the ones which took part in the war of attrition on the dividing line after the cease-fire.

"Tunisia also sent a group to fight with us and it completely supported our stand * * *

"Now, I deal with Saudi Arabia * * * before the battle, Faisal purchased helicopters for Egypt and gave them as a gift * * * He did not stop at this. He purchased Mirage aircraft for Egypt * * *

"Our brothers in Kuwait adopted the same stand * * * They also bought us some planes and asked us if we required anything else, as for example, oil, arms, and so forth * * *

"This is the stand of our Arab brothers. Iraq had a squadron of planes and fought heroically and brilliantly in the first onslaught * * *"

APPENDIX F

Equipment Israel expects the $1.5 billion in fiscal year 1976 will help to finance

TOW antitank missiles; fighter bombers (F–15 Eagle); tanks (M–60); artillery pieces (M–107); armored personnel carriers (M–113) to replace its antiquated World War II half tracks; helicopters (Cobra gunships); rifles (M–16); range finders; miniature remote piloted vehicles; night-vision equipment; communications equipment; radars; "Smart" munitions; and spare parts.

NOTE.—Many of the items listed above will not actually be delivered in fiscal year 1976, but payments must commence during this period.

STATEMENT OF CLYDE M. WEBBER, NATIONAL PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

The American Federation of Government Employees, representing over 700,000 Federal employees in exclusive recognition units who perform every kind of service for the Federal Government in this great country and overseas, appreciates this opportunity to submit our statement for the record on the Agency for International Development's budget request for fiscal year 1976.

We are also pleased to include along with our statement AFGE Local 1534's statement on the same subject. We think you will find their statement of great interest.

Our statement is brief but we wish to make it clear that we and the leadership of local 1534 plan to be in contact with members of the subcommittee to assist in the markup process particularly with regard to giving AID more leeway with regard to direct hires. Contracting out has reached runaway proportions within AID, and we think it is having a harmful impact upon the Agency's program efficiency, delivery capability, and general employee morale.

In earlier testimony it was acknowledged by AID officials that this fiscal year's budget request shows a 500-position decrease in direct hires from fiscal year 1975 totals. This is in large part due to more reliance on contractual agreements with universities.

Unfortunately, agencies are often forced to take such alternative actions because of personnel ceiling restrictions placed upon them by OMB. This results in divisiveness within Federal agencies.

In conclusion, we urge this subcommittee to adopt something similar to local 1534's recommendation which would in effect enable AID to utilize a set amount of its funds budgeted for development assistance to increase its operating expenses under the conditions outlined.

We look forward to working with the subcommittee and other congressional committees so charged toward the establishment of this principle in AID and throughout the Federal Government.

STATEMENT OF ROBERT H. FREED, AGENCY FOR INTERNATIONAL DEVELOPMENT UNIT CHAIRMAN, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, LOCAL 1534, WITH THE CONCURRENCE OF HANK COPE, LOCAL 1534 PRESIDENT

On behalf of the employees of the Agency for International Development represented by the American Federation of Government Employees, Local 1534, I wish to express our appreciation for the opportunity you have afforded us to present our views on this budget request.

PERSONNEL CEILINGS AND HOW THEY ARE EVADED

At some time each agency is faced with the dilemma as to how they can provide adequate staff to perform given tasks in the face of employment ceilings which have been imposed upon them. Failure to perform these tasks might often appear to be gross negligence on their part.

The universal solution to this problem is the use of outside personnel . . . nondirect hire employees.

AN EXAMPLE OF THE USE OF OUTSIDE PERSONNEL TO EVADE PERSONNEL CEILINGS WITHIN AID—A LOOK AT ONE OFFICE

Within the Office of Housing, of AID, despite a continuously increasing program, the Agency has limited, and even at times reduced, the number of direct hire employees. As a result, in fiscal year 1975 the Office of Housing had direct hire expenditures of about $850,000 and contract expenditures of about $1,850,000.

They contracted for the services of architects, engineers, economists, accountants, et cetera . . . all to perform tasks similar to those performed by their brother professionals who were direct hire employees.

As an example, in Abidjan, the Ivory Coast, the regional housing office is staffed by two contract employees of two Washington-based contractors. They perform the exact same functions as direct hire personnel in other countries. Of course, the employment ceilings left no alternative but to fill these positions with contract personnel if the job was to be done.

The senior of the two men in Abidjan has now worked in a similar capacity throughout Africa for some 10 years. The junior is about to be transferred to an open position in Korea, just as if he were a Foreign Service direct hire employee.

Other overseas housing offices can be found to be staffed with various combinations of both direct hire and contract personnel.

When the junior man is transferred to Korea, his place in Abidjan is to be taken by a young AID intern because interns do not count against personnel ceilings.

In Honduras, the regional office for Central America, an indigenous secretary is employed by one of the U.S. contractors to serve the office because they cannot hire a secretary directly. U.S. technicians employed by contractors fill other professional jobs as well in Central America.

As a matter of fact, on past occasions, the Office of Housing has had secretaries employed by contractors working in their offices within the Department of State. They also physically situated their technical division within a contractor's office for many years so that they could more directly supervise the substitute staff as if it really were their own.

One of the contractors employs a staff of accountants who alternate assignments with the Agency's own auditors. Even so, it remains questionable as to to the sufficiency of their auditing.

More than half a dozen of the contracts that the Office of Housing has are open ended in that they permit the office to request certain professional services as needed. In this way they can use these contracts to call upon people, not regularly employed by the contractors, to serve in various long or short-term capacities. This is done despite the fact that the Agency itself employs people in these same capacities on a full-time basis.

This has not been meant as a criticism of the Office of Housing. If they had not been permitted to do this, they quite simply would not have been able to carry out their program. This is meant, however, to show how an office can spend twice as much for outside personnel as it does for direct hire personnel solely because someone has limited the number of direct hire employees they may have; while at the same time, no one seems to care how much money is spent for personnel.

All of this is done despite the fact that Bureau of the Budget Circular No. A–76 has long held that agencies will not contract for services "for the purpose of avoiding established salary or personnel limitations."

COST CONSIDERATIONS WHEN USING CONTRACT EMPLOYEES IN LIEU OF DIRECT HIRE PERSONNEL

In the case of the U.S. technicians employed through contractors by the Office of Housing several observations can be made: The contractors' own overhead combined with the Agency's overhead for their administration raises the cost well above that for direct hire technicians. This is particularly true for those contractors who employ their own staffs with pay scales that match Federal service.

At least one contractor provides higher life insurance and earlier retirement than direct hire employees receive.

The additional management levels required to direct contract employees raises the cost and reduces responsiveness.

U.S. technicians stationed abroad under contract receive tax benefits that add as much as $10,000 to their cost to the Federal Government as well as costing their States of residence tax losses.

Even the indigenous secretary hired by the contractor in Honduras costs more because we must pay the contractor's overhead above her salary.

AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES LOCAL 1534, POSITION

Our organization strongly believes that the successful operation of the Agency for International Development is our only security. We believe that such success demands that a certain flexibility be afforded management to carry out its job. They must not be so constructed that they deliberately seek ways to evade rules and regulations or personnel ceilings in order to accomplish their mission.

We believe that throughout AID similar evasions to those we have cited in but one office may be found. We know that the Agency uses every method open to it to bring in outside personnel and often places them in its offices performing normal Government jobs side by side with the direct hire staff. This brings about conflict and dissatisfaction between the two staffs. Resentment runs high among the Government employees who know that AID is continuing to reduce its direct hire staff while these "outsiders" increase in number. The individuals faced with such situations do not try to place blame on the external forces that might limit AID personnel ceilings, but, rather place it directly upon the Agency itself. * * * AID employee morale is very low.

We recognize that, despite these abuses, agencies must retain a right to contract for outside services, as necessary. Their operations will always demand some services that are not or should not be permanent. They will always require special and unique skills for some temporary task.

The subcommittee has the authority to correct this dilemma in AID now.

RECOMMENDATION OF THE AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, LOCAL 1534

We respectfully request that you consider the following amendment to this bill:

The Agency for International Development may utilize an amount not to exceed 1 percent of its funds budgeted for development assistance to increase its operating expenses, and employees paid from such funds shall not be charged against the agency employment ceilings, under the following conditions:

1. When a given task can be better performed within the Agency;
2. When a given task can be more economically performed within the Agency; or,
3. When a given task is more properly performed within the Agency.

DISCUSSION OF OUR RECOMMENDATION

This recommendation will afford a flexibility to AID which is unavailable under the present rigid personnel ceilings presently imposed throughout the Agency. It will do this within the established total budget limitations.

Based on the requested budget for Development Assistance of $1,083 million, approximately $10.8 million could be used in this fashion * * * a very low figure in consideration of the $1.85 million used by only the one small office cited for its outside staffing. And, this figure amounts to only 5 percent of the Agency's most recent request of $204 million for its operating budget.

We believe that AID is wrong in its statement as to the relative costs of contract versus direct hire personnel. Chairman Passman's statement "that sometimes it is 2½ times as high" is much nearer to the truth.

In the case of at least one reimbursable technical assistance contract, AID has determined that its overhead costs are 95 percent. This is twice the level of "Contractor support costs" presented by the Agency on June 15, 1975.

Since our proposal would only give A.I.D. management the option to divert development assistance funds to operating expenses, it will not impose any restrictions upon them, rather, it will open the door to greater opportunities. At the same time it will not impede development assistance, but will create a greater ability to bring programs to fruition as it reduces their actual costs.

IN CLOSING

We have attempted to present a solution to a long recognized problem of Government agencies. We hope that you will consider it as a meaningful endeavor to find a solution that retains all of the goals you might place in this appropriation bill while presenting greater potential for their success.

We thank you for the opportunity to have made this presentation and for your consideration of it.

STATEMENT OF CHARLES A. SULLIVAN ON CLAIM OF SEA OIL AND GENERAL CORPORATION AGAINST THE REPUBLIC OF INDONESIA

Mr. CHAIRMAN. My name is Charles A. Sullivan, and I am president of Sea Oil and General Corp., of New York, and my corporation is owned 82 percent by American citizens.

I greatly appreciate the opportunity and honor of testifying before this subcommittee. The purpose of this testimony is to draw attention to the fact that years ago he Republic of Indonesia expropriated considerable American assets, and until today refuses to pay adequate and effective compensation, or even to enter into negotiations which may lead to settlement of this claim. Secondly, it is my hope that, becoming aware of this intolerable situation, the Congress of the United States will take whatever action it deems to be necessary, as it is empowered to do, and thus help bring relief to citizens of this country.

The subject of my appeal to you is the large tea and rubber estates of Sea Oil, totaling 30,659 acres, which were expropriated by Indonesia in the years 1958 to

1964. Those estates, together with their associated factories, warehouses, transport, housing, bank accounts, accounts receivable etc., were taken, and not 1 cent has been received as compensation. The Government of Indonesia has made the corporation offer of payment, and that offer is a derisory 2 cents in the dollar of our claim.

I well understand that in overall international picture, this claim is of little or no significance. It totals only $10.4 million, plus interest. However, I submit that not only is there a denial of justice to American citizens, but there is also a matter of principle at stake here. The principle is whether U.S. aid should continue to be given in generous quantities to a government openly and defiantly in breach of international law, and in breach of its own freely given commitments.

It has long seemed to me, and to my legal advisors, that such aid should be carefully reviewed in these circumstances. It has long seemed that the Congress and the executive has made its decision on this issue. Congress spoke in the Hickenlooper and Gonzalez amendments, and the President reiterated Government's view in January 1972, when he said, and I quote: "Under international law, the United States has a right to expect . . . that its citizens will receive prompt, adequate and effective compensation from the expropriating country. Thus, when a country expropriates a significant U.S. interest without making reasonable provision for such compensation to U.S. citizens, we will presume that the United States will not extend new bilateral economic benefits to the expropriating country unless and until it is determined that the country is taking reasonable steps to provide adequate compensation or that there are major factors affecting U.S. interests which require continuance of all or part of these benefits.

"In the face of the expropriatory circumstances just described, we will presume that the United States Government will withhold its support from loans under consideration in multilateral development banks." End of quote.

I do not wish to enter into the details of this claim. All the documentation is here and can be presented if the subcommittee so desires. But it would, I think, be helpful briefly to outline the sad history.

As major estate owners, Sea Oil and not operate effectively during the period of nationalist revolution between 1945 and 1949, but immediately peace—and American-supported independence—came, large rehabilitation and expansion programs began.

Things proceeded well at first, but gradually, as the extreme left wing gained ascendency, operations grew difficult. We, in common with all other Western investors, found ourselves faced with creeping nationalization. I take that expression from the congressional debates on the Hickenlooper amendment, and it well describes the process of gradually taking over an enterprise without actually expropriating it.

Repatriation of profits was forbidden, residence permits for staff refused, production directed to a single state-controlled outlet, lease renewal applications ignored, and punitive taxes imposed. All of those things happened, Mr. Chairman, and more, and Congress was indeed right in dubbing them creeping nationalization.

Twice in those troubled years between 1958 and 1964, when all Western enterprise was finally banished from Indonesia, the Sea Oil estates and properties were taken over by Indonesian authorities, and twice they were restored after energetic intervention by the U.S. Embassy.

Sea Oil was unique among American estate enterprises in Indonesia in two particulars. First, our estates were in the heavily populated West Java area, and second, our two major estates were freehold land. I believe that all other American estate enterprises were in sparsely populated North Sumatra, and that all of them were leasehold lands.

In 1958, the Indonesian Government declared the abolition of freehold land, and by that seized perhaps 50 percent of the assets of the corporation. Over 15,000 acres of our freehold land was placed immediately into government hands. By the very terms of the law, no compensation of any kind was provided for. Another 3,000 acres of freehold land was also taken over, and as nonnegotiable compensation the corporation was offered a short-term lease of its own lands.

Naturally, the corporation protested at this action and demanded that it be properly compensated for its losses. The protests and demands were ignored.

Nevertheless, the corporation continued to struggle, and obviously with certain successes. In 1964, immediately before the Ministerial Decree which totally dispossessed Sea Oil of all its assets, the various agricultural bodies of the Indonesian authorities praised Sea Oil for its efforts. Certificates were issued to

the corporation attesting to its good husbandry, to its sound social and economic policies, to its good labor relations, and much else.

Immediately after that praise came total nationalization. Every inch of land was seized, every rubber tree, every tea bush, all factories and houses and transport, all bank accounts, all archives. This was done on the order of the Minister of Agriculture, whose guideline to all action was the Basic Agricultural Law of 1960, which he had fathered, and whose declared aim was the establishment of Indonesian socialism.

About 2 years later that left-wing government fell, and was replaced by that of General Suharto, who is still President.

One of the first acts of that new government was to promise that all foreign property seized by its predecessor would be returned to the rightful owners, or those owners compensated. It was in the light of that promise that the western nations and Japan banded together in the Inter-Governmental Group on Indonesia, the IGGI, to provide financial support to the new Government. Since then, the United States alone has contributed more than $1.5 billion to that country. Indonesia. And yet Indonesia still refuses to pay compensation for those properties expropriated so many years ago.

Early in 1968 the Corp. initiated formal action for the return of the seized properties. That action has continued unremittingly, but without result. During all those years corporation executives, attorneys and managers have been almost constantly in Jakarta, seeking even to initiate negotiations, but without result. Even repeated intervention by the U.S. Ambassador met with no success, not even in arranging a meeting with the responsible Minister.

Over the past seven years, only three official communications have been received from the responsible minister, who is now the Minister of Finance. The second of these, dated January 28 of this year, contained the previously mentioned offer of $450,000.

Since then, Mr. Chairman, we have had our Counsel undertake a total analysis of this claim and its history. The conclusion of that analysis is clear. The action of the Indonesian Government is in direct conflict with international law. It has broken the norms of conduct which must govern the relations between all states wishing to be members of the community of nations.

In replying to that January 28 letter from the minister of finance, the corporation naturally rejected his 2 cents in the dollar offer, and again requested negotions. A reply to that letter was received in early September. It merely reiterated the earlier offer and again refused to do enter into negotiations. The corporation, of course replied immediately, yet again requesting negotiations. Four months later, there has been no reply at all.

Perhaps it may be noted that in his letter of January 28, the Minister stated that the expropriation was carried out in accordance with the relevant agrarian laws and regulations, and that his derisory compensation offer was also based on the existing agrarian laws and regulations. That is, no Indonesian law was broken. That, however, is not the point at issue. Indonesia has broken international law and has broken the understanding upon which is based the flow of aid from the United States to that member in good standing of the OPEC group of countries.

As late as September of this year, the Indonesian Foreign Minister in the General Assembly of the United Nations agreed that expropriation cases must be settled on the basis of international law, and not on the basis of domestic law of the expropriating country. Fine words, but what is the practice behind those words, and what is the future intent?

Mr. Chairman, for many years now my corporation has sought to negotiate this claim to an equitable solution. We have been well served and assisted by the State Department and our Ambassador. There has been no result. Therefore I appeal for the assistance and guidance of Congress.

U.S. policy in expropriation cases calls for prompt, adequate and effective compensation. We can no longer receive prompt compensation. The passage of seventeen years after the act of expropriation precludes that. We are the victims of that oldest of legal aphorisms that "Justice delayed is justice denied". But we could receive adequate and effective compensation. That is what we seek, and that is what we ask your assistance in obtaining.

STATEMENT OF NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

Mr. Chairman and distinguished members of this committee, I am Robert D. Partridge, the general manager of the National Rural Electric Cooperative Association, NRECA. NRECA is the national service organization of nearly 1,000 consumer owned, REA financed rural electric systems. These systems serve more than 22 million people in 46 States.

The National Rural Electric Cooperative Association has been concerned with and involved in developing cooperative rural electrification in the countries of Latin America since 1961, as a contractor with USAID. Since that date this organization has provided formal assistance in a number of other countries as well. In fact, assistance and training of some type has been provided in 31 developing countries of the world; 128 specialists, representing 72 member systems of NRECA from most of the States in the Union have participated in these overseas programs. All are convinced that cooperative rural electrification can be a key factor for development in the rural areas of the developing world.

Interest in rural electrification continues high in the developing countries as they envision its potential as a major factor in development of their rural areas. In response to this interest, NRECA has made familiarization surveys in Mexico, Ethiopia, Ghana, Ivory Coast, Kenya, Liberia, Malagasy Republic, Nigeria, Sudan, Zaire, and Zambia on the African Continent; as well as, Afghanistan, Indonesia, Malaysia, Turkey, and Papua New Guinea in Asia.

As a result of such activities, AID loans for rural electrification have been awarded to 10 developing countries or their power authorities. In addition, 73 task orders have been effected for technical assistance or training and consulting by NRECA specialists to assist these countries in the development of their rural electric systems.

NRECA has provided assistance in organizing 31 rural electric cooperatives in Latin America: Bolivia, 5; Brasil, 12; Columbia, 1; Costa Rica, 3; Ecuador, 2; Nicaragua, 5; Paraguay, 1; Peru, 1; Uraguay, 1; Venezuela, 2; with assistance given to 15 existing cooperatives in Chile. In India five cooperatives were organized and are now operating. As a result of this successful experience, more cooperatives are being formed at the present time. Three rather large cooperatives were built in Vietnam with NRECA technical assistance. Forty rural electric cooperative systems assisted by NRECA specialists are now operating in the Philippines, and other systems are in various stages of organization, loan authorization, engineering design or construction.

More than 100 rural electric cooperatives are now operating in 11 of the developing countries providing central station service for the first time in these areas. These same systems will eventually serve more than 1½ million rural families, and other rural establishments with around the clock, dependable electric service. However, this is only a small fraction of the farmers and rural people in the world who do not have electric service. This does represent a start on the herculean task of bringing electric service to unserved rural areas of the world in a way that will mean increased production, certainly better standards of living and a better quality of life.

We would emphasize, Mr. Chairman, that these projects are extremely important as "demonstration projects" to the developing countries. Very little rural electrification has been accomplished in the developing nations apart from these projects financed by the Agency for International Development and assisted by NRECA. There is strong evidence that when these countries start rural electrification programs with this assistance from AID and NRECA, they will usually go on to larger, intensive national programs of electrification which will eventually reach nearly all of their citizens. This is being born out in Brazil, Nicaragua, India, and the Philippines. A brief look at the Philippine program will serve to illustrate how this is happening. Following the survey of nearly 20 possible sites in 1967 by the NRECA/AID team, 2 were selected for pilot rural electrification projects. Financing was arranged in August 1968, and the first two projects were implemented. Their successful development in subsequent months brought an enthusiastic response from leaders throughout the Philippines and prompted the Philippine President to advise his cabinet, and announce to the public that the rural electrification program would have the highest priority within his administration.

Electrification of the Philippine rural areas is taking place at ever increasing rate. At the end of the first calendar quarter of 1975, the program's progress report indicates that 78 rural electric cooperative project feasibility studies have been completed; 61 electric cooperatives have been registered with their government, and 40 of these cooperatives are on line and in operation. Present plans provide for the completion of 72 rural electric cooperatives during the next 5 years, during which time 6 million people will be served. These cooperatives are proving to be a catalyst for other development activities in their areas—both social and economic. The observations of many people have verified that dramatic improvements have been brought about in the communities served by these projects.

A brief analysis of the rural development which has taken place in the area served by the first electric cooperative developed by NRECA/NEA in the Philippine program illustrates some of the specific benefits that will accrue to a rural area when dependable electric power becomes available to the people. This analysis reveals that six irrigation projects have been developed, and 69 small industries and shops are operating in the serviced area. None of these existed before electric power was brought into the area. The number of workers in these activities total 892. If one can assume that one job affects 10 others, this would mean that 8,920 people, job holders, receive an impact from the operation of these activities. When this figure is multiplied by 6, the average number in a family, this results in more than 53,000 persons benefiting from new business and industry activity attributable to the rural electric cooperative's operation. Thus, the Philippines, and by inference, NRECA/AID, are getting the results that we envisaged—increased production and employment in the rural areas, and a better life for the people. It is unquestionably clear that there is a direct linkage between the introduction of electricity and a rural areas' agricultural development and the related development of rural commerce and agroindustries. Comparable information could be given about rural electric projects in Costa Rica, Peru, Vietnam, Bolivia, India, and Nicaragua.

AID/NRECA have now implemented rural electric projects in several areas of the world. These offer an ample variety of experience to confirm that the established rural electric cooperative system developed in the United States can be an effective tool for rural development in most all regions of the developing world. There have been no failures in these programs. A survey of AID loan records for rural electrification projects of varying weighted ages, all of which have been implemented since 1964, are meeting the debt service to date.

We do have some concern for certain of these projects because they have not had adequate technical assistance following construction and in some cases they have not had a continuing source of loan funds following the completion of the initial project. In such instances the cooperatives have been unable to serve an expanding population and growing trade area on a timely basis. With additional technical assistance and a continuing source of loan funding, these systems could have served the overall development of their rural areas more effectively.

In very few countries is there an institutional vehicle equipped to properly plan and implement national rural electrification programs. There exists no national institution with the strengths necessary to plan such projects nor to seek the financing that is required. Even in the "newly rich" oil countries, there is strong evidence that they have little ability for planning rural electrification. At present, less than a half dozen of all the LDC countries have established viable national rural electrification programs. The few that have are still only in the very early stages of their projects.

In addition to providing assistance to the Agency for International Development in some 10 LDC countries, NRECA is helping these countries to develop financial assistance from the international lending agencies. These include the World Bank, the Inter-American Development Bank and the Asian Development Bank. The World Bank, at this point, has made only nominal amounts of funds available for rural electrification. After several studies of rural electric projects in the LDC's, the Bank has changed its loan concepts to include rural electric systems as one of the key elements for integrated rural development designed to meet the needs of the poorest of the rural poor.

Through regular contacts with each of these lending institutions, and with other international agencies such as UNDP, NRECA is making maximum effort

to promote the development of rural electric cooperatives around the world. We are doing so because it is in our charter to promote rural electrification along the cooperative pattern. Our members have adopted resolutions for us to do this and we believe it is right for us to do so. Along this line, the World Bank has stated in its findings the need to establish effective group organizations, such as farmers' organizations and cooperatives, on a high priority basis, as the best means of lowering the cost of delivery services so that larger numbers can be reached. We at NRECA feel strongly that one of the greatest services we can render to the people of friendly developing countries is to help them develop their own capability, establish their own local institutions, and to build and operate their own viable electric systems. Such efforts designed to develop people is a basic element of a total development program. Important objectives of rural development encompass improved productivity, increased employment and thus, higher incomes for target groups. Since rural development is intended to reduce poverty, it must be clearly designed to increase production and raise productivity.

Studies show that most of the rural poor living in absolute poverty are concentrated in the fertile areas of the relatively favorable climates. It is this density of population living in such favorable conditions that affords opportunity with a favorable potential for carrying out successful rural electrification programs. Such conditions provide the circumstances which result in an immediate widespread, all-around response of consumer participation once electric energy is available to the rural areas. This response stems from farms (¾ of the farms in developing countries are 12 acres or less), Commerce, and agro-industries which take about two-thirds of the load; a wide range of low-income groups generate the growth of household demand. Thus, we see that well over 50 percent of the demand for electric power in rural areas is for productive purposes.

Rural electrification is an important component of higher productivity because it is an economic and versatile power source. Since agriculture is the predominant industry in the LDC's, the potential benefit of electricity in respect to development lies in supply of low-cost power for irrigation, storage (refrigeration and crop drying), crop processing and small scale rural industry. The benefits of rural electrification can be, and generally are significantly greater than the economic returns alone.

In addition to being a highly versatile power source, which can be as efficiently used by small farmers as large farmers, electricity provides economical power for health and community services. Rural electrification is a development input which can be effectively managed to better the lot of the "lower 40%." Established rural electric systems are demonstrating how rural electrification stands out as an important factor in rural development projects by providing an added impetus, with a cost saving basis, to such development projects, and productively contributes in a manner that enables programs to move forward at a faster rate than is possible when electric power is not available to such efforts.

It is generally agreed that national programs of rural development should contain a mix of activities including projects to raise agricultural output, create new employment (rural commerce/agroindustries), improve health and education, expand communications and improve housing. Because rural electric service effectively contributes to and supports each of these basic objectives of integrated rural development we see the importance for making electric power available to the several elements of overall rural development.

FUTURE RECOMMENDATION

NRECA would like to emphasize the following points; that:

1. The U.S. foreign assistance effort should clearly identify cooperative development as a major element of the program.

2. We urge that the full amount of the funds specified in section 111 of the authorization bill be appropriated. We hope these funds can be utilized to enable U.S. cooperative organizations to provide increased levels of technical assistance in the less developed countries.

3. The USAID regional offices and overseas missions should be encouraged to give greater consideration to, and an increased emphasis for rural electric programs as a development tool which can be effectively applied to the several elements of integrated rural development.

Thank you, Mr. Chairman, for extending me this opportunity to present this material to this subcommittee.

STATEMENT OF RICHARD C. JOHNSON

A RECOMMENDATION FOR SAVING $12 BILLION A YEAR IN U.S. GOVERNMENT EXPENSES REGARDING FINANCIAL ASSISTANCE TO ISRAEL

Mr. Chairman and members of the committee, the committee has extended the opportunity for submitting testimony pertaining to the fiscal year 1976 foreign assistance program, and I appreciate the privilege of submitting this statement.

In this testimony, it is suggested that a proposed change in Federal appropriations for Israel would save the U.S. Government an estimated $12 billion a year. In addition, it is recommended that such a change would also bring about other important benefits which would be even far more valuable to the American people.

A WESTERN SANCTUARY FOR THE ISRAELIS

In the beginning, I would respectfully recommend that consideration be given to approving a change in the Federal appropriations for Israel. Instead of sending billions of dollars of airplanes and armaments to Israel, it is recommended that Congress consider the advantages of appropriating money to assist the people of Israel to immigrate to the United States.

For example, Congress could appropriate money for (*a*) the purchase or lease of land on Long Island, N.Y., near Philadelphia, Pa., and in western Baltimore County, Md., and (*b*) the building of some temporary housing developments there to which the Israeli citizens could immigrate from Israel and obtain U.S. citizenship. All of these places are located near large Jewish communities in the United States. There and in other locations, the people of Israel could obtain jobs and homes, and make valuable contributions to our present day world.

Under this suggested change in Federal appropriations, approximately 2 million Israelis could leave the Middle East where they and their children are likely to be killed and maimed some day. In the United States, they could enjoy the blessings of freedom, democracy, and a high standard of living. They could worship God and bring up their children in their Judaistic heritage and culture far away from Arab invasions and guerilla attacks.

The word "sanctuary" means a consecrated place and a place of refuge and protection. This is what the people of Israel would gain—a genuine sanctuary in which they could bring up their children in safety and peace.

BENEFITS FROM ISRAELI IMMIGRATION PROGRAM

If Congress would appropriate money to assist the people of Israel to immigrate to the United States, it is recommended that such a change in Federal appropriations would bring about the following good results.

1. It would save the lives of the people of Israel and the lives of many Arabs too.
2. It would prevent dangerous confrontations with the Soviet Union in the Middle East, which could escalate into a nuclear world war III.
3. It would strengthen the national defenses of the United States and of our allies in Western Europe.
4. It would change the climate of public opinion in Israel, so that many Israelis would agree that immigration to the United States is the best answer to their prayers for survival.
5. It would build important friendships between the United States and the Arab nations, and maintain America's oil supply in the Middle East.
6. It would save the U.S. Government an estimated $12 billion a year.

A brief summary of each of these six above-mentioned benefits is as follows:

SAVING THE LIVES OF ISRAELIS AND ARABS

First, the appropriation of Federal money for an Israeli immigration program would save the lives of the people of Israel—and the lives of many Arabs, too.

In the past, some of the Arabs have proclaimed that some day they will slaughter the Jews and drive the nation of Israel into the sea. The Arabs have discontinued this type of propaganda. But the sentiment behind it still endures in many parts of the Arab community. The Middle East remains a volatile region. No one knows when circumstances may change. No one knows what tragedies may happen there in the future.

It is true that the American negotiations with Egypt and Israel have bought valuable time in the Middle East and have postponed for a while another round of Arab-Israeli war. But the basic structure of Arab-Israeli enmity has not been changed yet. And the warning signals continue to forecast that another storm is coming in the Middle East sooner or later.

If and when war should break out again, the next time the people of Israel will likely be killed in Palestine, unless, before then, a sanctuary in the United States is made available to them. Under these circumstances, it would appear that the practical thing to do is to provide the Israelis with a foresighted rescue operation ahead of time, rather to watch them suffer a tragic destruction later when it is too late.

This proposed change in Federal assistance to Israel, therefore, would make certain that in the future the men, women, and children of Israel would not be slaughtered or driven into the sea. It would also assure that thousands of Arab young men would not lose their lives in a future war against Israel.

AVOIDING CONFRONTATIONS WITH RUSSIA

Second, this proposed change in Federal Government appropriations would prevent dangerous confrontations between the United States and Russia in the Middle East, which could escalate into a nuclear World War III.

In October 1973, for example, the Soviet Union threatened and prepared to send their Russian troops into Syria and Egypt to police a cease-fire and to contain the Israeli armed forces. President Nixon frustrated the Soviet Government from doing that. But what surprise move will the Russians make in the future in order to defeat the Israelis?

The Middle East, it should be remembered, is located fairly near geographically to the Soviet Union. Cuba and Vietnam, in contrast, are thousands of miles away from the heartland of Russia. The danger of a nuclear world war starting in the Middle East is thus much greater than was the case with the Russian-American confrontations in Cuba and Vietnam.

If, in continuing to support Israel, the United States should become involved in a dangerous confrontation with Russia, an unforeseen incident could explode into a nuclear World War III. In such a nuclear war, it has been estimated by the late President Lyndon Johnson that 100 million Americans would be killed. Such a tragedy would be far out of proportion to the issues and numbers of people involved in the Arab-Israeli conflict. Certainly 100 million Americans should not be killed nor risked being killed over the issue of whether 2 million Israelis will occupy and control 8,000 square miles of Palestinian land.

Assisting the Israelis to immigrate to the United States, therefore, is clearly in the best interests of the American people.

STRENGTHENING AMERICA'S NATIONAL DEFENSE

Third, this suggested change in financial assistance to Israel would greatly strengthen the national defenses of the United States and of our allies in Western Europe.

During World War II, General Eisenhower conserved the largest part of the American armaments, supplies, and troops for one major effort. This was for the No. 1 goal of crossing the English Channel and attacking across France into the heart of Germany. General Eisenhower would not allow the American defense resources to be spread out too thin and drained away into other campaigns.

In these dangerous times, we need to remember and follow General Eisenhower's example. We need to conserve our national defense resources for reaching the No. 1 goal of moving far ahead of the Soviet Union in nuclear missile systems and in a modernized naval fleet.

If the U.S. Government should send billions of dollars of airplanes and sophisticated weapons to Israel, we will lose part of our limited supply of defense resources from being assigned to America's No. 1 defense need.

Most likely the price tag for supporting Israel militarily is going to get higher and higher each year. This is because the Arab governments will also be purchasing more expensive, sophisticated weapons with their larger revenues from oil. Instead of appropriating billions of dollars for more armaments to Israel, therefore, it is recommended that the United States conserve these valuable defense resources for the building up of our own American Armed Forces.

CHANGING PUBLIC OPINION IN ISRAEL

Fourth, such a change in Federal appropriations would change the climate of public opinion in Israel, so that many Israelis would agree that immigration to the United States is the best answer to their prayers for survival.

As it is now, the alternative of the Israelis immigrating to the United States is just a theoretical, speculative possibility to talk about. The Israeli Government would not be in favor of this change, and the Israelis naturally do not want to leave Palestine.

However, if Congress would approve this proposed change in foreign assistance to Israel, then such immigration assistance would be offered to the people of Israel as a real, concrete course of action open to them. The message would be communicated to the Israelis that: "The people of the United States are welcoming you to come to America. They will assist you to find new homes and jobs there and new lives free from fear and the destruction of war. However, the United States, at the same time, will discontinue sending any further armaments to Israel."

Under these circumstances, it is submitted that there would occur a great change of public opinion in Israel. Many Israelis would recognize that immigration to America would be the best way possible for the people of Israel to survive in today's world.

Events continue to prove that the conflict between the Arabs and Israelis is deep-rooted, and it shows little sign of fading away. Thus, in their present predicament, the wise example of Abraham, their founder, would seem to apply to the situation of the Israelis.

In the Old Testament in the book of Genesis, it is written that Abraham and Lot were journeying in Canaan when their shepherds began fighting over land and water. (Genesis 13: 5–12.) To end that conflict, Abraham suggested that he and Lot separate from each other. Abraham gave Lot the choice of which land to occupy, and Abraham was willing to take the less favorable land. Of this peaceful solution, the ultimate result was that God blessed Abraham abundantly in the years which followed.

With a specific immigration assistance program offered to Israel by Congress, it is suggested that many Israelis would decide to follow Abraham's example. They would separate themselves from the Arabs in the Middle East and immigrate to the United States (and to other Western nations). Then, like thousands of Jews who came to the United States from Germany in the 1930's, they also would save their own lives and find prosperous and successful lives in America.

BUILDING FRIENDSHIPS WITH THE ARAB NATIONS

Fifth, this recommended change in Federal appropriations would build important friendships between the United States and the Arab nations, and would maintain America's oil supply in the Middle East.

After the Israelis would immigrate to America, the United States could repair the damage which has been done to our relationships with the Arab nations. The United States and the Arab nations could become friends and partners. In the event of a future world war then, the oil of the Middle East would not be denied to America's naval ships, air force planes, and army trucks and tanks.

After better relationships would be developed with the Arab nations, it is possible that some of the Arab governments would agree to allow the United States to use an occasional supply or air force base within their countries. In North Africa particularly, a few bases could provide our American armed forces with supply and backup facilities for supporting the frontline troops of the North Atlantic Treaty Organization. Such valuable assistance from our Arab friends would greatly strengthen the defensive effectiveness of the entire NATO alliance structure.

Because of the importance of the Arab Community, we need to prevent a polarization of the NATO countries on the one side and the Arab nations on the other side. We need the Arab nations to be our friends and to be on the side of Western Europe and the United States. The Governments of France, Germany, and Great Britain understand this reality of life. In today's nuclear world, Western Europe and the Arab Community need to be building together a mutually beneficial coalition.

Both Western Europe and the Arab community are to a certain extent interdependent economically, adjacent geographically, and opposed to atheistic com-

munism religiously. By building better friendships with the Arab nations, this recommended change in the U.S. foreign assistance program would bring about many valuable benefits to the United States, to the Arab community, and to Western Europe.

SAVING THE FEDERAL BUDGET $12 BILLION A YEAR

Sixth, this proposed change in financial assistance to Israel would save the U.S. Government an estimated $12 billion a year.

The estimated amounts of U.S. Government expenses which would be saved would be as follows: (1) $3 billion a year for additional military and economic aid to Israel; (2) $6 billion a year for higher oil prices and general inflation being absorbed into the U.S. Government budget; and (3) $3 billion a year for higher U.S. defense operating costs in the Mediterranean and European regions.

The estimated $3 billion a year for military and economic aid to Israel would be saved in the following way. On the basis of the status quo continuing and not getting worse in the Middle East, the United States will still likely provide Israel with approximately $3 billion a year of planes, armaments, and economic assistance. Israel's financial reserves are very low, and Israel will need much larger subsidies to stay afloat financially. To match the more expensive planes and armaments which the Arabs will probably acquire, Israel will continue to ask the United States for armaments more modern than those which the Arabs obtain. Then also inflation will increase the costs of the involved military and economic assistance to Israel by large amounts.

The estimated $6 million a year of savings on future higher oil prices and general inflation which would have to be absorbed otherwise into the U.S. Government budget is explained in the following way. After the Israelis would leave Palestine and be resettled in the United States, the Arab Governments would be relieved of large, heavy military expense burdens upon their national budgets. They would be in a position to sell larger quantities of oil to the United States and to Western Europe at lower prices. And they would not institute any future oil embargoes against the United States. Consequently, transportation and heating costs, the general price level, and cost-of-living wage increases for the entire United States would not rise as high as otherwise. These anti-inflationary results would be reflected in holding down many various costs in the Federal budget.

The estimated $3 billion a year savings on U.S. defense operating expenses in the Mediterranean and European regions are predicted for the following reasons. By eliminating the need for U.S. naval and air operations to protect Israel from a Soviet armed intervention, we would likely save an estimated $1 billion a year in the Mediterranean region. By helping the Arabs to lighten their military budget burdens and to sell larger quantities of oil at lower prices to Western Europe as described before, this would improve the economies of Western Europe and would enable our Western European allies to make larger defense contributions of their own. This would probably save about $2 billion a year on U.S. defense operating costs in Europe.

By saving the American taxpayers an estimated $12 billion a year, therefore, this recommended change in assistance to Israel would substantially improve the financial condition of the Federal Government.

CONCLUSION

In conclusion, it is recommended that this proposed change in Federal appropriations for Israel will bring about the many good results which have been mentioned. This course of action will not be an easy road to take for the United States or for the Israelis. However, if Congress should approve it, I believe that God will bless the Israelis for immigrating to America. And God will bless America for providing a sanctuary for the people of Israel.

Thank you for the opportunity of submitting this recommendation to the committee. If there are any questions, I will attempt to answer any question you may have.

STATEMENT OF SAMUEL B. WALLACE IV

DEAR HONORABLE CHAIRMAN: I spent 6 years in Brazil working as a medical technician while in involuntary exile due to a number of circumstances not of my choosing. I want to give your committee a few ideas on foreign aid as related to Brazil.

Your thinking concerning domestic problems and foreign aid are understandable. Yet the hardships the Brazilian people face particularly in Northern Brazil in the region of Belem and the Amazon region are tremendous and the average lifespan due to poor health and housing conditions is about 40 or under.

The problem with criticizing aid to Brazil is that it is badly needed especially in Northern Brazil which comes under American influence more than any other part of Brazl. The United States extracts manganese, iron ore, oil, gold, and a host of other raw materials from that region. And unfortunately through poor or deliberate planning one of the richest regions in South America in terms of mineral wealth is absolutely dependent on the United States or other regions of Brazil for its food supply.

Just as there are a lack of adequate medical facilities, there is also a lack of adequate access to the land in one of the least inhabited regions in the world, land for farming is not generally available to the small farmer near the cities, at the same time there is a real scarcity of agricultural machinery at reasonable prices such as tractors. The educational system trains only the girls and young women; little or no provision is made for training the young men with the exception of one showplace school.

Now American aid does do some good, at least for the lower middle classes and upper middle classes. However most of the aid programs are largely self-defeating and not practical and fail to take into account the natural temperament of the people which is inclined more to a free enterprise system given some help and some means to participate in such a system.

Thus the aid programs appear to be strictly high profit projects in themselves in that they use machinery that is highly automated in an area where there is 50 percent or more unemployment. There is a real need for real community development programs in such fields as agriculture, mining, and some light manufacturing. The people themselves are hard working and relatively well educated or (at least the women are) and in any event all make good workers when given the chance to work. There are serious defects in the management of various projects and here the United States must shoulder considerable blame. I understand U.S. funds have been used to build housing apartments where the rent is so high that the buildings once built have never been occupied. There is also a lack of priority in help for the poor. In the Belem area there is a need for a sound water project carrying the water from a source about 5 miles from the city because the well water there is some of the poorest in the world and the source of many diseases. There is need for the American consul in Belem to show some leadership in encouraging the making available of farms near the city for agricultural purposes. There is also need for more and better designed inexpensive passenger boats to travel up and down the Amazon connecting the potential and existing farming communities.

The region of Northern Brazil, a source of great mineral wealth for years to come, needs help in both leadership and aid so that the people living there can participate in the growth and development of their own region. Southern Brazil is doing better although it suffers the effect of inflation which is about at the level of 400 percent and not 34 percent as the Honorable Herman Klein, Assistant Administrator, indicated.

The costs for agricultural machinery-tractors, et cetera, is 1,000 percent and this is shameful when one considers how much is taken from this region with little or no remuneration.

The people in the Belem area are among the friendliest and most hospitable in Brazil and they generally like Americans and are grateful for any help that they receive.

However, American policy that prevents these people, many of whom are of early American stock, from trading with the United States. There are no banks that do business between ordinary citizens with businesses in the United States. They cannot use the farmlands near their city for agricultural purposes because such land is held in monopoly for the growing of pimentos and other areas near the city cannot be properly developed even when there is a question of absent landowners.

The army in general is calm and soldiers are for the most part well mannered and well disciplined. Yet far too many youth who should be engaged in work and engineering projects are occupied guarding the general's nursery.

But above all there is a lack of both imagination and planning in what should be a region well on its way to self-sufficiency. The United States also should

consider capital development of manufacturing plants in that region and should encourage trade between Northern Brazil and the surrounding countries and the United States and Europe, England, and Japan on a much larger scale. There is a need to cut back on the importation of automobiles and the insistence that real low-cost housing projects for the poor which is 90 percent of the population, even if it means that all the youths are required to participate in building decent housing.

The use of tractors and farm machinery should be stressed and this region should become self-supporting in agriculture provided tractors are available at Detroit prices instead of automobiles plus cost of transportation.

Consideration should be given to paying higher wages to most workers in most parts of Brazil with the exception of São Paulo where wages are adequate. The minimum wage should be doubled or quadrupled in line with inflation so that Brazilians can begin to raise families and have a stable family life which would happen when wages are such that the workers can afford to have families.

America should realize in 10 years time whatever aid help she gives, provided such aid is honestly administered and gets to the regions that such aid is designated. In the past most aid has ended up in São Paulo or the United States.

All American consuls should be taught how to participate and develop American commercial interests and should encourage further participation by other European countries rather than restricting real commercial and economic growth which is shameful.

The United States must develop a system of making the U.S. official accountable for aid or loans made. All aid should be bilateral even when it is grants, if other countries wish to participate in bilateral deals they should be encouraged. Multilateral and no one is responsible, no one knows where the aid goes and those who are supposed to receive it seldom receive it.

I personnally was completely unremunerated for my time or work spent in Brazil which covered a period of about 6 years as a medical technician yet I cured many illnesses of the poor.

STATEMENT ON THE SUBJECT OF FUNDING FOR THE OFFICE OF REFUGEE AND MIGRATION AFFAIRS, DEPARTMENT OF STATE, BY THE COMMITTEE ON MIGRATION AND REFUGEE AFFAIRS, AMERICAN COUNCIL OF VOLUNTARY AGENCIES FOR FOREIGN SERVICE, INC.

This statement is presented on behalf of the following organizations that cooperate through the Committee on Migration and Refugee Affairs of the American Council of Voluntary Agencies for Foreign Service:

American Council for Judaism Philanthropic Fund, Inc.
American Fund for Czechoslovak Refugees, Inc.
American Jewish Joint Distribution Committee, Inc.
American Mizrachi Women
American National Committee to Aid Homeless Armenians
Assemblies of God Foreign Service Committee
Baptist World Alliance
Catholic Relief Services, United States Catholic Conference
Church World Service
Community Development Foundation, Inc.
Hadassah, the Women's Zionist Organization of America
HIAS
International Rescue Committee, Inc.
Lutheran Immigration and Refugee Service, Lutheran Council in the USA
Migration and Refugee Services, United States Catholic Conference
Save The Children Federation, Inc.
Tolstoy Foundation, Inc.
United Israel Appeal, Inc.
United Lithuanian Relief Fund of America, Inc.
United Ukrainian American Relief Committee, Inc.

As their names indicate, these organizations are the refugee relief arms of America's major faiths, nationality associations, and nonsectarian groups.

What unites them is their sense of compassion, as well as a shared sense of urgency. The year 1975 was another tragic one for refugees. While the Congress has responded generously to the crisis in Indochina, resulting in 130,000 refugees in the United States, other essential refugee services will be in jeopardy unless adequate funding is provided promptly.

During previous testimony before congressional committees, we were asked to explain whom we consider as refugees, and why we believe that refugees deserve a high priority on our national agenda.

Whenever freedom is abridged and refugees flee from their homelands, there is a natural expectation that out of a feeling of solidarity, the democratic countries will extend a helping hand. This humanitarian impulse must not yield to political considerations or expediency. It must be kept alive in times of economic and political adversity no less than in good times.

Unresolved refugee problems, especially if they involve large masses of people, bring hopelessness, despair, and loss of human dignity. In turn, they aggravate the tensions that stand in the way of a more peaceful world. Our national concern for human and legal rights for refugees and others, grounded as it is in the precepts that guided the beginnings of this Nation, has an eminently practical application. Our Nation has been well served by the many waves of refugees who have found a haven here, in all aspects of our national life. When we have been generous, we have had no reason to regret our generosity.

In ratifying the protocol to the United Nations Convention relating to the status of refugees[1] and in enacting legislation implementing this treaty,[2] the United States has used definitions of the term "refugee" which have proved to be too narrow. These definitions do not subsume the great variety of refugee situations we are being called upon to alleviate. Wars create internal refugees, and those of the wars of Indochina have been going through hell for a quarter of a century. Elsewhere, pockets of exiles have been formed which, for one reason or another, have remained outside the structures set up for what is referred to as recognized refugees. For them (students, Ugandan Asians, "Displaced Persons" in Thailand, Freedom Swimmers in Hong Kong, etc.) the expression "de facto refugee" has been coined. And there are those whose refugee legitimacy, as it were, we tend to impugn by calling them economic refugees, overlooking that the social climate of totalitarian countries can be as unbearably oppressive under a blanket of fear for many of those who have not been directly persecuted as for those who have suffered physical acts or who have every reason to fear physical persecution. Where exploitation is a corollary of a pervasive loss of personal freedom and property, where the economy and political system are integrated, the distinction between one type of refugee and another may become blurred. It is not a sign of depravity for a refugee to escape from a police state because he is hungry and jobless in addition to being deprived of social, economic, and political liberties.

If, as the voluntary agencies and their constituencies strongly recommend, this is the rationale that leads us to stand by today's refugees as we have done for those of other periods, it follows that the amount of $10.1 million requested by the Department of State for 1976, plus the figure of $25 million authorized as the U.S. Emergency Refugee and Migration Assistance Fund is the minimum needed. Less would endanger the U.S. humanitarian leadership which has been our major contribution to the betterment of mankind and world peace. Indeed, this amount is still inadequate if we are to contribute even-handedly to the needs of all refugees admitted to the United States. Equality should not be applied selectively.

In addition to defining our refugee concerns in a more flexible way, we believe that the intergovernmental and international apparatus for refugee programs needs strengthening and expansion if we and other nations are genuinely to uphold the dignity of man and the right to life regardless of political point of view, race, color, or creed.

The United States has just completed the first phase of the resettlement operation for the refugees from Indochina. The camps have been closed. While the task is far from finished, the voluntary agencies that have accepted the responsibility for finding resettlement opportunities for the refugees wish to thank the Congress for its farsighted and humane response to this emergency.

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[1] Owing to well-founded fear of being persecuted for reasons o race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence, is unable or, owing to such fear, is unwilling to return to it.

[2] Because of persecution or fear of persecution on account of race, religion, or political opinion they have fled from any Communist or Communist-dominated country or area, or from any country within the general area of the Middle East, and are unable or unwilling to return to such country or area on account of race, religion, or political opinion.

For fiscal year 1977, the State Department has submitted a budget of $10 million for ongoing activities of the Office of Refugee and Migration Affairs. This request, coupled with the amendment to section 501(a)(2) of the Refugee and Migration Assistance Act of 1962, referred to previously, and a continuation of the provisions contained in the authorization to the Secretary of State relating to Russian refugee assistance, has the wholehearted support of the voluntary organizations on whose behalf this testimony is being submitted. What is needed now is quick action by the Congress so that the funds authorized for 1976 become available for disbursement.

We wish also to reiterate our recommendation of many years that the office responsible in the Department of State for refugee and migration affairs be given the mandate to enable it to discharge effectively its role as a coordinator of overall policy goals in all areas of refugee needs. In this connection, we call your attention to the fact that this committee has long favored and often suggested an Office of Humanitarian Affairs within the Department of State, and we believe the recent naming of a Coordinator is an auspicious move in that direction.

In conclusion, the voluntary agencies express again the urgent conviction that it is in our national interest that the traditional policy of the United States with regard to worldwide asylum for refugees and escapees be reaffirmed and appropriately implemented.

Mr. PASSMAN. That concludes the hearings for fiscal year 1976. The committee is adjourned.

LIST OF WITNESSES

	Page
Atherton, Hon. A. E	413
Clements, Hon. W. P., Jr	74
Connell, Dr. Elizabeth	585
Eagleton, W. L., Jr	413
Ellsworth, Hon. Robert	74
Fish, Lt. Gen. H. M	74, 194
Forman, Benjamin	74
Goldberg, Samuel	194
Griffith, D. A	413
Hoefling, Maj. Gen. J. A	194
Kissinger, Hon. H. A	1
Langmaid, Bradshaw	413
Maw, C. E	1, 194
Mosley, Dr. Henry	585
Mulcahy, E. W	413
Nooter, Hon. Robert	413
Rowell, E. M	413
Silberg, J. H	194
Simmons, George	585
Smith, D. J	74
Stack, Stanley	194
Stern, Thomas	1, 194
Stout, A. A	194
Stycos, Joseph	585
Taeuber, Dr. Conrad	585
Williams, A. N	194

INDEX

M

Page

Military assistance and foreign military credit sales programs 74, 194
Adjustments to programs 386
Administrative expenses 321
Africa region (*See also* names of individual countries) 339, 381
Soviet presence in 380
Aid to countries with foreign exchange surpluses 138
American influence abroad 235
Ammunition plants, closing of 254
Angola 185, 366, 367, 370
Argentina 272, 345
Military agreement with Libya 144
Arms limitation agreement 190
Arms suppliers 141, 142
Assistance in kind 324
Assistance to countries in conflict 136
Austria 338
Balance of payments of United States 135
Base rights 163, 314, 318
Belgian machineguns 186
Bolivia 193, 220, 223, 345, 358, 374, 382, 400
Brazil 346, 371, 409
Budget for fiscal year 1976 ..... 125, 202
Cambodia 174, 175
Chile 279, 343
Colombia 346
Composition of aid furnished 130, 139
Concessionary rates 238
Continuing resolution, authority under 254
Cost of foreign aid program 137
Cost of major equipment 311
Costa Rica 186
Countries exporting oil and receiving assistance 315
Countries receiving aid 126, 316
Countries switching from military grant assistance to military credit sales 299
Coups in countries receiving aid 317
Cuban support for insurgency 293
Cyprus 152, 154, 278, 338
Developed countries, program in 260
East Asia and Pacific region (*See also* names of individual countries) 233, 325
Ecuador 263, 349
Egypt; aid to 131
Soviet equipment shipped to 331
Training of pilots 256
El Salvador 188, 296, 349
Emergency Assistance Act of 1973 238
Ethiopia 132, 191, 340
Europe region 335
Excess defense articles 203, 312, 316
Expenditures in United States 316
Exports of military goods from United States 135

Military assistance and foreign military credit sales programs—Continued Page
Finland 338
Five-year program 292
Foreign military credit sales program 138, 237, 300, 301, 302, 304
Advanced payments 321
As source of recoupment 134
Benefits of 286
Cash and credit sales 395
Commercial sales 205, 300
Countries having program in 311
Countries switching from military grant assistance 299
Delinquent nations 169
Estimates of sales 394
Increase in sales credit request 148
Israel 332, 340, 347
Jordan 348
Lebanon 348
Middle East program 174, 249
Morocco 332, 333
Nuclear consideration in sales 172
Profit on sales 171
Repayment of loans 404
Sales of arms 280, 282, 283
Sales projected for fiscal year 1976 208
Sales to international organizations 345
Savings to Defense from 286
Sri Lanka 334
Terms of military credit sales 168
Tunisia 333
German Leopard tank 187
Grant aid, phasing down 187
Greece 128, 149, 335, 380, 400
Grant aid 145
Guatemala 153, 156, 350
Haiti 343, 409
Harkin amendment 229
Honduras 296, 349
Human rights, aid to countries violating 303, 389
Importance of military assistance program 162
India 279
Indonesia 161, 162, 192, 241, 326, 370, 372, 373, 377, 396
Credit program for 239
Grant aid to 243
Inspector General's Office 157
Iran 242, 279, 330, 397
Cost of program in 148
Iranian manufacture of air defense system 216
Iranian support of Arabs 166
Technical assistance teams in 261
Israel, aid to 129, 142, 182, 240, 249, 273, 290, 332, 346, 372, 398
Credit sales to 346
Economic condition in 261
Iran, assistance from 166
Missile sales to 258
Recognition by Arab countries 258
Japan, military self-sufficiency of 191
Jordan 252, 261, 348, 372, 379
Modernization program 275
Justification material 85
Korea 159, 176, 178, 186, 191, 247, 326, 377
Force modernization for 246
Support for 125
Threat in 228
Kurds, Soviet arms to 150
Kuwait, French aid to 142

Military assistance and foreign military credit sales programs—Continued Page
Latin America (*See also* names of individual countries) 127, 192, 293, 343, 361
American influence in 267
Coups in 344
Furnishing of arms to 265
Imports of United States from 364
Internal threats of countries in 362
Mineral resources, access to 269
Military threat in 355, 357
Rationale for program in 357
Restraints on arms sales to 410
Soviet/Chinese aid to 371
Suspension of aid to 344
Threat in 227
Lebanon 149, 190, 251, 348, 371, 379
Leftist and rightist regimes 384
Legislation 318
Liberia 204, 342
Libya, Soviet sales to 143
Line item bill 203
Long-Conte amendments 411
Malaysia 373, 397
Mexico 226, 263, 267
Middle East:
Missiles sent to 175
Participants in 1973 hostilities 314
Sinai package 167
Military aid as deterrent 129
Military Assistance Advisory Groups 154, 230, 323
Cost of 145
Influence of 163
Reduction of 324
MAP owned material 308
Military threats to countries receiving aid 355, 356, 357, 394, 405
Missile sales 257
Missiles, air-to-air 285
Morocco 144, 250, 332, 340, 347
Nations receiving military asistance 203
Near East and South Asia region 330
Nicaragua 350, 371
Nondemocratic regimes, support of 363
NATO manpower 278
Nuclear reactors so'd to foreign nations 172
Nuclear weapons held abroad, safeguards on 173
Objectives of U.S. aid 388
Oil or oil products, purchase of 313
Operating costs 306
Pacific, Soviet naval air forces in 185
Pacific, U.S. role in 132
Pakistan, U.S. sales to 143
Panama 351
Panama Canal treaty 269
Persian Gulf stability 133
Personnel in programs 306, 322
Peru 351, 383
Soviet sales to 188
Phasing out of assistance program 174, 255, 259
Philippines 277
Pipeline 183, 244, 304
Policy on military assistance 245, 407
Port activities 245
Portugal 337, 383, 386
Priorities 299
Procurement of vehicles offshore 376
Production and coproduction overseas of defense articles 217

Military assistance and foreign military credit sales programs—Continued Page
Rationale for providing aid 225
Recoupment of funds 133, 202
Reduction in military assistance 128
Regional ceilings 411
Representation expenses 279, 322
Research and development costs 305
Review of program 157, 235
Role of United States in world leadership 136
Sanctions against nations in violation of agreements on use of equipment 179
Saudi Arabia 181, 279, 330, 399
Senator Inouye's report 294
Senegal 343
Ship loan program 308
Shipment on U.S. carriers 316
Sophistication weapons furnished 189, 317
Southeast Asia, aid to 246
Deobligation of funds for 306
Equipment loss in 306
Commitment to the Arabs 291
Spain 279, 335, 388
Situation in 226
Sri Lanka 334
Stability, creation of regional 264
Statement of the Deputy Secretary of Defense 74
Statement of the Director, Defense Security Assistance Agency 194, 201
Statement of the Under Secretary of State for Security Assistance 197
Stockpiling of defense material 309
Stockpile of war reserves—NATO 134
Suspension of military assistance 315, 317
Syria 372
American planes in 151
Taiwan 149, 248, 325, 376
Technology, transfer of high-level 285
Thailand 153, 156, 161, 163, 185, 277, 329, 371, 378, 393
Grant aid to 232
Planes left in 165
Third country transfer of equipment 216, 221, 255, 262, 271
Threat to countries receiving aid 224, 294
Total military aid of various countries 222
Training program 163, 164
Training costs 234, 382
Training of students 312
Transitional period budget 408
New starts 304
Travel costs 322
Troop reductions overseas 177
Tunisia 144, 333
Turkey 128, 153, 156, 188, 242, 337, 380, 400
NATO aid to 132
Poppy raising in 272
Venezuela 226, 270, 353
Weapons as a deterrent 266
Worldwide collective security efforts 178
Yemen 234, 277, 334, 380
Zaire 149, 193, 271, 342, 366, 367
External threat to 131
Zionism, response to U.N. vote on 140, 141

P

Population program 585
Acceptability of family planning 611
China, population programs in 612, 625
Food programs 623, 631
Maternal and child health aspects of family planning 610

Page

Population program—Continued
Paraprofessionals 611
Role of the United States 613
Statement of Dr. Conrad Taeuber 587
Statement of Dr. Elizabeth Connell 605
Statement of Dr. George Simmons 599
Statement of Dr. Henry Mosley 590
Statement of Dr. Joseph Stycos 615
Zero population growth 617, 620, 621, 625, 626, 630

S

SECRETARY OF STATE'S TESTIMONY

Accomplishments of Secretary 18
Aid to countries hostile to United States 15
Aircraft, cost of 40
Angola, situation in 14, 52 57
Arab countries, aid to 9, 15
Arab countries, military stocks of 71
Bahrain, aid to 22
Belize, Guatemalan intervention in 13
Brazil, human rights in 13
Colombia, statement of President of 58
Completion of foreign aid programs in various countries 6
Cyprus 12, 24, 26, 45
Jordan 25, 29
Economic summit conference 20
Egypt, aid to 10, 29, 42, 44, 69
Coexistence with Israel 32
Debt service obligations 59
Foodstuffs sent to 23
Need for arms 18
Nuclear agreement with 60, 61
Nuclear reactors for 55
Right to purchase U.S. arms 69
Supporting assistance to 22
Tobacco supplied to 23
Far East, mutual security in 44
Foundations, aid to 70
Greece 26
India, aid to Sri Lanka 59
Internal disorders in various countries 47
Iraq, Kurds in 33
Israel, aid to 11, 19, 29, 30, 35, 69
Airlifts 40
Devaluation of pound 28
Military strength of 30, 67, 68
Oil sales to 9
Supporting assistance to 22
Italy, Communist Party in 24
Korea, South 37, 38, 39
Internal security in 73
Lebanon, situation in 20
Leadership of United States in arms distribuion 17
Libya, war material in 41
Middle East 3
Balance of power in 39, 67
Commitment of United States in 57
Negotiations in 33
Peace in 17, 28, 33, 68
Reduction of aid program in 14
Reduction of funds requested for 35, 46
Sinai accord 21, 55, 60
Soviet arms shipments to 56
Suez reconstruction 21

Population program—Continued — Page

- Military and economic assistance as part of foreign policy — 48
- Military assistance grants — 14, 48
- Nuclear installations — 52
- Nuclear safeguards and capabilities — 49, 53, 58, 62, 63
  - Environmental impact of nuclear reactor — 66
  - Export of nuclear reactors — 53
  - Italy, plutonium in — 66
  - Plutonium reprocessing plants — 64
  - Spanish Vandellos nuclear reactor — 65
- Oil, price of — 20
- OPEC aid to less developed countries — 67
- Palestine Liberation Organization — 43
- Portugal — 13
  - Refugees in — 25
- Recipients of aid and internal oppression — 71
- Republic of China, aid to — 22, 44
- Security assistance program:
  - Africa — 6
  - Allocations to various regions — 4
  - East Asia — 5
  - Europe — 4
  - Latin America — 5
  - Middle East (*See also* individual countries in) — 3, 10, 11
- Soviet Union:
  - Cancellation of debts owed United States — 11
  - Détente — 51
  - Wheat sales to — 27
- Special requirements fund — 26
- Syria — 43, 61
  - Military budget of — 28
  - Negotiations with — 45
  - U.S. relations with — 24
  - Zionism, position on — 9
- Total foreign aid program — 34, 49
- Turkey, bases in — 46
- United Nations:
  - Funding through — 31
  - Peacekeeping forces — 33
  - Third world vote in — 32
  - UNESCO — 34
  - United Nations Industrial Development Organization — 16
  - Voting record — 41
- Zaire, aid to — 8, 27, 58, 72
- Zionism — 9, 16, 32
  - Aid to countries equating with racism — 9, 16

Security Supporting Assistance — 413

- Aid projections — 533
- Allocation of funds under continuing resolution — 475
- American early warning system — 544
- American University of Beirut — 537
- Arab countries:
  - Aid to — 523
  - Arms sales to — 491
  - Fighting forces of — 581
  - Transfer of material between — 488, 490, 491, 524
- Authorizing committee earmarkings — 580
- Bahrain — 419, 573
- Budget request for fiscal year 1976 — 420
- Central Intelligence Agency involvement in decisionmaking — 475
- Control through arms sales — 526
- Cyprus — 419, 504, 562
- Deobligations — 530, 548
- Economic development plans, dates of — 510

Page

Security Supporting Assistance—Continued
Egypt ---- 417, 477, 507, 508, 515, 516, 539, 549
Aid from other countries ---- 511, 550, 576
AID staff in ---- 555
Assistance to the poor ---- 493
Bank of Alexandria loan ---- 480, 507, 508
Benefit of aid program to the poor ---- 554
Combat force of ---- 581
Commodity import program ---- 554
Disguised unemployment ---- 477
Duration of U.S. aid to ---- 553
Energy problems ---- 500
Grain losses ---- 555
Investment by Egypt in reconstruction ---- 550
Investments in ---- 551
Iranian arms transfer to ---- 491, 492
Ismailia powerplant ---- 478, 515
Military equipment ---- 536
Nuclear safeguards ---- 490, 499, 521, 552
Peaceful intentions of ---- 520
Petroleum requirements ---- 552
Port equipment and facilities ---- 478, 554
Project development ---- 479, 500
Projected aid for ---- 480
Reduction in aid to ---- 509
Soviet aid to ---- 553
Status of fiscal year 1975 projects ---- 549
Suez Canal clearance ---- 549, 552
Surveillance station ---- 545
Tobacco imports ---- 478, 516, 539, 544
U.S. personnel in ---- 512
General statement ---- 416
Greece ---- 418, 505, 565
Harkin amendment on human rights ---- 498, 506
Iran:
Arms sales to ---- 492, 524
Transfer of fighters to Jordan ---- 524
Impact of military aid on freeing funds for economic programs ---- 534
Indonesia ---- 542
Israel ---- 417, 480, 518, 531, 556
Additional request for ---- 476
Adequacy of request for ---- 485, 520
Aid from other countries ---- 518, 557
Balance of power in area ---- 574
Combat force and defense capability ---- 582, 583
Commodity import program ---- 481, 501, 557
Debt servicing ---- 496
Desalting plant ---- 556
Economic aid to ---- 532
Foreign debt of ---- 583
Foreign exchange reserves ---- 480, 556
Grant program ---- 557
Imports from United States ---- 481
Level of assistance to ---- 558
Military position in ---- 494
Object of aid to ---- 519
Oil imports ---- 493
Oil requirements ---- 556
Ratio of arms with Arab States ---- 448
Relationship with Egypt ---- 532
Threat to ---- 580
United Nations assistance ---- 482
Jordan ---- 418, 482, 501, 502, 516, 523, 558
Actions against Israel ---- 525
Justification material ---- 420

Security Supporting Assistance—Continued Page
Legislative restrictions on program 547
Loan and grant components of fiscal year 1976 program 548
Middle East:
Agricultural production in 501
Aid projections in 495
Aid to 527
Arms sales to 535
Balance of power in 525
Budget for fiscal year 1976 547
Commitment of United States of aid to 534
Importance of 485
Multilateral assistance to 537
Total U.S. aid to 533
War duration 575, 579
Middle East Special Requirements Fund 420, 483, 503, 543, 546
Sinai surveillance station 504
Malta 419, 477, 573
Multilateral agency loans, eligibility for 539
New starts 528
Obligations 530
Participants programed for assistance 548
Pipeline 530
Portugal 419, 505, 567
Adequacy of aid to 497
Angola resettlement 568
Public Law 480 assistance 538, 539
Recipient country exports 539
Reduction in budget for 545
Saudi Arabia, arms sales to 492, 524
Spain 536
Syria 418, 482, 503, 512, 516, 521
Air defense 583
Arms deliveries to 577
Expenditure, military 534
Family planning in 482
Impact of U.S. aid to Israel 576
Thailand 542
Total foreign aid program 527
Transfer of arms by aid-recipient countries to other countries 488, 490, 491, 524
Transitional budget 546
United Nations Force in Cyprus 419, 477, 504
United Nations Rural Relief and Works Agency for Palestine Refugees in the Near East 516
Vietnam, South 484
Weizmann Institute 538
West Bank and Gaza 503, 545
Zaire 420, 506, 513, 540, 543, 569

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