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FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1977

S STATE UNIVERSITY

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS

NINETY-FOURTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS AND RELATED AGENCIES

OTTO E. PASSMAN, Louisiana, *Chairman*

CLARENCE D. LONG, Maryland
J. EDWARD ROUSH, Indiana
DAVID R. OBEY, Wisconsin
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SILVIO O. CONTE, Massachusetts
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DONALD E. RICHBOURG and DONALD L. DENTON, *Staff Assistants*

PART 1

EXPORT-IMPORT BANK
INTER-AMERICAN FOUNDATION
MIGRATION AND REFUGEE ASSISTANCE
INTERNATIONAL FINANCIAL INSTITUTIONS
CUBAN REFUGEE PROGRAM
INDOCHINA REFUGEE PROGRAM
PEACE CORPS
INTERNATIONAL NARCOTICS CONTROL
FOREIGN MILITARY CREDIT SALES
MILITARY ASSISTANCE PROGRAM
INTERNATIONAL MILITARY TRAINING
TESTIMONY OF INTERESTED INDIVIDUALS AND ORGANIZATIONS

Printed for the use of the Committee on Appropriations

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FOREIGN ASSISTANCE AND RELATED AGENCIES APPROPRIATIONS FOR 1977

WEDNESDAY, MARCH 10, 1976.

THE EXPORT-IMPORT BANK OF THE UNITED STATES

WITNESSES

STEPHEN M. DuBRUL, JR., PRESIDENT AND CHAIRMAN OF THE BOARD OF DIRECTORS
R. ALEX McCULLOUGH, DIRECTOR
DELIO E. GIANTURCO, EXECUTIVE VICE PRESIDENT

PROGRAM AND FINANCING

[In thousands of dollars]

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Program by activities:				
Loan program:				
Operating costs, funded:				
Interest on U.S. Treasury borrowings				10,970
Interest on Federal Financing Bank borrowings				547,678
Interest on participation certificates and debentures				152,218
Interest on advances under letters of credit				4,500
Administrative expenses subject to limitation				8,348
Other financial expense				898
Other expenses				55
Total operating costs, funded				724,667
Change in selected resources (prepaid expenses and undelivered orders)				−953
Total obligations (operations program)				723,714
Capital outlay, funded:				
Equipment and services loans				2,515,400
Commodity loans				10,000
Discount loans				250,000
Special foreign trade loans				25,000
Total capital outlay, funded				2,800,400
Change in selected resources (undisbursed loan obligations)				1,305,206
Adjustments in selected resources (loan obligations)				1,454,456
Total obligations (capital outlay)				5,560,062
Total obligations (loan program)				6,283,776
Guarantee and insurance program:				
Operating costs, funded:				
Administrative expenses subject to limitation				3,733
Nonadministrative expenses				10
Total operating costs, funded				3,743
Change in selected resources:				
Guarantees				2,628,271
Short-term insurance				149,971
Medium-term insurance				94,034
Subtotal				2,872,276
Reduction for fractional reserve basis				−2,154,207
Total change in selected resources				718,069
Total obligations (guarantee and insurance program)				721,812
Other: Purchase of equipment				100
Reimbursable obligations				30
Total obligations				7,005,718

PROGRAM AND FINANCING—Continued

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Financing:				
Receipts and reimbursements from:				
From non-Federal sources:				
Loan program				−30
Loans repaid				−1,377,500
Interest revenue from loans				−806,432
Guarantee and insurance program fees and premiums, net				−19,000
Recovery of prior period obligations loan program				−1,454,456
Budget authority (authority to spend agency debt receipts) (permanent, indefinite) (12 U.S.C. 635)				3,348,300
Relation of obligations to outlays:				
Obligations incurred, net				3,348,300
Obligated balance, end of period:				
Authority to spend public debt receipts				−5,906,240
Authority to spend agency debt receipts				−5,218,787
Fund balance				−10,000
Obligated balance adjusted (restoration of the Bank to the Government's budget total):				
Authority to spend public debt receipts				5,884,324
Authority to spend agency debt receipts				3,198,350
Fund balance				10,000
Outlays				1,305,947

LIMITATION ON ADMINISTRATIVE EXPENSES

PROGRAM AND FINANCING

[In thousands of dollars]

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Program by activities:				
1. Administration:				
(a) Loan program				8,348
(b) Guarantee and insurance program				3,733
(c) Garage management				30
Total obligations				12,111
Financing: Receipts and reimbursements from: Non-Federal funds				−30
Budget authority (limitation)				12,081
Personnel compensation:				
Permanent positions				8,472
Positions other than permanent				82
Other personnel compensation				246
Special personal services payments				82
Total personnel compensation				8,882
Personnel benefits: Civilian				721
Travel and transportation of persons				350
Transportation of things				12
Rent, communications, and utilities				1,554
Printing and reproduction				150
Other services				292
Supplies and materials				150
Administrative expenses included in schedule for fund as a whole				−12,111
Total obligations				

PERSONNEL SUMMARY

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Total number of permanent positions				440
Full-time equivalent of other positions				7
Average paid employment				439
Average GS grade				9.46
Average GS salary				$18,945
Average salary of ungraded positions				$11,666

LIMITATION ON PROGRAM ACTIVITY

PROGRAM AND FINANCING

[In thousands of dollars]

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Program by activities:				
Equipment and services loans:				
Authorizations				3,950,000
Participations and cancellations				−75,000
Net authorizations				3,875,000
All other, excluding administrative expenses:				
Authorizations				2,559,443
Participations, cancellations, and expirations				−100,000
Net authorizations				2,459,443
Total authorizations other than for administrative expenses				6,334,443
Financing: Limitation				6,334,443

Mr. PASSMAN. The committee will come to order.

Today is the beginning of the hearings on the Foreign assistance and related programs appropriation for fiscal year 1977.

It is a bit unusual to start hearings on a fiscal year when we haven't yet disposed of the last fiscal year, but that's the way the sand has shifted, so there is nothing we can do about it.

I would like to state for the members of the committee, that due to the new congressional budget process, the Appropriation Committee has set up certain deadlines during the year which must be met in order to comply with the new budget process.

First of all: Hearings must be completed by April 14 at the very latest.

Second: All subcommittee markups must be completed between April 26 and May 7.

Third: The full committee will consider all bills between May 24 and June 4. And all bills should be on the floor between June 15 and July 2.

With these deadlines, our hearings will have to be condensed in order to meet these dates. I fully believe that we should try to meet these deadlines.

Members may continue to submit questions for the record, but if the completion of the answers would in any way hold up the printing of the transcript of the regular hearings, then it is hoped that each member would agree that those questions would not appear in the record, but would be transmitted to the committee upon completion.

All members must edit their portion of the transcript promptly in order that deadlines for printing may be met which will allow us to meet the deadlines that have been established in order to comply with the new budget process.

The first item that the committee will consider for fiscal year 1977 will be the Export-Import Bank of the United States.

We have as witnesses today the new chairman, and president, Hon. Stephen M. DuBrul, Jr. Also supporting witnesses are Hon. R. Alex McCullough and Mr. Delio Gianturco.

Mr. President, we are very pleased to have you appear before the committee. If your tenure as president of the Export-Import Bank is as good as the reputation you bring with you to Washington, you are going to make a wonderful president.

Mr. President, I am sure you have a statement you would like to make to the committee. You may proceed in your own way.

General Statement

Mr. DuBrul. Thank you, sir.

As you know, I have a full statement which is being filed. I believe you have a copy. I also have a brief summary for you. Since this is my first opportunity to come before this distinguished committee, whose members, I must say, have been most thoughtful in taking time over the last few busy weeks to visit with me, there are a few observations I would like to make about the Bank, starting with the budget.

FISCAL YEAR 1977 BUDGET REQUEST

First, let me restate the congressional charge to our agency as we see it at the Bank.

The Export-Import Bank is a self-sustaining export credit and insurance agency of the United States whose basic purpose is to facilitate the export of U.S. goods and services.

The Bank's operations are designed to: (1) Maximize the private financing of exports; (2) assume commercial and political risks that cannot be undertaken by exporters or private financial institutions; (3) overcome maturity and other limitations in private sector support for export financing; and (4) assist in meeting foreign official export credit competition.

In order to carry out its operations in fiscal year 1977, the Bank requests: $8.9 billion for gross guarantee and insurance authorizations—the same as in fiscal year 1976; $4 billion for regular loan authorizations, of which $3,875 million is for net equipment and service loans—this compares with $3 billion this year; $1 billion for discount loan authorizations, compared with $1.4 billion this year; and $12.1 million for administrative expenses, compared with $11.7 million this year.

This request reflects both the projected growth of the world and national economy and the continuing need for national fiscal stringency. It represents the minimum level of support consistent with the Bank's mandate to help facilitate U.S. exports.

FISCAL YEAR 1977 PROSPECTS

We expect the economic recovery to be well underway with demand for Eximbank support increasing sharply in fiscal year 1977. Some

projects postponed because of the recession will become feasible again and new opportunities will emerge. Eximbank authorizations must take into accord the growth in international trading opportunities and U.S. exports, particularly if we are going to continue to serve as a catalyst in attracting new financial institutions into export financing.

Americans will be producing and shipping quality American goods, built with American know-how, using American labor and materials. They will need Eximbank support to encourage private financing of U.S. exports and to help meet the competition from foreign exporters, many of whom receive subsidized support from their national governments.

In evaluating Eximbank's budget request for fiscal year 1977, it is important to remember that even though the immediate impact on the economy may be the same, Eximbank outlays differ fundamentally from the expenditures of most other agencies. When the Bank lends money, the money is not used up or spent as it is in most Federal programs; it is simply turned into another form of asset—a loan, which will be repaid to the Government, with interest. Over the 31 years of its existence, Eximbank—under generally accepted accounting principles—has not lost or spent money but, in fact, has always made a profit.

GUARANTEES AND INSURANCE

For fiscal year 1977, Eximbank is budgeting $8.9 billion for gross guarantee and insurance authorizations. This is the same amount budgeted for fiscal year 1976.

Eximbank's guarantee and insurance activity is already running close to $5 billion annually. The $8,850 million requested for these programs in fiscal year 1977 is a realistic estimate, reflecting the expected growth in U.S. exports, coupled with Eximbank's continuing effort to have the commercial sector shoulder a greater portion of the export financing job.

DIRECT CREDITS AND OTHER LOANS

For fiscal year 1977, Eximbank is requesting $4 billion for regular loan authorizations, of which $3,875 million is for net equipment and service loans, $75 million is for commodity loans, and $50 million is for special foreign trade loans. The $4 billion requested is a realistic estimate of the probable call on Eximbank direct credit resources. The request is essentially the same as our original request for fiscal year 1976 and is 17 percent lower, in real terms, than the Bank's actual loan approvals in fiscal year 1974.

Eximbank equipment and service loans are of two types: direct credits generally over 5 years and medium-term loans under the Cooperative Financing Facility. Eximbank's direct credits are made in participation with private sector loans and are authorized in those cases where the private sector is unable to provide the entire financing needed. The Cooperative Financing Facility works through foreign banks and U.S. banks overseas to provide financing for small foreign buyers of U.S. equipment. Under this program, the foreign bank, with Eximbank's approval, makes the loan to the buyer at its own risk, but refinances half of the loan with Eximbank.

Eximbank estimates that the $75 million projected for commodity credits in fiscal year 1977 will be adequate to provide the supplemental support which may be required for U.S. cotton, tobacco, and other commodity exports. Eximbank, on occasion, extends special foreign trade loans to assist in maintaining the normal flow of U.S. exports to a country which has found itself in temporary balance-of-payments difficulties. The $50 million budgeted for this purpose in fiscal year 1977 is a contingency item for such emergency loans.

DISCOUNT LOANS

For fiscal year 1977, Eximbank is requesting $1 billion for advance commitments for discount loans. This is $400 million less than was requested in fiscal year 1976. While it is too early to determine the precise effect on requests for advance commitments of the program changes made in November 1975, we expect that the $1 billion requested for fiscal year 1977 will be sufficient.

Eximbank's discount loan program encourages U.S. commercial banks to provide financing for small- and medium-size export transactions at fixed rates of interest. Without this program, many banks would only provide export financing at floating rates, if at all. The smaller and relatively unsophisticated foreign buyers involved in these transactions vigorously resist interest rate formulas that make it impossible for them to know what their financing costs will be, particularly when they can get all of the fixed rate financing they require—at preferential rates—from our European and Japanese competitors.

EXIMBANK'S PHILOSOPHY

Mr. Chairman, the program activity levels requested by the Bank reflect the Bank's needs in order to meet its objectives. Before concluding, I would like to review with you these objectives as they appear to me, based on the considerable thought which I have given this subject during the last 3 months.

SELF-SUSTAINING INSTITUTION

The Export-Import Bank is a self-sustaining institution. Unlike the export credit agencies of most of our competitors, the Bank does not receive—nor do I think it should receive—an annual appropriation with which it can provide subsidized financing. The money the Bank lends is borrowed and must be repaid with interest. To preserve its capital and build up an adequate reserve for possible future losses, Eximbank has to keep the interest rate it charges sufficiently above the rate it pays for its funds.

In October 1975, the General Accounting Office issued a report entitled, "Weakened Financial Condition of the Export-Import Bank of the United States." In this study, the GAO concluded that Eximbank's income and reserves had not increased as rapidly as the Bank's exposure and that this trend would continue for the next several years. GAO made two recommendations: that the Bank should raise its interest rates on direct credits where there was little or no foreign competition and that it should better correlate the terms of its borrowing and lending.

The Bank concurred, at the time the GAO report was released, with the view that the Bank's capacity to absorb losses would be reduced over the longer term if certain trends were not reversed. We feel that our retained income reserve is substantial in relation to the Bank's loss experience. Nevertheless, we recognize that in an inflationary environment the Bank's exposure could continue to increase more rapidly than its reserves, and a time could then come when reserves might be insufficient to absorb potential losses.

Eximbank has had an excellent repayment and collection record. From inception through fiscal year 1975, Eximbank's gross authorizations for loans, guarantees, and insurance totalled $73.5 billion. Net loan write-offs during this period totaled only $3.8 million, and net claims paid on guarantees and insurance totaled only $30.9 million. Rescheduled loans are now less than a year ago, and delinquencies, while up, have not become alarming. This experience should give us confidence that, with rate exceptions, both private and public borrowers will overcome current financial difficulties and meet their obligations.

Eximbank has been working to improve its financial position. Before the release of the GAO report and since that time, the Bank has raised its interest rates and they are now at market-related levels. Since February 1974, the bank increased its interest rate from 6 percent to the present range of 8¼ to 9½ percent, raised its guarantee fee from ½ percent to a range of ¾ to 1½ percent, and introduced a guarantee commitment fee of ⅛ percent.

I am happy to report the bank appears to have had some success in increasing its earnings. This fiscal year we expect our net income to total $110 million, an increase of 36 percent over fiscal year 1975.

The Bank is continuing to work to improve its financial position, taking into account its legislative mandate, its need to remain a self-sustaining institution, and the recommendations made by GAO (many of which have already been implemented by the Bank). A more detailed response to the GAO report is contained in a letter of December 15, 1975 from my predecessor to the House Committee on Government Operations, which, with your permission, Mr. Chairman, I would like to place in the record with my statement.

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

[The statement follows:]

EXPORT-IMPORT BANK OF THE UNITED STATES
WASHINGTON, D.C. 20571

PRESIDENT
AND
CHAIRMAN

CABLE ADDRESS "EXIMBANK"
TELEX 89-461

December 15, 1975

Dear Mr. Chairman:

Re: Report by the Comptroller General of the United States on the Export-Import Bank

This statement is submitted in compliance with Section 236 of the Legislative Reorganization Act of 1970 with respect to a report by the Comptroller General of the United States entitled "Weakened Financial Condition of the Export-Import Bank of the United States" (Report No. B 114823, October 17, 1975). The report discusses the financial condition of the Eximbank and states that "Eximbank has expanded its operations without expanding its income. Its risks of incurring possible losses on loans, guarantees, and insurance has doubled during the last six years, while its reserve accumulated from income to cover such losses has remained relatively stable." The General Accounting Office recommends that Eximbank raise its interest rate on direct loans made to finance sales for which little or no foreign competition exists to the rate charged by commercial lenders and that the Bank adopt as its goal complete correlation of borrowing and lending repayment periods.

In my letter to the General Accounting Office commenting on their draft report (included as APPENDIX I in the final report), I substantially agreed with its conclusions. Moreover, when the GAO issued its report, it knew that in the Annual Report of the Export-Import Bank for Fiscal Year 1975, which the GAO had approved and which was ready for release, I had brought to the attention of the Congress the degree to which the Bank's loans were increasing faster than its capital and reserves, something which has been happening steadily over the last two decades. I also pointed out that there is risk in the commitments the Bank must make to carry out its Congressional mandate, which increases the potential for loss. Therefore, while we believe that the substance of the GAO report was responsible, quite accurate, and helpful, we take strong objection to the title and headings on the front cover of the final report, as issued, namely: "WEAKENED FINANCIAL CONDITION OF THE EXPORT-IMPORT BANK OF THE UNITED STATES - Eximbank is in financial difficulty...". When a report is issued stating that a bank is in financial difficulty, the common understanding is that it may become unable to meet its obligations or is facing specific abnormal losses that can deplete its capital and reserves. There is absolutely nothing in the record of the Bank, its

present position, or in the GAO report itself which remotely suggests the false impression which such a headline creates. When I communicated Eximbank's strong objection and concern over this heading to the Comptroller General, in his reply to me Mr. Staats agreed that such an implication was not intended and emphasized that the GAO report was concerned with the longer-term problems which could occur and which he acknowledged that Eximbank has recognized.

Before commenting on the specific GAO recommendations, I would like to make a few observations which I believe are germane to the subject of the report. Historically, until the past few years, the interest rate which Eximbank has charged on its loans has been consistently higher than the rate at which it has borrowed funds. As a result, from its annual net profits the Bank has accumulate over $1.6 billion of retained earnings while paying $926 million in dividends to the U.S. Treasury, from total earnings of $2.6 billion since inception. In the late 1960's, when the U.S. balance of trade began deteriorating, the decision was made to expand Eximbank's activities more rapidly, with the obvious and recognized result that the Bank's exposure would increase faster than additions to its reserve. Moreover, in 1971, Congress added to the Bank's statutory mandate an explicit directive to offer financing competitive with that offered by official export credit agencies of other countries.

While we concur with the GAO view that the ratio of Eximbank's capital and reserves to potential losses has been reduced over the last five years, we nevertheless believe our retained income reserve continues to be substantial in relation to our loss experience. As a cushion against loss, the Bank's capital and reserves represent about 10% of its total exposure of some $26 billion in world-wide commitments (loans outstanding, loans authorized but undisbursed, guarantees and insurance). There is risk in the commitments the Bank must make to carry out its mandate, and the potential for loss has become greater as many countries around the world experience sharp increases in import costs and reductions in foreign exchange earnings. However, over the life of the Bank, losses have been minimal and payments have been met on rescheduled debt. Net loan write-offs and guarantee and insurance claims paid since the inception of the Bank to June 30, 1969, were only $3.7 million and $4.7 million, respectively. Even with the expansion of the Bank's activities, in the past six years only $6 thousand of loans have been written off and $26.2 million of net claims paid. Rescheduled debt is less than last year and delinquencies, while up, are not alarming. This experience generates confidence that, with rare exceptions, national economies will overcome current financial difficulties and meet their obligations.

The Bank's ability to meet the challenge of financing an expanding volume of U.S. exports at rising prices, with large expensive projects making up a larger portion of world trade, depends heavily on its ability to maintain and expand its capital base. Thus, we also recognize that if the Bank's exposure should continue to increase disproportionately to increases in the reserve, a time could come when the reserve would not be sufficient to absorb a higher level of losses which could develop at some time in the future. Over the past year, however, the Bank has

taken significant steps which will result in a more rapid increase in its reserve while still going as far as a self-sustaining financial institution can to keep American exporters competitive with their competitors abroad. Specifically, Eximbank has increase its interest rate from 6% to a band ranging from 8-1/4% to 9-1/2%. We have increased our guarantee fee from 1/2% to a range of 3/4% to 1-1/2%, and we have added a commitment fee for our guarantee of 1/8 of 1%. We have restructured our lending policies and terms from time to time as changing needs became evident in order to meet the higher cost of money and to spread our limited resources more effectively over a rising level of higher priced exports. We have secured greater participation in Eximbank financing from our partners in the private commercial sector, and we have cut certain other costs and risks associated with the export credit insurance program.

The General Accounting Office has made two specific recommendations to help improve the financial condition detailed in its report. The first is that Eximbank should charge the same interest rate as commercial lenders would charge in sales for which little or no foreign competition exists. As outlined above, the Bank has already brought its interest rates closer to commercial rates and generally sets the interest rate in the higher ranges when there is little or no foreign competition. Section 2(b)(1)(B) of the Export-Import Bank Act of 1945, as amended -- Eximbank's enabling legislation -- requires the Bank's Board of Directors in determining loan rates to take into consideration the "average cost of money to the Bank as well as the Bank's mandate to support United States exports at rates and on terms and conditions which are competitive with exports of other countries***." We will continue to exercise our best judgement as to the appropriate interest rate considering the financial health of the Bank as well as our task of facilitating exports on as broad a basis as possible. Our experience continues to indicate the necessity of providing Eximbank support even when no competition exists in order to offer the amount of financing required and acceptable to foreign buyers so that U.S. sales will actually be made and sustained.

The second recommendation called on the Bank to completely correlate its borrowing and lending repayment periods as soon as practicable. While we do not believe that it is necessary or even desirable to borrow on exactly the same terms as the average repayment period of our loans, we have already taken steps to lengthen the maturities on the Bank's debt. In May of this year, the Bank refinanced $4 billion of its short-term Treasury debt with the Federal Financing Bank, payable quarterly over the next three years. In September, the Bank refinanced with the FFB $570 million of its short-term borrowings, part at 3-1/2 years and part at 4 years, and earlier this month refinanced another $550 million at 4 years.

We believe that the trends identified by the GAO report are inherent to a self-sustaining institution, like the Bank, which is called upon to provide financing competitive with that provided by other countries which appropriate money every year to subsidize below market interest rates for as much as 85% of the price of their exports as well as to provide costly inflation insurance and other export stimulants. Confronted

with this situation, the Bank, in recent years, has borrowed short term to minimize its interest costs and meet financing competition which is lending at lower rates. Over the last 20 months, the Bank has moved its interest rates up ahead of its competitors and, when money rates have moved down, has refunded its outstanding short-term borrowing in an effort to shift to longer maturities as interest levels offer opportunities to borrow at rates which preserve the Bank's ability to continue to finance exports at competitive rates. We are aware that this objective will become more difficult to attain as a rising level of U.S. exports increases the ratio of the Bank's borrowings to its capital and reserves. We believe that to achieve the most desirable balance between interest rates paid and charged while staying both as competitive and soundly funded as possible will call for both flexibility and delicate judgement.

Eximbank's Annual Report to the Congress on its Fiscal Year 1975 operations, issued last month, details the activities and accomplishments of the Bank over the last year and, as mentioned previously, also calls attention to the degree to which its loans were increasing faster than its capital and reserves, while pointing out that there are problems and risks in the commitments that it must make to carry out its legislative mandate. I am enclosing herewith an additional copy of that report. The Bank intends to keep both the Congress and the General Accounting Office fully apprised on these matters and will welcome advice in this connection.

Sincerely yours,

William J. Casey

The Honorable
Jack Brooks
Chairman
Committee on Government Operations
U.S. House of Representatives
Washington, D.C. 20515

EXPORT-IMPORT BANK OF THE UNITED STATES
WASHINGTON, D.C. 20571

PRESIDENT
AND
CHAIRMAN

CABLE ADDRESS "EXIMBANK"
TELEX 89-461

December 15, 1975

Dear Mr. Chairman:

Re: Report by the Comptroller General of the United States on the Export-Import Bank

This statement is submitted in compliance with Section 236 of the Legislative Reorganization Act of 1970 with respect to a report by the Comptroller General of the United States entitled "Weakened Financial Condition of the Export-Import Bank of the United States" (Report No. B 114823, October 17, 1975). The report discusses the financial condition of the Eximbank and states that "Eximbank has expanded its operations without expanding its income. Its risks of incurring possible losses on loans, guarantees, and insurance has doubled during the last six years, while its reserve accumulated from income to cover such losses has remained relatively stable." The General Accounting Office recommends that Eximbank raise its interest rate on direct loans made to finance sales for which little or no foreign competition exists to the rate charged by commercial lenders and that the Bank adopt as its goal complete correlation of borrowing and lending repayment periods.

In my letter to the General Accounting Office commenting on their draft report (included as APPENDIX I in the final report), I substantially agreed with its conclusions. Moreover, when the GAO issued its report, it knew that in the Annual Report of the Export-Import Bank for Fiscal Year 1975, which the GAO had approved and which was ready for release, I had brought to the attention of the Congress the degree to which the Bank's loans were increasing faster than its capital and reserves, something which has been happening steadily over the last two decades. I also pointed out that there is risk in the commitments the Bank must make to carry out its Congressional mandate, which increases the potential for loss. Therefore, while we believe that the substance of the GAO report was responsible, quite accurate, and helpful, we take strong objection to the title and headings on the front cover of the final report, as issued, namely: "WEAKENED FINANCIAL CONDITION OF THE EXPORT-IMPORT BANK OF THE UNITED STATES - Eximbank is in financial difficulty...". When a report is issued stating that a bank is in financial difficulty, the common understanding is that it may become unable to meet its obligations or is facing specific abnormal losses that can deplete its capital and reserves. There is absolutely nothing in the record of the Bank, its

present position, or in the GAO report itself which remotely suggests the false impression which such a headline creates. When I communicated Eximbank's strong objection and concern over this heading to the Comptroller General, in his reply to me Mr. Staats agreed that such an implication was not intended and emphasized that the GAO report was concerned with the longer-term problems which could occur and which he acknowledged that Eximbank has recognized.

Before commenting on the specific GAO recommendations, I would like to make a few observations which I believe are germane to the subject of the report. Historically, until the past few years, the interest rate which Eximbank has charged on its loans has been consistently higher than the rate at which it has borrowed funds. As a result, from its annual net profits the Bank has accumulate over $1.6 billion of retained earnings while paying $926 million in dividends to the U.S. Treasury, from total earnings of $2.6 billion since inception. In the late 1960's, when the U.S. balance of trade began deteriorating, the decision was made to expand Eximbank's activities more rapidly, with the obvious and recognized result that the Bank's exposure would increase faster than additions to its reserve. Moreover, in 1971, Congress added to the Bank's statutory mandate an explicit directive to offer financing competitive with that offered by official export credit agencies of other countries.

While we concur with the GAO view that the ratio of Eximbank's capital and reserves to potential losses has been reduced over the last five years, we nevertheless believe our retained income reserve continues to be substantial in relation to our loss experience. As a cushion against loss, the Bank's capital and reserves represent about 10% of its total exposure of some $26 billion in world-wide commitments (loans outstanding, loans authorized but undisbursed, guarantees and insurance). There is risk in the commitments the Bank must make to carry out its mandate, and the potential for loss has become greater as many countries around the world experience sharp increases in import costs and reductions in foreign exchange earnings. However, over the life of the Bank, losses have been minimal and payments have been met on rescheduled debt. Net loan write-offs and guarantee and insurance claims paid since the inception of the Bank to June 30, 1969, were only $3.7 million and $4.7 million, respectively. Even with the expansion of the Bank's activities, in the past six years only $6 thousand of loans have been written off and $26.2 million of net claims paid. Rescheduled debt is less than last year and delinquencies, while up, are not alarming. This experience generates confidence that, with rare exceptions, national economies will overcome current financial difficulties and meet their obligations.

The Bank's ability to meet the challenge of financing an expanding volume of U.S. exports at rising prices, with large expensive projects making up a larger portion of world trade, depends heavily on its ability to maintain and expand its capital base. Thus, we also recognize that if the Bank's exposure should continue to increase disproportionately to increases in the reserve, a time could come when the reserve would not be sufficient to absorb a higher level of losses which could develop at some time in the future. Over the past year, however, the Bank has

taken significant steps which will result in a more rapid increase in its reserve while still going as far as a self-sustaining financial institution can to keep American exporters competitive with their competitors abroad. Specifically, Eximbank has increase its interest rate from 6% to a band ranging from 8-1/4% to 9-1/2%. We have increased our guarantee fee from 1/2% to a range of 3/4% to 1-1/2%, and we have added a commitment fee for our guarantee of 1/8 of 1%. We have restructured our lending policies and terms from time to time as changing needs became evident in order to meet the higher cost of money and to spread our limited resources more effectively over a rising level of higher priced exports. We have secured greater participation in Eximbank financing from our partners in the private commercial sector, and we have cut certain other costs and risks associated with the export credit insurance program.

The General Accounting Office has made two specific recommendations to help improve the financial condition detailed in its report. The first is that Eximbank should charge the same interest rate as commercial lenders would charge in sales for which little or no foreign competition exists. As outlined above, the Bank has already brought its interest rates closer to commercial rates and generally sets the interest rate in the higher ranges when there is little or no foreign competition. Section 2(b)(1)(B) of the Export-Import Bank Act of 1945, as amended -- Eximbank's enabling legislation -- requires the Bank's Board of Directors in determining loan rates to take into consideration the "average cost of money to the Bank as well as the Bank's mandate to support United States exports at rates and on terms and conditions which are competitive with exports of other countries***." We will continue to exercise our best judgement as to the appropriate interest rate considering the financial health of the Bank as well as our task of facilitating exports on as broad a basis as possible. Our experience continues to indicate the necessity of providing Eximbank support even when no competition exists in order to offer the amount of financing required and acceptable to foreign buyers so that U.S. sales will actually be made and sustained.

The second recommendation called on the Bank to completely correlate its borrowing and lending repayment periods as soon as practicable. While we do not believe that it is necessary or even desirable to borrow on exactly the same terms as the average repayment period of our loans, we have already taken steps to lengthen the maturities on the Bank's debt. In May of this year, the Bank refinanced $4 billion of its short-term Treasury debt with the Federal Financing Bank, payable quarterly over the next three years. In September, the Bank refinanced with the FFB $570 million of its short-term borrowings, part at 3-1/2 years and part at 4 years, and earlier this month refinanced another $550 million at 4 years.

We believe that the trends identified by the GAO report are inherent to a self-sustaining institution, like the Bank, which is called upon to provide financing competitive with that provided by other countries which appropriate money every year to subsidize below market interest rates for as much as 85% of the price of their exports as well as to provide costly inflation insurance and other export stimulants. Confronted

with this situation, the Bank, in recent years, has borrowed short term to minimize its interest costs and meet financing competition which is lending at lower rates. Over the last 20 months, the Bank has moved its interest rates up ahead of its competitors and, when money rates have moved down, has refunded its outstanding short-term borrowing in an effort to shift to longer maturities as interest levels offer opportunities to borrow at rates which preserve the Bank's ability to continue to finance exports at competitive rates. We are aware that this objective will become more difficult to attain as a rising level of U.S. exports increases the ratio of the Bank's borrowings to its capital and reserves. We believe that to achieve the most desirable balance between interest rates paid and charged while staying both as competitive and soundly funded as possible will call for both flexibility and delicate judgement.

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Sincerely yours,

William J. Casey

The Honorable
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U.S. House of Representatives
Washington, D.C. 20515

FACILITATING U.S. EXPORTS

Mr. DuBrul. The basic purpose of the Export-Import Bank is to facilitate U.S. exports—to overcome obstacles in export financing to allow exports to expand to the appropriate level consistent with U.S. comparative advantage. Achieving this goal means maximizing private sector financing of exports by overcoming financial market deficiencies and assisting U.S. exporters in meeting foreign official export credit competition. In that role, the Bank's support enables U.S. exports to compete on the basis of their price, quality, and service. In pursuing this objective, Eximbank adds to the national economic welfare by supporting output and employment and by helping achieve a more favorable long-term equilibrium in the balance-of-payments.

In my view, private market financing should be relied on to the fullest extent possible. There are a number of areas, however, in which private export financing is not available in sufficient volume and on appropriate terms. This is something that has been recognized in almost every study of export financing and in almost every survey of the private financial community.

Eximbank's most important job—and probably its most difficult one—is to assume commercial and political risks that cannot be undertaken by individual American exporters and private financial institutions. Small- and medium-size exporters and banks and institutional investors are particularly inhibited by the perceived risk of financing foreign transactions. Some of these risk assessments may be exaggerated because of inadequate information, inexperience, or a bias in favor of our large domestic market, or just plain fear of "foreignness" or things unfamiliar.

We live in a world of uncertainty. Eximbank, over the years, has helped the private sector gain confidence in financing international trade. Nevertheless, uncertainty and risk will always be present, and there will be a role for a unique risk-taking institution like Eximbank as long as there is any excessive risk premium in export financing. Wherever possible, Eximbank will attempt to create and encourage those activities which eventually, with experience, can be taken over by the private sector.

Eximbank also helps to overcome limitations in private sector support for export financing. A substantial proportion of U.S. industrial exports, including many of the high-technology exports, are associated with major capital equipment projects which have long pay-back periods. In the domestic market, similar purchases are often financed through leasing arrangements and by the sale of trust certificates, bonds, and debentures. The institutional investors who acquire these assets generally are unwilling to purchase equivalent issues from foreign buyers of U.S. equipment because of regulation, custom, or the characteristics of export obligations. Foreign purchasers consequently often have to rely on commercial banks or their own, often inadequate or sometimes nonexistent, capital markets.

Commercial banks, because of the short-term nature of their liabilities and their experience during the 1974 credit crunch, are now unwilling to lend—particularly at fixed interest rates—for maturities exceeding 5 years from date of commitment.

Many small- and medium-size firms throughout the world are also unable to raise the funds necessary to finance their imports for any

term, and the small- and medium-size exporters with whom they often deal may similarly be unable to provide the supplier credits they require.

Finally, Eximbank assists U.S. exporters in meeting foreign official export credit competition. Many foreign governments utilize low interest credits to subsidize their exports. All of the major industrial countries offer such subsidized official assistance for expert financing. Private institutions clearly cannot meet such officially subsidized below-market competition without some assistance from Eximbank.

Eximbank has made a strenuous effort to limit the amount of its support to the minimum necessary to enable U.S. suppliers to make export sales. Interest rates and fees have been raised several times over the past 3 years, reflecting the increasing cost of funds to Eximbank and our analysis of what is the minimum support consistent with our statutory mandate.

CONCLUSION

The Bank's budget request for fiscal year 1977 is based on its analysis of the economic environment. It reflects our estimate of the minimum need for Eximbank support.

We appreciate the support this committee has given the Bank and would be pleased to answer any questions the committee may have.

BIOGRAPHY

Mr. PUSSMAN. Thank you Mr. DuBrul. We will insert your biography and prepared statement in the record at this point.

[The information follows:]

BIOGRAPHY OF STEPHEN M. DUBRUL

Mr. DuBrul, a 46-year-old investment banker with experience in international finance, had been with Lehman Brothers, Inc., as senior managing director and director until 1972, when he joined Lazard Freres & Co., as a general partner.

A native of Detroit, Mich., Mr. DuBrul attended Notre Dame University and graduated from the University of Michigan in 1950. Thereafter he served with the Central Intelligence Agency for 2 years before being assigned to the Pentagon.

From 1954 to 1956, Mr. DuBrul attended Harvard Business School, where he was a George F. Baker Scholar, graduating with distinction. He then joined Lehman Brothers, becoming a partner in 1961.

Mr. DuBrul is active in numerous professional, academic and philanthropic organizations. He is chairman of the Visiting Nurse Service of New York, and serves as trustee of the Carnegie Foundation for Advancement of Teaching; the Buckley School; and of International House. The new Eximbank Chairman is also a member of the Council on Foreign Relations, and the Visiting Committee to Harvard Business School. He served as president of the Harvard Business School Association from 1971–72. From 1968 to 1971 he served as governor of the Association of Stock Exchange Firms, and from 1972 to 1975 was a director of the Securities Industry Association. In the early 1960's, he was a consultant on consumer problems to the Council of Economic Advisors.

Mr. DuBrul's corporate directorships have included: Acme-Cleveland Corp.; Continental Can Corp.; General Dynamics; Jewel Companies; May Department Stores; Midland-Ross Corp.; RCA Corp.; Signal Companies; and the Weatherhead Co.

Mrs. DuBrul is the former Antonia Paepcke of Chicago. She and Mr. DuBrul have two children, Nicholas 9, and Jennifer 3.

STATEMENT OF STEPHEN M. DUBRUL, PRESIDENT AND CHAIRMAN, EXPORT-IMPORT BANK OF THE UNITED STATES

Mr. Chairman, members of the committee: It is a pleasure for me to be here today to discuss with you the Export-Import Bank's activities over the past year

and its budget request for fiscal year 1977. Since this is my first appearance before this committee as President and Chairman of the Bank, I would also like to review with you the objectives of the Bank and its role in the world and national economy, pursuant to its legislative mandate.

FISCAL YEAR 1977 BUDGET REQUEST

First, let me restate the congressional charge to our agency as we see it.

The Export-Import Bank is a self-sustaining export credit and insurance agency of the United States whose basic purpose is to facilitate the export of U.S. goods and services.

The Bank's operations are designed to:

(1) Maximize the private financing of exports.

(2) Assume commercial and political risks that cannot be undertaken by exporters or private financial institutions.

(3) Overcome maturity and other limitations in private sector support for export financing.

(4) Assist in meeting foreign official export credit competition.

In order to carry out its operations in fiscal year 1977, the Bank requests:

$8.9 billion for gross guarantee and insurance authorizations—the same as in fiscal year 1976;

$4 billion for regular loan authorizations, of which $3,875 million is for net equipment and service loans—this compares with $3 billion this year;

$1 billion for discount loan authorizations—compared with $1.4 billion this year; and

$12.1 million for administrative expenses, compared with $11.7 million this year.

This request reflects both the projected growth of the world and national economy and the continuing need for national fiscal stringency. It represents the minimum level of support consistent with the Bank's mandate to help facilitate U.S. exports.

DEVELOPMENTS IN THE WORLD AND NATIONAL ECONOMY

World economy

Eximbank's activities are related to the growth of U.S. exports which is tied closely to world economic developments.

There was a sharp deterioration during most of calendar year 1975 in the current accounts of many of the non-oil-producing developing countries. This resulted, in part, from the increase in oil import prices and the decline in the volume and price of many of their exports. The current account surplus of the OPEC countries also declined, while the current accounts of the 10 major industrial countries improved substantially.

As a result of these shifts, the developing countries became increasingly dependent on capital inflows from the industrial world. These trends also added considerably to the risks of export financing, as well as to the challenge faced by a risk-taking institution such as Eximbank.

The depressed level of international economic activity in calendar year 1975 caused the postponement or cancellation of many industrial and resource projects that would have used American goods and services. This reduced the total demand for Eximbank support. However, the greater uncertainty and risks perceived by both exporters and private financial institutions necessitated an increase in the Eximbank involvement in those transactions that did go forward.

The recession and accompanying unemployment led to a sharp increase in other industrial nations' export support programs, as governments sought to stimulate their economies by increasing exports. During 1975: All of the U.S. major international competitors substantially increased the level of authorizations for both their export credit and insurance programs. France, Japan, and the United Kingdom now officially support a much larger share of their national exports—between 25 and 45 percent—than does the United States—about 12 percent.

Most foreign officially supported interest rates continued to be below normal Eximbank rates.

France and the United Kingdom continued their generous inflation indemnity programs, while exporters in France and Japan continued to benefit from a mixing of aid and normal export credits.

A substantial number of new or significantly expanded export support programs were introduced by the smaller OECD countries.

National economy

Our Nation's economy improved considerably during the second half of 1975. Real income increased while the rate of inflation moderated, shortages of certain raw materials and manufactured goods essentially disappeared, and the U.S. trade surplus grew.

Eximbank's programs contributed to the recovery. The nearly $13 billion in export sales facilitated by Eximbank programs in fiscal year 1975 were associated with about 500,000 jobs. The great bulk of these jobs are in the high-technology industries with the highest wages and best working conditions. The $25 billion trade surplus in capital goods and the resulting record $11 billion overall trade surplus were, in part, a reflection of the high level of Eximbank support 2 or 3 years ago when sales of these capital goods were negotiated.

I do not advocate a beggar-thy-neighbor policy of exporting unemployment through export promotion. I wish, however, to emphasize the advantages in terms of output, employment, and a more favorable long-term equilibrium in the balance of payments, as well as in national economic welfare in general, that result from supplementing private capital and allowing exports to increase to their appropriate level.

Eximbank also makes an important contribution to capital formation worldwide. Not only are the dollars that Eximbank lends repaid with interest, together with proceeds from commitments, guarantees, and other fees, but when invested in production facilities, they add to world capacity. In 1973–74, worldwide shortages of raw materials, fuel, minerals, and agricultural commodities were a principal cause of the inflationary spiral which, in turn, led to a tightening of monetary and fiscal policies worldwide and to the current recession. A repetition of this chain of events can be avoided if Americans, with Eximbank assistance, apply our technologies, equipment, and capital to increase production to meet worldwide demand.

American industry and labor have the capacity, materials, and confidence to produce and compete in world markets. Eximbank programs are designed to enable this potential to be fully realized.

PAST YEAR HIGHLIGHTS

During fiscal year 1975, Eximbank guarantees, insurance, and loans facilitated $12.5 billion in U.S. export sales. During the first half of fiscal year 1976, an additional $6.4 billion in U.S. export sales were supported.

This high level of support is attributable, in large part, to the continued expansion of the Bank's programs for assistance in the bread and butter, short- and medium-term financing areas—areas with repayment terms of 5 years or less. These programs accounted for about 95 percent in number and about 60 percent in value of the Bank's commitments over the last 18 months. Most of the nearly 10,000 transactions supported by these programs involved sales of $100,000 or less, many involving smaller businesses.

Eximbank's increasing assistance to smaller businesses was apparent in a survey last summer which showed that about one-third of the firms now doing business with the Bank had a sales volume of $10 million or less. In addition, thousands of small subcontractors also share in the business of the principal contractor or manufacturer whose sales are assisted by Eximbank.

To encourage small businessmen in their export efforts, Eximbank maintains a Small Business Advisory Service to counsel and advise those businessmen on how the various programs of Eximbank and the Foreign Credit Insurance Association may be used to support the sale of their products abroad.

Guarantees and insurance

Authorizations for guarantees and insurance totaled over $4.5 billion in fiscal year 1975 and about $2.5 billion in the first 6 months of fiscal year 1976. The $7 billion total reflects the program's vital contribution to the U.S. export effort. The Bank's guarantee and insurance programs let the marketplace operate to the maximum extent possible by reducing the political and commercial uncertainties inherent in export financing and spreading the risks among the exporter, private financing institution, the Foreign Credit Insurance Association, and Eximbank in accordance with classic commercial insurance principles.

Smaller businesses find the guarantee and insurance programs particularly useful in their export operations. Indeed, the average guarantee or insurance policy is well under $100,000.

In December 1975, Eximbank renegotiated its reinsurance agreement with the Foreign Credit Insurance Association to increase the share of commercial risk assumed by the Association. This was an important step in Eximbank's continuing program of pioneering techniques to deal with uncertainty and risk which, when perfected, can be transferred to the private sector.

Direct credits

The Bank authorized approximately $2.6 billion in equipment and service loans under its direct credit program during fiscal year 1975 and an additional $1.4 billion during the first 6 months of fiscal year 1976. The authorization level reflected the worldwide recession and corresponding drop-off in export demand. These loans provide the financing and repayment terms which private institutions have difficulty providing, but which are needed for large projects such as power plants and mines and big ticket items such as railroad equipment and commercial aircraft.

Although the dollar amount of sales supported by the direct credit program are often large, many smaller and medium-sized firms are the beneficiaries both directly and as subcontractors and suppliers.

In order to better meet its objectives, Eximbank, in September 1975, introduced a new interest rate policy for its direct credit program which raised the Bank's usual interest charges almost to market levels. Eximbank's direct credits now cover from 35 to 55 percent of the U.S. costs at an interest rate ranging from 8¼ percent for loans maturing within 6 years to 9½ percent for loans with a maturity of 14 years or more. The new interest rates are market-related and are in the same general range, or higher, than those offered by export credit agencies of other nations, when the required insurance premiums and other charges are added in, although others usually support a larger percentage of export content. With the higher earnings that will result from these higher basic rates, the Bank will be in a better position to meet competition when other nations go below these rates.

Discount loans

Eximbank authorized over $1.1 billion in advance commitments for discount loans during fiscal year 1975 and an additional $804 million during the first 6 months of fiscal year 1976. The program was especially successful in stimulating small- and medium-size transactions and enabling small- and medium-size commercial banks, many of them regional institutions, to participate in export financing. Actual disbursements under this program totaled only about 10 percent of advance commitments or $200 million. In November, the Bank revised the discount loan program to increase the Bank's return on discount commitments and to adjust the program to better meet the specific needs for which it was intended.

Reduced program activity

In fiscal year 1975, Eximbank tightened its lending policies and terms to work off the backlog of loans carried over from 1974, to cover the higher cost of money to the Bank, and to spread the Bank's limited resources more effectively among American exporters. The tightening of terms and the resulting loss of potential business to foreign competitors, the general scarcity of private capital, the more restrictive attitude of private banks toward export financing, and—most important—the continuing worldwide economic recession caused a decline in requests for Eximbank support, particularly for direct credits. This shortfall continued in the first half of fiscal year 1976.

As a result of the reduced level of equipment and service loan authorizations during the first half of the current fiscal year, the Bank reduced its estimate of loan authorizations for fiscal year 1976 from $3.9 billion to $3.0 billion. The decline in authorizations will reduce the charge against net outlays in future years when a substantial part of our disbursements made under fiscal year 1976 authorizations will take place.

FISCAL YEAR 1977 PROSPECTS

For fiscal year 1977, we expect the economic recovery to be well underway with demand for Eximbank support increasing sharply. Some projects postponed because of the recession will become feasible again and new opportunities will emerge. Eximbank authorizations must take into accord the growth in international trading opportunities and United States exports, particularly if we are going to continue serve as a catalyst in attracting new financial institutions into export financing.

Americans will be producing and shipping quality American goods, built with

American know-how, using American labor and materials. They will need Eximbank support to encourage private financing of U.S. exports and to help meet the competition from foreign exporters, many of whom receive subsidized support from their national governments.

In evaluating Eximbank's budget request for fiscal year 1977, it is important to remember that even though the immediate impact on the economy may be the same, Eximbank outlays differ fundamentally from the expenditures of most other agencies. When the Bank lends money, the money is not used up or spent as it is in most Federal programs; it is simply turned into another form of asset—a loan, which will be repaid to the Government, with interest. Over the 31 years of its existence, Eximbank—under generally accepted accounting principles—has not lost or spent money but, in fact, has always made a profit.

Guarantees and insurance

For fiscal year 1977, Eximbank is budgeting $8.9 billion for gross guarantee and insurance authorizations. This is the same amount budgeted for fiscal year 1976.

Eximbank's guarantee and insurance activity is already running close to $5 billion annually. The $8,850 million requested for these programs in fiscal year 1977 is a realistic estimate, reflecting the expected growth in U.S. exports, coupled with Eximbank's continuing effort to have the commercial sector shoulder a greater portion of the export financing job.

Direct credits and other loans

For fiscal year 1977, Eximbank is requesting $4 billion for regular loan authorizations, of which $3,875 million is for net equipment and service loans, $75 million is for commodity loans, and $50 million is for special foreign trade loans. The $4 billion requested is a realistic estimate of the probable call on Eximbank direct credit resources. The request is essentially the same as our original request for fiscal year 1976 and is 17 percent lower, in real terms, than the Bank's actual loan approvals in fiscal year 1974.

Eximbank equipment and service loans are of two types: direct credits generally over 5 years and medium-term loans under the Cooperative Financing Facility. Eximbank's direct credits are made in participation with private sector loans and are authorized in those cases where the private sector is unable to provide the entire financing needed. The Cooperative Financing Facility works through foreign banks and U.S. banks overseas to provide financing for small foreign buyers of U.S. equipment. Under this program, the foreign bank, with Eximbank's approval, makes the loan to the buyer at its own risk, but refinances half of the loan with Eximbank.

Eximbank estimates that the $75 million projected for commodity credits in fiscal year 1977 will be adequate to provide the supplemental support which may be required for U.S. cotton, tobacco, and other commodity exports. Eximbank, on occasion, extends special foreign trade loans to assist in maintaining the normal flow of U.S. exports to a country which has found itself in temporary balance-of-payments difficulties. The $50 million budgeted for this purpose in fiscal year 1977 is a contingency item for such emergency loans.

Discount loans

For fiscal year 1977, Eximbank is requesting $1 billion for advance commitments for discount loans. This is $400 million less than was requested in fiscal year 1976. While it is too early to determine the precise effect on requests for advance commitments of the program changes made in November 1975, we expect that the $1 billion requested for fiscal year 1977 will be sufficient.

Eximbank's discount loan program encourages U.S. commercial banks to provide financing for small and medium-size export transactions at fixed rates of interest. Without this program, many banks would only provide export financing at floating rates, if at all. The smaller and relatively unsophisticated foreign buyers involved in these transactions vigorously resist interest rate formulas that make it impossible for them to know what their financing costs will be, particularly when they can get all of the fixed rate financing they require—at preferential rates—from our European and Japanese competitors.

EXIMBANK'S PHILOSOPHY

Mr. Chairman, the program activity levels requested by the Bank reflect the Bank's needs in order to meet its objectives. Before concluding, I would like to review with you these objectives as they appear to me, based on the considerable thought which I have given this subject during the last 3 months.

Self-sustaining institution

The Export-Import Bank is a self-sustaining institution. Unlike the export credit agencies of most of our competitors, the Bank does not receive—nor do I think it should receive—an annual appropriation with which it can provide subsidized financing. The money the Bank lends is borrowed and must be repaid with interest. To preserve its capital and build up an adequate reserve for possible future losses, Eximbank has to keep the interest rate it charges sufficiently above the rate it pays for its funds.

In October 1975, the General Accounting Office issued a report entitled, "Weakened Financial Condition of the Export-Import Bank of the United States." In this study, the GAO concluded that Eximbank's income and reserves had not increased as rapidly as the Bank's exposure and that this trend would continue for the next several years. GAO made two recommendations: That the Bank should raise its interest rates on direct credits where there was little or no foreign competition and that it should better correlate the terms of its borrowing and lending.

The Bank concurred, at the time the GAO report was released, with the view that the Bank's capacity to absorb losses would be reduced over the longer term if certain trends were not reversed. We feel that our retained income reserve is substantial in relation to the Bank's loss experience. Nevertheless, we recognize that in an inflationary environment the Bank's exposure could continue to increase more rapidly than its reserves, and a time could then come when reserves might be insufficient to absorb potential losses.

Eximbank has had an excellent repayment and collection record. From inception through fiscal year 1975, Eximbank's gross authorizations for loans, guarantees, and insurance totaled $73.5 billion. Net loan writeoffs during this period totaled only $3.8 million, and net claims paid on guarantees and insurance totaled only $30.9 million. Rescheduled loans are now less than a year ago, and delinquencies, while up, have not become alarming. This experience should give us confidence that, with rare exceptions, both private and public borrowers will overcome current financial difficulties and meet their obligations.

Eximbank has been working to improve its financial position. Before the release of the GAO report and since that time, the Bank has raised its interest rates and they are now at market-related levels. Since February 1974, the Bank increased its long-term interest rate from 6 percent to the present range of 8¼ to 9½ percent and the interest rate on medium-term commitments to a minimum of 8 percent, raised its financial guarantee fee from ½ percent to a range of ¾ to 1½ percent and its short- and medium-term guarantee and insurance fees by 50 percent, and introduced a commitment fee for financial guarantees of ⅛ percent and for advance commitments for discount loans of ¼ percent.

I am happy to report the Bank appears to have had some success in increasing its earnings. This fiscal year we expect our net income to total $110 million, an increase of 36 percent over fiscal year 1975.

The Bank is continuing to work to improve its financial position, taking into account its legislative mandate, its need to remain a self-sustaining institution, and the recommendations made by GAO (many of which have already been implemented by the Bank). A more detailed response to the GAO report is contained in a letter of December 15, 1975, from my predecessor to the House Committee on Government Operations, which, with your permission, Mr. Chairman, I would like to place in the record with my statement.

Facilitating U.S. exports

The basic purpose of the Export-Import Bank is to facilitate U.S. exports—to overcome obstacles in export financing to allow exports to expand to the appropriate level consistent with U.S. comparative advantage. Achieving this goal means maximizing private sector financing of exports by overcoming financial market deficiencies and assisting U.S. exporters in meeting foreign official export credit competition. In that role, the Bank's support enables U.S. exports to compete on the basis of their price, quality, and service. In pursuing this objective, Eximbank adds to the national economic welfare by supporting output and employment and by helping achieve a more favorable long-term equilibrium in the balance of payments.

In my view, private market financing should be relied on to the fullest extent possible. There are a number of areas, however, in which private export financing is not available in sufficient volume and on appropriate terms. This is something that has been recognized in almost every study of export financing and in almost every survey of the private financial community.

Eximbank's most important job—and probably its most difficult one—is to assume commercial and political risks that cannot be undertaken by individual American exporters and private financial institutions. Small- and medium-size exporters and banks and institutional investors are particularly inhibited by the perceived risk of financing foreign transactions. Some of these risk assessments may be exaggerated because of inadequate information, inexperience, or a bias in favor of our large domestic market, or just plain fear of "foreignness" or things unfamiliar.

We live in a world of uncertainty. Eximbank, over the years, has helped the private sector gain confidence in financing international trade. Nevertheless, uncertainty and risk will always be present, and there will be a role for a unique risk-taking institution like Eximbank as long as there is any excessive risk premium in export financing. Wherever possible, Eximbank will attempt to create and encourage those activities which eventually, with experience, can be taken over by the private sector.

Eximbank also helps to overcome limitations in private sector support for export financing. A substantial proportion of U.S. industrial exports, including many of the high-technology exports, are associated with major capital equipment projects which have long payback periods. In the domestic market, similar purchases are often financed through leasing arrangements and by the sale of trust certificates, bonds, and debentures. The institutional investors who acquire these assets generally are unwilling to purchase equivalent issues from foreign buyers of U.S. equipment because of regulation, custom, or the characteristics of export obligations. Foreign purchasers consequently often have to rely on commercial banks or their own, often inadequate or sometimes nonexistent, capital markets.

Commercial banks, because of the short-term nature of their liabilities and their experience during the 1974 credit crunch, are now unwilling to lend—particularly at fixed interest rates—for maturities exceeding 5 years from date of commitment.

Many small- and medium-size firms throughout the World are also unable to raise the funds necessary to finance their imports for any term, and the small- and medium-size exporters with whom they often deal may similarly be unable to provide the supplier credits they require.

Finally, Eximbank assists U.S. exporters in meeting foreign official export credit competition. Many foreign governments utilize low-interest credits to subsidize their exports. All of the major industrial countries offer such subsidized official assistance for export financing. Private institutions clearly cannot meet such officially subsidized below-market competition without some assistance from Eximbank.

Eximbank has made a strenuous effort to limit the amount of its support to the minimum necessary to enable U.S. suppliers to make export sales. Interest rates and fees have been raised several times over the past 3 years, reflecting the increasing cost of funds to Eximbank and our analysis of what is the minimum support consistent with our statutory mandate.

CONCLUSION

The Bank's budget request for fiscal year 1977 is based on its analysis of the economic environment. It reflects our estimate of the minimum need for Eximbank support.

We appreciate the support this committee has given the Bank and would be pleased to answer any questions the committee may have.

Mr. PASSMAN. We will insert certain justification materials at this point.

[The information follows:]

EXPORT-IMPORT BANK OF THE UNITED STATES

Estimated Activity - FY 1977
(In thousands of dollars)

LOAN PROGRAM:		
Equipment and services authorizations		$3,950,000
Commodity authorizations		75,000
Discount authorizations		1,000,000
Special foreign trade authorizations		50,000
Subtotal - Gross loan authorizations		5,075,000
Less: Participations in and cancellations of loans authorized during FY 1977		175,000
Net loan authorizations		4,900,000
GUARANTEE AND INSURANCE PROGRAM:		
Authorization of new and renewed policies	$8,850,000	
Less: Repayments and cancellations on guarantees and insurance	6,028,924	
Subtotal	2,821,076	
Less: Reduction from use of fractional reserve and adjustments	2,103,007	
Charge to new program activity for guarantees and insurance		718,069
OTHER CHARGES:		
Interest and non-administrative expenses 1/		716,274
Equipment 1/		100
Total other than for administrative expenses: i.e. "New Program Activity"		$6,334,443
Administrative expense 1/		12,081
Total		$6,346,524

1/ On the accrual basis

EXPORT-IMPORT BANK OF THE UNITED STATES

COMPARATIVE STATEMENT OF NEW PROGRAM ACTIVITY AND ADMINISTRATIVE EXPENSE

(In millions of dollars)

	FY 1975 Actual		FY 1976 Budget		Transition Quarter Budget		FY 1977 Budget	
LOAN PROGRAM:								
Equipment and services authorizations	$2,616.7		$3,050.0		$ 742.5		$ 3,950.0	
Less: Participations and Cancellations	108.2	$2,508.5	50.0	$3,000.0	5.0	$ 737.5	75.0	$3,875.0
Discount Loans	1,111.9		1,400.0		350.0		1,000.0	
Less: Cancellations	192.0	919.9	140.0	1,260.0	5.0	345.0	100.0	900.0
Commodity	84.0		-		-		75.0	
Less: Cancellations	.7	83.3	-	-	-	-	-	75.0
Special Foreign Trade Loans		-		-		12.5		50.0
GUARANTEE AND INSURANCE PROGRAM:								
Eximbank guarantee authorizations	1,573.5		4,650.0		1,162.5		4,650.0	
FCIA short-term insurance authorizations	2,456.3		3,400.0		850.0		3,400.0	
FCIA medium-term insurance authorizations	472.6		800.0		200.0		800.0	
	4,502.4		8,850.0		2,212.5		8,850.0	
Less: Repayments, cancellations and expirations subject to fractional reserve	3,281.9		5,590.5		1,472.6		6,028.9	
Subtotal - 100%	1,220.5		3,259.5		739.9		2,821.1	
Less: Reduction from use of fractional reserve and adjustments	1,000.3		2,436.9		553.6		2,103.0	
Charge to new program activity for guarantees and insurance		220.2		822.6		186.3		718.1
OTHER CHARGES:								
Interest and non-administrative expense 1/		453.3		537.3		155.5		716.2
Equipment 1/		.1		.1		2/		.1
Total New Program Activity		$4,185.3		$5,620.0		$1,436.8		$6,334.4
ADMINISTRATIVE EXPENSE 1/		$ 10.1		$ 11.7		$ 3.1		$ 12.1
Total Gross Authorizations, included above	$8,314.9		$13,300.0		$3,317.5		$13,925.0	

1/ On the accrual basis
2/ Less than $50 thousand

EXPORT-IMPORT BANK OF THE UNITED STATES

POSITION WITH RESPECT TO LENDING
GUARANTEE AND INSURANCE AUTHORITY
(In millions of dollars)

	June 30, 1975 Actual	June 30, 1976 Estimate	Sept. 30, 1977 Estimate
STATUTORY AUTHORITY	$25,000.0	$25,000.0	$25,000.0
CHARGES AGAINST AUTHORITY:			
Loan Program:			
Outstanding Loans	9,414.6	10,873.1	12,921.0
Undisbursed Loans	7,043.6	7,286.9	8,040.6
Loans sold with recourse	440.6	362.2	-0-
Subtotal	16,898.8	18,522.2	20,961.6
Guarantee and Insurance programs:			
Medium-Term Guarantees	1,315.2	1,977.5	2,799.6
Medium-Term Insurance	181.6	193.6	220.1
Short-Term Insurance	737.2	885.5	941.2
Subtotal	2,234.0	3,056.6	3,960.9
Total charges against authority	19,132.8	21,578.8	24,922.5
Unused authority	$ 5,867.2	$ 3,421.2	$ 77.5

EXPORT-IMPORT BANK OF THE UNITED STATES

Comparative Statement of Administrative Expense Budgets
(on the accrual basis)
(In thousands of dollars)

	1975 Actual	1976 Estimated	Transition Quarter Estimated	1977 Estimated
Personnel compensation:				
Permanent positions	$ 7,136	$ 8,214	$2,131	$ 8,451
Temporary employment	68	74	42	74
Overtime and holiday pay	120	164	39	171
Advisory committee pay	1	3	1	3
Reimbursal detail	162	78	20	78
Excess of annual leave earned over leave taken	69	74	19	78
	7,556	8,607	2,252	8,855
Personnel benefits contribution:				
Retirement	491	547	144	556
Health benefits	107	112	29	117
Employee life insurance	26	27	7	31
FICA taxes and incentive awards	11	12	3	14
	635	698	183	718
Travel and transportation of persons	224	343	98	350
Transportation of things	4	12	1	12
Rent, communications and utilities:				
Rent, office space	581	666	166	684
Rent, storage space	8	17	4	17
Communications	318	336	91	369
Postage	75	109	26	109
All other	274	367	88	375
	1,256	1,495	375	1,554
Printing and reproduction	117	145	37	150
Other services:				
Contractural services and supplies	138	266	67	268
Official entertainment allowance	6	24	6	24
	144	290	73	292
Supplies and materials	133	145	44	150
Total expenses	$10,069	$11,735	$3,063	$12,081
Savings	482	...	...	...
Budget Limitation	$10,551	$11,735 *	$3,063 *	$12,081

* Includes increased pay costs under executive order 11883 pursuant to P. L.

Export-Import Bank of the United States

Number of Employees at end of year

	FY 1975 (Actual)	FY 1976 (Estimate)	FY 1977 (Estimate)
Directors and Staff	19	19	19
Secretary	4	6	6
General Counsel	37	38	38
Executive Vice President	2	2	2
Vice President-Africa and Middle East	25	18	18
Vice President-Asia	15	15	15
Vice President-Europe and Canada	13	17	17
Vice President-Latin America	21	24	24
Chief Engineer	13	13	13
Executive Vice President	0	2	2
Senior Vice President for Exp. Cr., Guar. & Ins.	4	4	4
Vice President-Exporter Insurance	20	24	24
Vice President-Exporter Credits and Guar.	20	22	22
Claims Section	12	14	14
Cooperative Financing Facility	14	15	15
Discount Section	6	6	6
Credit Information	4	4	4
Senior Vice President and Treasurer-Controller	81	85	85
Vice President for Contract Administration	21	22	22
Senior Vice President - Research and Communications	3	3	3
Vice President - Policy Analysis	11	11	11
Vice President - Public Affairs	16	16	16
Government Affairs	3	3	3
Congressional Liaison	4	4	4
Vice President for Administration	52	53	53
	420	440	440

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EXIMBANK RECORD

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

During my 30 years in the Congress I have been on the Subcommittee on Foreign Operations of the House Appropriations Committee for 24 years and it's been my privilege to be chairman of the subcommittee for 22 years. During this time, I have followed the activities of the Export-Import Bank very closely and it's the one bright spot of this very massive, fragmentized foreign aid program that this committee must look at.

You have a marvelous record and I have never had to apologize for the Export-Import Bank.

PURPOSE OF BANK

Let us set the record straight one more time, because maybe those who read the record this year have not read it in previous years. The purpose of the Export-Import Bank is to finance U.S. commodities. We have never financed offshore commodities or labor.

It has been 100 percent to finance U.S.-produced commodities, and any impression to the contrary is an erroneous one. Would that be a statement of fact?

Mr. DUBRUL. That is a fair statement.

U.S. JOBS SUPPORTED BY BANK ACTIVITY

Mr. PASSMAN. How many jobs would you estimate that the Export-Import Bank has provided for American workers over time?

Mr. DUBRUL. Since inception of the Bank, about 5 million.

Mr. PASSMAN. About 5 million individuals were employed due to the Export-Import Bank, and presently it is responsible for providing the means for about how many jobs?

Mr. DUBRUL. It is about 500,000—about a half million jobs relate to the export sales supported by Eximbank authorizations last year.

TAX AND OTHER REVENUES DERIVED FROM EXPORT SALES SUPPORTED BY BANK

Mr. PASSMAN. And if I understand correctly, there are three sources of revenue which go into the U.S. Treasury as a result of the Export-Import Bank: the half million employees who work are earning money and paying income tax into the U.S. Treasury and the State Treasuries; then the corporations are earning profits and they pay taxes into the U.S. Treasury; and finally, the Export-Import Bank makes a profit and also benefits the U.S. Treasury. So, all and all, it has been an extremely profitable operation for our country and for the taxpayers who have to work to pay taxes which go to finance some of the other aid programs.

Mr. DUBRUL. Yes, sir.

FOREIGN COMPETITION

Mr. PASSMAN. I would assume that if we didn't provide the financing for our export commodities, therefore making our commodities

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competitive, Japan, the European countries, and the Soviet Union would be just waiting to grab that business.

Mr. DuBrul. Much more to the free world.

Mr. Passman. If we don't get the business ourselves our competitors are ready.

Mr. DuBrul. That is true.

SUBSIDIZED INTEREST RATES

Mr. Passman. Now, it is my understanding that in the past, there has occasionally been some subsidy of interest rate. However, the profits to the U.S. Treasury in the form of paid in personal and corporate taxes has far exceeded the initial subsidy.

Mr. DuBrul. Absolutely.

Mr. Passman. But, it's a bad proposition when you have to subsidize interest, is that a statement of fact?

Mr. DuBrul. Yes, sir.

LOSS RECORD AGAINST TOTAL SALES SUPPORTED

Mr. Passman. Now, you made a statement earlier that was very, very impressive, and that concerned losses. Over a period of years, through guarantees and direct financing, you have generated in the neighborhood of $90 billion in sales.

Mr. DuBrul. The figure I used in my testimony, Mr. Chairman, approximately $73 billion of authorizations, which supported about $90 billion of U.S. export sales.

Mr. Passman. $73 billion?

Mr. DuBrul. Yes, sir.

Mr. Passman. All right now, I think we have established earlier that in all probability there has been about $20 billion, in that general area, paid into the U.S. Treasury as a result of the Export-Import Bank activities.

Now, what has been your record of losses during that time?

Mr. DuBrul. During that time the total losses under all programs were $34.7 million.

Mr. Passman. Now, what percentage of $20 billion would $34.7 million be?

Mr. DuBrul. Well, $34 million would be 0.17 percent, or something like that. It's a negligible number.

Mr. Passman. It's a remarkable record.

Mr. DuBrul. When I became chairman I thought it was a remarkable record.

Mr. Passman. Well, you are a taxpayer. You have been paying taxes for a few years.

Mr. DuBrul. Yes, sir.

U.S. BALANCE-OF-PAYMENTS POSITION

Mr. Passman. If we go to page 12 of the subcommittee's report dated March 1, 1976, we did itemize U.S. international balance of payments, 1950 through 1974, and it would appear that in the year 1974 we had the second largest balance of payments deficit in the history of our country. A deficit of $18.1 billion.

That simply means that we sent out $18.1 billion more than we brought in. Included in this deficit is foreign aid. We simply send these commodities out as foreign aid with no subsequent return of dollars to the U.S. Treasury. I think that if we would look a little closer at our balance-of-payment deficit and other such indicators, we would not be the foreign aid enthusiasts that we are.

U.S. PUBLIC DEBT HELD ABROAD

Now, one final point before yielding. Of our public debt, which is in the neighborhood of $600 billion, it's my understanding that about one-third of that debt is held by foreign nationals, foreign governments or Americans living abroad. This means that since we are paying $40 billion per year interest on our national debt approximately one-third of this amount would be sent out of this country.

COMMENDATION OF BANK

I have tried awfully hard to find fault with the Export-Import Bank, but it's most difficult to find fault with your operation.

Mr. DuBrul. Thank you, Mr. Chairman.

Mr. Passman. And I want to say if you measure up to your reputation which you bring to Washington, you are going to have a very fine tenure as President of the Export-Import Bank. We are going to back you up and help you in every way we can.

Mr. Shriver?

BACKGROUND OF CHAIRMAN DUBRUL

Mr. Shriver. Thank you, Mr. Chairman.

I want to welcome you to this committee on your first appearance and commend you for your fine statement.

Mr. DuBrul. Thank you, Mr. Shriver.

Mr. Shriver. And I want to associate myself with our chairman's complimentary remarks.

I see you have some CIA experience.

It is bound to come up sometime during the course of these hearings, so would you tell us what was the nature of that experience?

Mr. DuBrul. Well, I was just out of college, and I was a GS–5 or some similar rating, I think, working on I Street, as I remember it. I was resident in Washington the whole time.

CAPITALIZATION OF THE BANK

Mr. Shriver. This Bank was started in 1945 with initial capitalization from the Treasury of $1 billion. Has there been any additional funding from the Treasury?

Mr. DuBrul. No, sir, no additional capital.

DIVIDENDS PAID TO TREASURY

Mr. Shriver. And how much has the Bank returned to the Treasury in dividends?

Mr. DuBrul. Just under $1 billion.

REASON FOR INCREASE IN LOAN AUTHORIZATION REQUEST

Mr. SHRIVER. Your request for regular loan authorization is up by a third over the $3 billion for this year. Is that due to the improvement in the world economy?

Mr. DUBRUL. Yes, sir, we had a softening, as you know, this last year, which affected the level of the export financing requests coming in. But we are anticipating a real strengthening of the world economic position later this year. Obviously the United States is already leading the way in the economic upswing.

Mr. SHRIVER. You mentioned in your statement a little while ago that recovery will be well on the way in 1977.

Mr. DUBRUL. I think we all hope so.

OFFICIAL GOVERNMENT SUPPORT PROVIDED TO FOREIGN EXPORT CREDIT ENTITIES

Mr. SHRIVER. Would you tell us about the support given similar export promoting agencies by the Governments of France, Japan, and the United Kingdom? You mentioned it briefly in your statement, but I would like to know exactly what kind of support they give.

Mr. DUBRUL. Well, as you know, we have furnished to the Congress, semiannually, a competitiveness report which details the various forms of foreign official export credit support being provided by our competitor countries.

Basically, in all of the countries mentioned, you are talking about institutions or agencies that are more intimately related to the treasuries of those countries. They get their funding directly from their treasuries.

Their programs, for example, provide inflation risk insurance, which we do not cover, and some offer comparatively low interest rates.

COMPARISON WITH CREDIT SUPPORT PROVIDED U.S. EXPORTERS BY EXIMBANK

Mr. SHRIVER. How do we compare with that?

Mr. DUBRUL. Our last competitiveness report sets forth their rate spreads. France supports directly between 80 and 85 percent of the financing for an export sale, at a rate of approximately 8.2 percent.

The United States, in contrast, through Eximbank supplies between 30 and 55 percent direct financial support, at rates ranging between 8.25 and 9.5 percent. So, as you can see, our rate spread is generally anywhere from zero to two points above theirs, and they finance directly a much higher percentage of the exported product.

The Germans will support 50 to roughly 75 percent of the value of the product. Their rates are much closer to ours. They are running around 8½ to 9¼ percent.

Italy will support up to 85 percent of the export value at rates ranging between 8¾ and about 10¼ percent.

The United Kingdom will support between 80 and 85 percent direct financing for their exports. Their rates range between about 8¾, and 9¾ percent—much closer to our rates currently.

Japan will support between 50 and 65 percent of the export value, at approximately 7¾ to 8¾ or 9 percent.

There has been a narrowing of the gap between the interest rates charged by the Export-Import Bank and those charged by other countries, which have been moving up closer to our structure.

The big difference now would be in the amount, or percentage, of content they would be willing to finance.

Most other countries are willing to finance a much higher percentage.

DETERMINATION OF WHETHER BANK FINANCING NECESSARY TO EXPORT SALE

Mr. SHRIVER. Some of the criticism aimed at the Bank's operations recently has charged that much of the business supported by the Bank would take place even without your support.

What steps do you take to find out if that would be true in connection with individual transactions, as to whether or not your financing is necessary?

Mr. DUBRUL. Well, having come so recently from the private sector, that was one of the first questions I asked myself. I think that particularly in the last year or so the Bank has been very responsible in terms of trying to assess when loans can be made without us. We have a policy analysis staff, separate from loan staff, who independently assess that possibility.

I have been most pleased to see also that in some cases we have been able to structure a transaction in such a way that the Bank does not have to provide the financing because we have shown the parties involved how to do the financing without us. That is even more constructive than using the Bank's money for that purpose.

We also know, from time to time, when business gets lost because we did not provide the financing support and it goes to a foreign competitor.

We obviously do not want to put the exporting community of the United States at a disadvantage, and yet, at the same time, our congressional mandate is only to try to fill those gaps where we are needed. That policy was already being implemented before I got here.

I am satisfied that we are doing as good a job as can be done to continuously assess that question. It is a principal consideration in every loan that comes before our Board of Directors for approval.

ASSISTANCE TO SMALL BUSINESS

Mr. SHRIVER. You said 95 percent of the number of the transactions of the Bank recently have involved short- or medium-term financing, and that many of these involve small businesses.

Mr. DUBRUL. Yes, sir.

Mr. SHRIVER. How do you get word out that the Bank's services are available? Tell us your activities concerning small business.

Mr. DUBRUL. Well, our programs to get information to the smaller- and medium-size businesses consist of distribution of written materials, telephone conversations, and through continuing seminars, briefings and other types of meetings held at the Bank and around the country. The directors and officers of the Bank are on the road frequently informing local banks and financing institutions, as well as

local export organizations, of the programs that are available at the Bank to assist the smaller transactions.

This is a continuing job. It has to be done because the personnel in the export community change from year to year, and it is a never-ending educational process.

Last year our seminars and other similar meetings on Bank programs and services were held across the country, from Florida to Washington and from New England to the west coast. We estimate that they were attended by between 1,500 and 2,000 representatives of smaller- and medium-sized businesses, as well as persons from larger companies, which is, I think, a fairly good exposure rate.

TERMS OF EXIM-FCIA INSURANCE AGREEMENT

Mr. SHRIVER. What are the terms of your renegotiated agreement with the Foreign Credit Insurance Association?

Mr. DUBRUL. Under the terms of the renegotiated agreement, the 54 private insurance company members of FCIA will take significantly more commercial risk on each transaction than in the past. Effective January 1, 1976, the private companies will assume $425,000 risk per foreign buyer, compared with $250,000 previously and $850,000 risk per U.S. exporter on whole turnover policies, compared with $600,000 previously. We estimate that this will result in an aggregate of approximately $17.5 million decreased risk per year for Eximbank on all exporter insurance policies written, compared with approximately $15.2 million previously.

It is interesting to note that the new levels of per buyer risk-taking by the private company members of FCIA are approximately triple what they were 3 years ago. This new insurance arrangement further carries out our mandate to maximize private participation in export financing, and we will continue to encourage even greater participation by the private sector.

EXIM SUPPORT OF GENERAL AVIATION EXPORTS

Mr. SHRIVER. Would you tell us, or provide for the record, what the Bank has supported in the past year in the area of general aviation exports?

Mr. DUBRUL. In 1975, the Bank authorized $749 million in credits and guarantees to support U.S. export sales of commercial jet aircraft. In addition, the Bank authorized $195.4 million in loans, guarantees, and insurance in support of U.S. exports of smaller aircraft, and aircraft and airport equipment.

LEVELS OF SUPPORT OF GENERAL AVIATION EXPORTS

Mr. SHRIVER. Has that been going up?

Mr. DUBRUL. The Bank's authorizations in support of general aviation exports have been fairly level over the past several years. In fiscal year 1973 authorizations totaled $275.1 million, in fiscal year 1974 they totaled $191.6 million, and in fiscal year 1975 they were $195.4 million.

RECENT REVISIONS IN DISCOUNT LOAN PROGRAM

Mr. SHRIVER. Tell us, preferably in non-banker's language, about the revision in your discount loan program, which you say will help the program meet its intent.

Mr. DUBRUL. The basic intent of the present discount loan program is to enable commercial banks to extend 1 to 5 years export financing for small- and medium-sized transactions at fixed rates of interest. Thus, Exim now only accepts fixed-rate obligations as eligible for consideration under the discount program.

As with all programs, Eximbank intends that the discount loan program be profitable, effective, and efficient. To ensure profitability, the minimum rate for borrowing from Exim under the discount facility was raised from 7.5 percent to 8.0 percent, thus keeping the interest return above our cost of funds.

To insure that the program is used effectively (i.e., not used only when liquidity assurances are required by the commercial bank), Eximbank has limited the eligibility of each export loan to one borrowing from Eximbank and one prepayment. By eliminating the right of a commercial bank to repeatedly borrow and prepay the same export obligation, Exim eliminates the possibility that commercial banks would also use the program to maximize their own interest rate spread.

To encourage efficiency, Eximbank took two administrative steps. First, in order to discourage premature or multiple applications and thus save Eximbank personnel costs and paperwork, a ¼ of 1 percent one-time front-end commitment fee has been added. Second, in order to make most efficient use of limited funds under the program and to discourage the larger transactions which might be more appropriately handled under other Exim programs, certain transactions over $5.0 million will be limited to 50 percent of contract price.

EFFECT ON OPERATIONS OF INCLUSION OF BANK IN BUDGET TOTALS

Mr. SHRIVER. As you know, the Bank's operations will be included in the Federal budget figures beginning with fiscal 1977. I don't agree with that, but that is the way it is. What effect, if any, will that have on your operations?

Mr. DUBRUL. On balance, it will probably have the effect of restricting the Bank's operations and reducing its flexibility and ability to respond to the changing needs of U.S. exporters. As you know, congressional controls over the Bank's activities are not reduced because the Bank is currently an off-budget agency. The Bank still goes through the same budget approval process as it did prior to its budget exclusion in 1971.

Putting Eximbank now back in the budget results in specific annual limits being placed on the Bank's "net outlays". Net outlays are the difference between loan disbursements and repayments of principal plus interest in a given year as defined in 1967 by the President's Commission on Budget Concepts.

The 1967 report recognized that loan programs were inherently different from expediture programs and that there was no technical,

administrative, legal, or financial reason to include loan programs in the unified budget. In fact the committee agreed with the general conclusion of most economists that loan programs should be excluded from the budget totals which are analyzed in reference to the size of the total budget surplus or deficit. The Commission did recognize, nevertheless, the importance of the analytical conveniences and public awareness resulting from the inclusion in a single document (the budget) of the economic impact of both expenditure and loan programs. Hence, the recommendation for inclusion of loan programs in the unified Federal budget.

It is important to note that the intent of the Commission was not to have loan programs analyzed in terms of the size deficit, but only to have the economic impact of them combined with the impact of expenditure programs to show most accurately the total Federal impact.

Use of "net outlays" as opposed to gross authorizations, however, influences budget analysts to focus on numbers rather than the economic environment within which a loan program operates and to which it is supposed to respond. Programs tend to be budgeted to meet predetermined outlay targets that are largely based on the result of past activities rather than the need to satisfy the ongoing requirements for which the program was established initially. Under procedures applied to loan programs not in the budget, OMB would look primarily at the authorization level and judge its appropriateness within the context of expected export growth and other economic valuables. If broad economic conditions support a 20-percent increase in activity, OMB could approve the appropriate authorization level, and the required financing would be obtained. However when a loan program is in the budget. it becomes enmeshed in the artificial Government-wide competition for a "piece" of a targeted budget deficit figure, and the critical factor in their comparison becomes the "net outlay". The possible balance of payments, employment, and budget consequences would seem a very high and real price to pay for the inclusion of Eximbank's direct loan activity in the unified budget, which for loan programs may not appropriate funds is admittedly only valuable from an analytical viewpoint. In addition, the procedure which yields such consequences (defining loan program levels in terms of the budget deficit) runs exactly counter to the original intent of the 1967 Commission.

EXIMBANK'S LEGISLATIVE MANDATE

Mr. SHRIVER. You mentioned the Bank's legislative mandate. I'm afraid that in the debate about the Bank here in Congress, many Members are not really aware of that mandate. Would you summarize at this point what you feel Congress has said about the purpose of the Export-Import Bank?

Mr. DUBRUL. The basic purpose of the Bank is to aid in financing and facilitate the export of U.S. goods and services by (1) maximizing the private financing of exports, (2) assuming commercial and political risks that cannot be undertaken by exporters or private financial institutions, (3) overcoming maturity and other limitations in private sector support for export financing, and (4) assisting U.S. exporters in meeting foreign official export credit competition.

OFFICIAL EXPORT CREDIT SUPPORT IN OTHER INDUSTRIAL COUNTRIES

Mr. PASSMAN. If I may, Mr. President, it is my understanding that all industrialized nations have a similar operation as the Export-Import Bank.

Mr. DUBRUL. We are relatively unique in the self-sustaining charter that we have. All of the other major industrial countries provide export credit support, but they don't necessarily have the self-sustaining charter that we do.

Mr. PASSMAN. They have a more elaborate program.

Mr. DUBRUL. Yes.

Mr. PASSMAN. To take care of the financing. That is part of the game, is to have the Government come in and help finance the exports.

Mr. DUBRUL. That is right.

Mr. PASSMAN. So this is nothing unique with us. The very fact that most industrialized nations have such a capacity is all of the proof you need that it's necessary for us to provide such a service.

Mr. DUBRUL. That is, prima facie, true.

MAXIMUM PERCENT OF SALE COVERED BY EXIMBANK

Mr. PASSMAN. There is no such thing as 100 percent cover on any Export-Import Bank transaction. They always have to put at least 10 percent cash on the line before you really seriously consider their application. Is that correct, sir?

Mr. DUBRUL. I know of no exceptions.

Mr. PASSMAN. Mr. President, thank you. Mr. Long?

EMERGENCE OF FOREIGN NUCLEAR PLANT VENDORS

Mr. LONG. (*a*) Is the entrance of such nations as Germany, Japan, Sweden, and France into the world market as nuclear vendors attributable at all to U.S. financial assistance and the transfer of U.S. nuclear technology?

(*b*) When Eximbank finances a nuclear sale, what consideration is given to the possibility that the purchasing nation may later become a nuclear vendor in world markets?

(*c*) As the Eximbank's former customers become sellers of nuclear materials themselves, are not the minimal safeguards against proliferation rendered increasingly ineffective?

Mr. DUBRUL. (*a*) Eximbank finances the sale of nuclear powerplant equipment, it does not—and has never—financed the sale of U.S. nuclear technology. It is the technology, transferred through licenses from or equity participation by U.S. nuclear manufacturers, that enables foreign countries to become competitor nuclear vendors. The sale of nuclear plant equipment assisted by Exim financing neither stimulates nor facilitates the entrance of foreign countries as nuclear vendors.

(*b*) No consideration is given during the process of Exim evaluation to the present or future status of a purchasing country as a nuclear vendor because the sale of a nuclear plant by the U.S. has no influence

or bearing on the ability of the foreign buying country to build and sell nuclear plants.

(*c*) The safeguards applicable to any plant which Eximbank has assisted in the financing are not reduced in scope or effectiveness by the emergence of the buying country as a nuclear vendor. Moreover, as the sale of plant equipment to a foreign utility has no effect on the capacity of a foreign manufacturer to build similar equipment, the availability of Exim financing for sales of U.S. nuclear plant equipment has absolutely no impact on the effectiveness of international safeguards against proliferation as related to the participation of emerging vendors of nuclear plant equipment.

NUCLEAR SECTOR AGREEMENT

Mr. LONG. In its talks with other nations which sell nuclear materials, what terms does Eximbank propose in seeking an international agreement on extending credit for nuclear transactions? In these negotiations, what attention has been given to nonproliferation provisions, including requirements that any purchaser be a party to the Non-Proliferation Treaty? This question is based on Mr. Minikes' recent testimony that: "We have been working for almost 2 years with the other major exporting nations of the world to reach an agreement on the provision of export credit, but unfortunately to this moment have been unsuccessful in this area."

Mr. DUBRUL. In discussion with other countries on the possibility of establishing standard export financing practices for sale of nuclear power plants and fuel, the only issue has been the appropriate repayment period. These countries have already agreed to an informal limit of 5 years for repayment of fuel financing. For whole plants Eximbank has consistently advocated a maximum repayment period of 15 years (plus 5–7 years for construction yields, a total period of 20 years). The requirement for such terms is supported by the use of 20–30 year bonds by domestic utilities to finance nuclear plant purchases.

There has been no discussion in these negotiations regarding nonproliferation provisions of any kind.

BACKSTOPPING COMMITTEE

Mr. LONG. Eximbank refers all nuclear energy transactions to the Interagency Nuclear Proliferation Backstopping Committee, comprised of representatives from ERDA, the State Department, and the Arms Control and Disarmament Agency.

(*a*) Has this interagency committee ever opposed an Eximbank nuclear transaction? Under what circumstances?

(*b*) What has been Eximbank's response?

(*c*) Inasmuch as the missions of the Energy Research and Development Administration and the State Department would be compatible with *promoting* nuclear exports, can such an interagency group appropriately be expected to address the issue of nonproliferation? Have there been cases in which the ACDA representative has been outvoted by other agency representatives?

Mr. DUBRUL. The Inter-Agency Nuclear Non-Proliferation Backstopping Committee includes representatives of State, ERDA, and

ACDA, but is not comprised of such. Eximbank is not on the committee, but it includes representatives of six agencies.

(*a*) The main issue on Eximbank nuclear plant transactions referred to the committee has been proliferation. The committee has withheld approval on transactions until the country of destination has agreed to nonproliferation controls, either in the form of a bilateral agreement with the U.S. (e.g. Spain) or as a signatory to the Non-Proliferation Treaty (e.g. Korea). To date all nuclear plant transactions referred to the committee by Eximbank have eventually met the nonproliferation standards of the committee and have, therefore, been approved by the committee.

(*b*) Since the Bank began submitting cases to the committee for review Eximbank has withheld its authorization of financial support for all nuclear transactions until committee clearance has been obtained.

(*c*) This question relates to activities of other agencies and the committee of which Eximbank as a nonmember and does not have the competence to comment.

PROLIFERATION ISSUE

Mr. LONG. As suggested by the emergence of Germany, Japan, and Sweden (previous purchasers of U.S. nuclear equipment) as nuclear exporters, there are obviously other factors pertinent to Eximbank nuclear transactions outside of assessing financial risk. Why doesn't Eximbank address directly the proliferation issue as part of its loan evaluation process?

Mr. DUBRUL. The sale of U.S. nuclear powerplant equipment to a foreign utility does not stimulate, facilitate, nor is in any way related to, the development of a manufacturing capacity for nuclear powerplant equipment in the country of the utility. The emergence of Germany, Japan, and Sweden as nuclear vendors has absolutely no correlation to the fact that Eximbank has assisted nuclear powerplants to these countries. For this very logical reason, Exim does not directly address the issue of possible exporting capability in the same country of the utility buying "safeguarded" U.S. equipment and using Eximbank assistance. Moreover, this issue is the responsibility of other U.S. Government agencies and it would be inappropriate and inefficient for Eximbank to attempt to duplicate their expertise and analysis.

EXIMBANK ANALYSIS OF NUCLEAR TRANSACTIONS

Mr. LONG. Eximbank has testified: "Any country's decision to go nuclear is usually the result of complex considerations relating to matters political, social, as well as economic—witness the post 1973 revival of U.S. nuclear interest. Since Exim is not privy to all these considerations—we restrict ourselves strictly to insuring a financially sound project and a creditworthy obligor/country."

(*a*) Why shouldn't Eximbank look into a loan application to determine whether the sale of a nuclear plant is necessary and appropriate? Even in the United States, nuclear construction has been approved despite unanswered questions about safety, controls, and environmental aspects.

(*b*) Could not an independent analysis of a nuclear plant proposal indicate that another technology or project could be more appropriate and economical or less dangerous from the standpoint of safety and proliferation? For example, if a powerplant were really needed, perhaps adequate resources exist locally for a hydroelectric or other type of plant? Or perhaps, in countries such as the Philippines which have received loans for nuclear purchases, such plants are not needed at all, and money might be more productively allocated to light capital technology?

If financial soundness and creditworthiness are the only criteria examined by Eximbank in a nuclear transaction, what guarantees are there that such a plant is truly needed and is not being built as a "showcase" in an otherwise underdeveloped and inappropriate setting? What assurance is there that such a nuclear plant is not diverted from peaceful use?

Mr. DuBrul. (*a*) Eximbank is a financial institution and its staff has the training, expertise and time to analyze only the economic and financial characteristics of proposed transactions. Eximbank is also a part of the Federal Government and it would be redundant and economically wasteful for Exim to develop an analytical capacity in safety, controls, and environment equal to that of agencies primarily responsible for such matters; (*b*) As regards the issue of technical appropriateness or economic feasibility, Exim does require detailed analysis on both counts. Using the Philippines as an example, in depth analysis done both within and outside Eximbank indicated: (1) That there was no new hydropower available on Luzon and that it was highly uneconomic to try to transport power across open sea; (2) that the use of nuclear as opposed to thermal power would save the Philippines $2 billion in fuel costs over a 15-year period; (3) that there was an undeniable need for new power sources if the country was to develop industrially.

Most importantly, by focusing on financial soundness and economic feasibility Eximbank insures that the project is not just an unsound or inappropriate "showcase."

The plant itself can be used for no other purpose than generating electricity and the use of fuel byproducts is covered and "safeguarded" by arrangements with other U.S. Government agencies.

DEVELOPING COUNTRIES MARKET FOR NUCLEAR POWER

Mr. Long. What is Eximbank's assessment of the Richard J. Barber Associates report, entitled "LDC Nuclear Power Prospects, 1975–90: Commercial, Economic and Security Implications," which was prepared for ERDA's Division of International Security Affairs and which concludes that, given the small size of the prospective nuclear power market in developing countries and the questions of safeguards and politics posed by this market, U.S. promotion of nuclear exports may be unwise at this time? What is Eximbank's assessment of the market among developing countries for nuclear technology? Specifically, which developing countries does Eximbank see as in the market for nuclear power, and how strong is this market, in terms of number of plants and dollar value? Does Eximbank anticipate that such developing countries will require preferential or concessionary financing terms? What is Eximbank's policy in such cases?

Mr. DuBrul. Eximbank has not seen the indicated report and therefore, can have no comments on its conclusions. Eximbank studies indicate that in each of the next 3 to 4 years U.S. nuclear powerplant manufacturers could receive some $2 billion worth of orders for nuclear powerplants. The main market, by far, is Spain with potential orders of $500 to $700 million a year—two to three plants. Other major LDC markets include Korea, Taiwan, Mexico, and Thailand.

Eximbank expects to apply its normal criteria regarding appropriate maturity and rate for each nuclear project in all countries. Eximbank does not as a general rule provide nuclear projects in any country with a type or level of financial assistance which is more favorable than that available to nonnuclear projects of a similar nature. Eximbank has never deviated from this policy.

Mr. Passman. Thank you, Mr. Long. Mr. Bevill?

Mr. Bevill. Thank you, Mr. Chairman.

I would like to welcome you, Mr. President, to this committee today. We are delighted to have you, and I know you are going to do a good job. This is an outstanding Bank.

Mr. DuBrul. Thank you, sir.

SOVIET FERTILIZER PLANT

Mr. Bevill. I noticed a reference to the loan made to Russia, which, as I mentioned to you before the meeting, is still of some concern to me.

Mr. DuBrul. Yes, sir.

Mr. Bevill. I am not going to go into any details about that with you, because that all took place before you came here.

As you know, the Export-Import Bank is financing the building of a fertilizer plant in Russia which can be easily converted to munitions manufacturing.

Mr. DuBrul. It is an ammonia plant; yes.

HALT IN BANK AUTHORIZATIONS FOR SOVIET UNION

Mr. Bevill. And I am very much opposed to that.

I notice that you mention, under exports to the Communist countries, that no authorizations were made in support of U.S. exports to the Soviet Union.

I don't quite know what you mean by that. Do you mean authorizations by the Congress or authorizations by the Bank?

Mr. DuBrul. No authorizations mean that the Bank has not authorized any credits to the Soviet Union since the spring of 1974 and, in fact, has been prevented by law from doing so since January of 1975.

Mr. Bevill. So, actually that situation is going to take care of itself, and we wouldn't be building any more ammonia plants in Russia?

Mr. DuBrul. No, sir. we can't authorize any further financing for exports to the Soviet Union until Congress changes the law or the present provisions in the Trade Act are complied with.

Mr. Bevill. That is mighty good to hear. You have made my day.

U.S. FINANCIAL INSTITUTIONS AND EXPORT FINANCING

Mr. BEVILL. Has the recent upturn in the economy been reflected by increased investment in exporting on the part of U.S. financial institutions, or at least an interest in such investment?

Mr. DUBRUL. Even with the upturn in the economy, commercial banks, because of capital adequacy problems, the short-term nature of their liabilities, and their experience during the 1974 credit crunch, are unwilling to invest in exporting, particularly at fixed interest rates, for maturities more than 5 years in length. In addition, the global recession has exacerbated the political and economic uncertainties of nations in the developing world, which tends to reduce the attractiveness of loans to these countries by financial institutions. The favorable effects of recent upturn on export earnings has generally not yet been felt by these countries.

GOVERNMENT SUPPORT OF EXPORTS

Mr. BEVILL. Given an ease in worldwide recession and inflation do you foresee a continued rise in Government support by other countries? Do you think increasing U.S. support of our exports is inevitable in order for our exports to remain competitive?

Mr. DUBRUL. During 1975 all of the U.S. major international competitors increased the level of authorizations for their export credit programs. Even with the easing of worldwide inflation and the abatement of inflationary pressures, continued high-levels of Government support for exports by other countries can be expected.

The purpose of the Export-Import Bank in this situation is to continue to carry out its mandate as a self-sustaining export credit agency whose basic purpose is to facilitate the export of U.S. goods and services. Within this overall goal, the Bank provides assistance in meeting foreign official export competition when circumstances warrant.

U.S. AND FOREIGN EXPORT SUPPORT

Mr. BEVILL. What percentage of U.S. exports do you now support in some way? What percentage of their exports do the European countries and Japan generally support?

Mr. DUBRUL. The Export-Import Bank supports approximately 15 percent of U.S. exports. This compares with official support of 40 percent in the United Kingdom, 45 percent in Japan, 25 percent in France, 13 percent in Italy, and 7 percent in Germany.

LOAN CRITERIA

Mr. BEVILL. In the awarding of your loans, what factors are considered when choosing a recipient?

Mr. DUBRUL. The process of awarding a loan begins with an application from a potential borrower. Eximbank requires information from the potential borrower about his own financial condition and the economics of the project relating to the proposed U.S. exports we are asked to finance. Perhaps the most important single criterion used in awarding a loan is the financial condition of the country concerned. We have a staff of economists who constantly review coun-

try economic conditions. Another factor in making a loan is the economic impact of the transaction on the United States, that is the amount of employment generated and whether any of the equipment to be exported is in short supply. Finally, we determine whether the private sector can handle the transaction without our assistance. It is our general policy to obtain maximum participation financing from the private sector and to provide only that additional financial support which is necessary for the transaction to go forward.

COVERAGE UNDER GUARANTEE AND INSURANCE PROGRAMS

Mr. BEVILL. In the guarantee and insurance program, do you generally insure against all commercial or political risk, or simply a sufficient amount to make financing feasible?

Mr. DUBRUL. The Bank's financial guarantee is given in conjunction with or in substitution of a long-term direct loan from Eximbank and is limited so as to maximize private participation in the export financing package.

The Bank also has available a commercial bank guarantee program which is used by some 270 U.S. commercial banks in order to provide medium-term export financing to their customers. The major features of the program are that the foreign buyer is required to make a minimum cash payment of 10 percent of the contract price, the exporter takes all risks for 10 to 30 percent of the amount being financed and the balance is guaranteed by Eximbank for both commercial and political risks except for 15 percent of the commercial risks which are assumed by the U.S. bank providing the financing.

The FCIA insurance program, which covers both short- and medium-term sales, is like the commercial bank guarantee program in that for medium-term sales it is required that the foreign buyer make a minimum cash payment of 10 percent of the contract price. Of the remaining amount, 10 to 30 percent is taken by the exporter for all risks and the balance is insured for both commercial and political risks with Eximbank assuming the political risks and the private insurance company members of FCIA assuming much of the commercial risks. For short-term sales 95 percent of the invoice value is insured for political risks and 90 percent for commercial risks. The remaining balance is assumed by the exporter.

Mr. BEVILL. Thank you very much.

PROFIT TO U.S. INDUSTRY FROM SALES TO SOVIETS

Mr. PASSMAN. You know, we have a very fine subcommittee here. We don't always agree 100 percent of the time. Was there a profit made as a result of our participation in the construction of a fertilizer plant in Russia?

Mr. DUBRUL. I am sure the exporter saw to it that he had his proper markup in there for his profit.

Mr. PASSMAN. Have any goods been shipped in support of this prjoect?

Mr. DUBRUL. Yes; some goods have been shipped.

Mr. PASSMAN. So you are going forward with this one commitment.

Mr. DuBrul. The commitment was made prior to enactment of the Trade Act.

Mr. Passman. And a profit should be made by the manufacturer and employee, and, ultimately, the U.S. Treasury?

Mr. DuBrul. Yes, sir.

LOANS TO YUGOSLAVIA

Mr. Passman. I think you had an Export-Import loan to Yugoslavia. Are they up to date on their payments?

Mr. DuBrul. Yes, Yugoslavia is doing quite well.

Mr. Passman. I would assume the manufacturer made a profit on what he sold them.

Mr. DuBrul. They seem to be quite happy.

Mr. Passman. The laborer, he too made a profit?

Mr. DuBrul. Yes, sir.

Mr. Passman. Mr. Conte?

COMMENTS ON MR. DU BRUL'S BACKGROUND

Mr. Conte. I want to join with the committee in complimenting you as the new President of the Export-Import Bank. I have your résumé here or the press release that went out. You certainly have a very illustrious background in the financial field and it should hold you in good stead as President of the Bank, and should provide the sound leadership that the Bank has had in the past.

I really fear to ask you any questions after the ringing endorsement that the chairman has given you. I may tarnish this endorsement.

Mr. DuBrul. Well, I am afraid so too.

INCREASED SUPPORT BY INTERNATIONAL COMPETITORS

Mr. Conte. How much have the major international competitors increased the support of their export industries over the last year?

Mr. DuBrul. Eximbank's principal competitors in France, Germany, Italy, the United Kingdom, and Japan markedly increased their new authorizations under existing programs during 1975 so that their support of national exports far exceeded that of 1974. Competitors collectively increased total authorizations by $12.3 billion to $69.3 billion in 1975—an increase of 22 percent over 1974—compared to Eximbank's total authorizations level of $9.9 billion—corresponding to a 17-percent increase over 1974.

Some of the major changes in competitor support programs during 1975 included the United Kingdom's introduction of cost escalation insurance, guarantees on preshipment financing, and insurance of members of consortia contracting overseas; and Japan's introduction of an export loss reserve system, whereby 7 percent of annual foreign project costs are deductible from an exporter's taxable income as a reserve against loss.

COMPARISON OF OFFICIALLY SUPPORTED INTEREST RATES

Mr. Conte. How do foreign, officially supported interest rates compare to those of the Export-Import Bank?

Mr. DuBrul. The rates charged by the major competing direct lending programs are as follows:

	Quoted interest usually charged	Typical interest rate charged borrower (plus charges and premia)
United States	8.5	9.0
France	7.5	8.5
Germany	7.8	9.0
Italy	8.8	9.9
United Kingdom	8.0	9.2
Japan	7.5	8.4

The quoted interest rate most frequently charged by Eximbank on direct loans is 8.5 percent. This is higher than quoted rates typically charged by four out of five other principal competitors. In addition, Eximbank supports a smaller proportion of individual transactions than other nations.

The minimum interest rate Eximbank charges commercial banks for discount loans is 8 percent. This is higher than the discount rates charged by major competitors who have rates as follows:

	Percent
France	4.5
Germany	5.0
Italy	3.5
Japan	6.5
United Kingdom	(1)

[1] The rate can fluctuate.

NECESSITY OF EXIMBANK ASSISTANCE

Mr. Conte. In the justification on page "F", I note that Eximbank loans, guarantees, and insurance facilitated $12.5 billion in U.S. export sales in 1975. How much of this do you feel would have been deferred or just not sold had your financing not been available?

Mr. DuBrul. Of the $12.5 billion, over $5 billion relates to the guarantee and insurance programs. The programs relate to the risk perceptions of private exporters and banks and it is impossible to determine quantitatively whether the absence of such risk protection would effect the availability of credit or the conditions, sale, and terms, of credit.

For the direct credits it should be noted that every Eximbank authorization is based on the judgment that either because of private capital market deficiencies regarding the volume and/or term of financing available for exports, or the existence of foreign credit competition, there exists a reasonable possibility that the sale would be lost in the absence of Eximbank assistance. On this basis I feel that most of the $6.5 billion of U.S. exports supported by direct credits needed Exim assistance. Again, I do not believe a quantitative estimate is feasible.

INCREASES IN ADMINISTRATIVE EXPENSES

Mr. CONTE. If the staff level is the same as last year, why is there an increase of administrative expenses this year?

Mr. DUBRUL. The major increase in administrative expenses between fiscal year 1976 and fiscal year 1977 occurs because the October 1975 pay raise was in effect for only part of fiscal year 1976 but will affect all of fiscal year 1977. Also, although there is no increase in personnel budgeted for fiscal year 1977 over fiscal year 1976, the Bank was permitted a 20-person increase during fiscal year 1976. Consequently, there will be a higher average number of people on-board in fiscal year 1977 than in fiscal year 1976. There are small increases in payments for services such as printing and in rent payments to GSA.

BENEFIT OF THE COOPERATIVE FINANCING FACILITY TO SMALL BUSINESS

Mr. CONTE. Can you explain the benefit of the Cooperative Financing Facility to Small Business?

Mr. DUBRUL. The concept of the CFF allows foreign buyers to obtain medium-term dollar financing for their U.S. purchases from their local banks. Eximbank enters into agreements with foreign cooperating banks to lend them one-half of the funds required for each export loan. The foreign bank provides the other half of the funds and takes the credit risk on the entire transaction.

One of the CFF program objectives is to provide financial assistance to small- and medium-size firms that may have difficulty obtaining medium-term financing for their purchases of U.S. capital goods. Small overseas buyers generally lack the resources to obtain financing in international money markets and must rely on their local banks to satisfy their financing needs. Because the CFF is specifically available through local foreign banks, it is an attractive mechanism for funding small export sales.

Small- or medium-size U.S. exporters on the other hand, generally do not extend supplier credit to foreign buyers. For these companies, the CFF provides the means of selling abroad offering 1- to 5-year terms to the buyer without the exporting firm, which doesn't have the resources to do so, having to act as banker for the foreign buyer. Under the program, the exporter receives payment in full upon delivery and clearance of documentation.

Since the inception of the program in 1970, Eximbank has authorized over 400 credit lines in 48 foreign countries. As of February 29, 1976 over 3,700 export loans have been authorized under the CFF with an average Eximbank loan size of $147,000. Over 77 percent of the 3,700 loans were for credit amounts of $200,000 or less.

EMERGENCY CREDITS

Mr. CONTE. Why have no emergency credits been authorized by Eximbank since fiscal year 1969?

Mr. DUBRUL. In the past, emergency credits have been authorized to assist in maintaining the normal flow of U.S. exports to countries which have had temporary balance of payments difficulties. Exim has not been called upon to authorize such credit assistance since fiscal

year 1969 because developments such as special drawing rights at the IMF, floating exchange rates, and other arrangements have been available to assist in such situations.

WRITEOFFS AND CLAIMS

Mr. CONTE. How much in loans were written off and how many insurance claims were paid up to now in fiscal year 1976 and fiscal year 1975?

Mr. DUBRUL. In fiscal year 1975, $6,000 in loans were written off—the Bank's first writeoff since 1969. During fiscal year 1975, $8.0 million in guarantee and insurance claims were paid. However recoveries of claims paid totaled $6.2 million, resulting in net claims paid of only $1.8 million. To date in fiscal year 1976, no loans have been written off, $7.3 million have been paid in guarantee and insurance claims, and $2.5 million has been recovered resulting in net claims paid of $4.7 million.

JOBS SUSTAINED BY EXIMBANK ACTIVITIES

Mr. CONTE. Can you update the statistics provided last year on the number of jobs which are directly or indirectly sustained by the activities of Eximbank?

Mr. DUBRUL. Eximbank's total programs supported directly and indirectly 549,300 jobs throughout the economy in fiscal year 1975. In fiscal year 1974, 643,500 jobs were supported. The reason for the reduction is that inflation raises the dollar cost of each unit of exports, but there is no change in the labor impact to that unit. Therefore, each dollar is worth less in terms of labor content.

LOANS TO MIDDLE EAST

Mr. CONTE. Does the bulk of your lending or CFF program in the Middle East still involve Iran?

Mr. DUBRUL. No. In fiscal year 1975, Exim authorized more loans in support of U.S. exports to Israel than to any other Middle Eastern country.

AUTHORIZATIONS FOR NUCLEAR POWER PROJECTS

Mr. CONTE. To what extent was Eximbank involved in financing of nuclear powerplant equipment during the past year?

Mr. DUBRUL. In fiscal year 1975, the Bank authorized $204.8 million in loans and $146.1 million in financial guarantees for nuclear power projects.

FCIA ASSISTANCE TO SMALL EXPORTERS

Mr. CONTE. I have heard several complaints that small companies attempting to export are having difficulties getting FCIA insurance. It is indicated that because this is not a real moneymaker there is not much made available and redtape makes it very hard for small business to finally get some. Would you respond to this?

Mr. DUBRUL. Eximbank and FCIA are making a genuine, continuing effort to maximize support for small business. It is true that

FCIA has had a greater than normal loss experience for small and medium-sized exporters, but they are still making a variety of positive efforts to provide greater support to small business exports. Of FCIA short-term insurance policies, 26.8 percent are held by exporters who do not expect to have more than $250,000 outstanding to various foreign customers at any one time. Furthermore, a total of 458 U.S. exporters hold policies with ceilings of under $500,000, an indication of the level of export business they expect to do.

A sample of exporters who have used the FCIA program in the past 1½ years taken from California, Alabama, Illinois, South Carolina, and Arizona—a cross section of exporting States—resulted in estimates of the size of companies using the various insurance policies FCIA offers. It is estimated that 44 percent of the exporters who utilized FCIA insurance policies in the last 1½ years—fiscal year 1975 and the first 5 months of fiscal year 1976—have a net worth of less than $1 million. Since 1,379 exporters used the FCIA program during the period of review, an estimated 607 small companies benefited.

FCIA has an active program of seminars, meetings, et cetera to interest smaller companies in utilizing their programs and to assist them in their exporting efforts. FCIA also has a number of local offices located throughout the country which assist small exporters in learning how to use the FCIA programs.

SMALL EXPORTERS' ACCESS TO BANKS FINANCING EXPORT SALES

Mr. CONTE. There are also indications that only about 25 to 30 private banks are capable or willing to push Eximbank programs. Can you tell us which ones?

Mr. DUBRUL. Presently over 270 banks throughout the country have participated in our supplier credit programs. Some are more active than others, particularly those located near large manufacturing centers and those with a proximity to Latin America. The growth of the number of banks participating in the supplier credit programs has been steady, increasing from 150 in 1970 to 270 today. An additional 700 banks regularly receive detailed information on the bank guarantee program. Many banks also finance export transactions based on assignment of FCIA insurance policies and the use of Eximbank's discount loan program.

SMALL EXPORTERS ACCESS TO BANKS FINANCING EXPORT SALES

Mr. CONTE. Since many of the small exporters don't bank with institutions with large international departments don't you think it would be helpful for them to know what banks are experienced in these transactions?

Mr. DUBRUL. Over 270 banks located across the United States participate in the bank guarantee program. Small exporters frequently call or visit Eximbank and we can identify for them the commercial banks in their geographic area which use our programs. Eximbank regularly conducts seminars across the country often in conjunction with State export development agencies or State departments of commerce which small exporters attend, along with commercial banks interested in international trade. Additionally, our staff members are often guest speakers on panels throughout the country which are

sponsored by commercial banks and anyone interested in exporting may attend.

LOWER NET INCOME IN FISCAL YEAR 1975

Mr. CONTE. The Eximbank's annual report for 1975 showed $545.8 million in revenues and net income of $80.5 million. The net income figure was $29.8 million lower than fiscal year 1974; why was that?

Mr. DUBRUL. Mainly because of increased costs for borrowed funds. Gross revenues from interest and fees rose by $96 million, from $450 million in fiscal year 1974 to $546 million in fiscal year 1975. However, interest expense increased even faster, from $325 million in fiscal year 1974 to $453 million in fiscal year 1975 or an increase of $128 million. We expect that lower interest rates in fiscal year 1976 will enable the Bank to increase its net income to about $110 million this year.

PROMISE OF INTERNATIONAL NEGOTIATIONS

Mr. CONTE. Do you see any promise in negotiations with the European community, GATT, or individual nations like Japan, on significantly scaling down subsidized export financing?

Mr. DUBRUL. Negotiations over the past 2 years on a gentleman's agreement have produced some concrete actions, such as the Washington minute, which have had some effect in reducing the scale of subsidized export financing. Moreover, at the present time, the prospects for achieving further reduction in such competition appear to be good. A limited understanding focusing on guidelines for such features as minimum interest rates, maximum repayment terms, and minimum cash payments presently seems feasible to all countries involved. If an arrangement can be achieved, its norms are expected to reflect somewhat higher interest rates than are now offered by Eximbank's competitors, and shorten maturities for some credits than are now offered by Eximbank. Although most of our principal foreign competitors depend much more than the United States on exports for continuing high levels of income and employment and are, therefore, less inclined to accept constraints on their flexibility in obtaining export orders, the cost of continuing negotiations is miniscule when compared to the potential benefits of attaining further scaling down of subsidized export financing. Our competitors have come much further than would have been estimated 2 to 3 years ago, and this is cause enough to be optimistic about the promise of future negotiations.

U.S. EXPORT POTENTIAL

Mr. CONTE. What items do you foresee as our biggest export potential in the coming years?

Mr. DUBRUL. It appears that the biggest U.S. export potential in the coming years is in the high technology capital goods sector, particularly the areas of process equipment—refineries, fertilizer plants, gas gathering equipment—power generating equipment and commercial aircraft.

POLICY ANALYSIS STAFF

Mr. CONTE. What has your recently established policy analysis staff accomplished?

Mr. DuBrul. The policy analysis staff was established to provide Eximbank with an improved capacity to examine the efficiency and effectiveness of programs, a staff capacity for international negotiations and developments in the export credit area; an analytical capability for industry and commodity studies, a capability to analyze international economic trends and ideas, and an advocate responsible directly to the Chairman of continuing analysis of Exim's role and influences—including the legislative mandate to consider the effect on jobs, possible shortages and any potential adverse impact. Over the past 14 months the policy analysis staff has made significant contributions in all of these areas. It played a large role in the December revision of the discount loan program; it has been a major participant and the analytical arm of Exim in the Gentlemen's Agreement negotiations as well as being a major stimulus to improvements in the exchange of information procedure; it has provided Eximbank with many industry and commodity studies which have considerably helped in making judgments on the appropriateness of Exim assistance in specific transactions; it is playing a major part in the improvement of the country ratings procedure by incorporating advances in economic theory and forecasting; and it has been a key participant in the continuing process of positioning Eximbank in the role of market-related source of supplemental export financing.

PERCENT OF NATIONAL EXPORTS BY UNITED STATES AND MAJOR COMPETITORS

Mr. Conte. Would you provide for the record a list of the nations who officially support national exports to a large extent and the percentages that they support?

Mr. DuBrul. The following is a listing of major U.S. competitors illustrating varying degrees of official support of national exports:

	Percent of national exports supported
United States	15
United Kingdom	40
Japan	45
France	25
Italy	13
Germany	7

GAO STUDY

Mr. Conte. What has been done concerning the recommendations made in the GAO study of October 1975?

Mr. DuBrul. At the time the GAO report was released, Eximbank concurred that the bank's capacity to absorb losses would be reduced over the longer term if certain trends were not reversed. Eximbank has been working to implement the GAO recommendations to see that this does not happen. From inception through fiscal year 1975, Eximbank's gross authorizations for loans, guarantees, and insurance have totaled $73.5 billion. Net loan writeoffs during the period have totaled only $3.8 million, and net claims paid on guarantees and insurance have totaled ouly $30.9 million. Rescheduled loans are now less than a year ago, and delinquencies, while up, have not become alarming. This gives us confidence that, with rare excep-

tions, both private and public borrowers will overcome current financial difficulties and meet their obligations.

Eximbank in its efforts to improve its financial condition has increased its long-term interest rates from 6 percent in February 1974, to the present range of 8¼ percent to 9½ percent, and interest rates on medium-term commitments to a minimum of 8 percent. The financial guarantee fee has been increased from one-half percent to a range three-fourths percent to 1½ percent. Short-term and medium-term insurance fees have gone up by 50 percent, and a commitment fee of one-eighth percent has been introduced for advance commitments for discount loans.

Mr. CONTE. As an old country lawyer, I learned a long time ago that when you are ahead in a trial, the best thing to do is sit down and keep quiet.

And when you are behind, just pound the table.

Mr. DUBRUL. I appreciate your wisdom.

Mr. PASSMAN. Mr. Coughlin?

Mr. COUGHLIN. Thank you, Mr. Chairman. I join in welcoming Mr. DuBrul, and I am pleased to see a graduate of the Harvard Business School, of which I am also an aluminus.

Mr. DuBrul. Thank you very much.

Mr. COUGHLIN. Just to clear up one question raised by the distinguished ranking minority member, you are not still affiliated with the CIA, are you?

Mr. DUBRUL. No, sir. I left that affiliation honestly and fully in August 1952.

DELINQUENCIES

Delinquencies of 90 days or more totaled $8.31 million at December 1975. That excludes, of course, the old Cuban and Mainland China loans that have been delinquent for many, many years.

That total of $8 million relates to loans with an outstanding balance of approximately $174 million.

Mr. COUGHLIN. What type of loan constitutes most of the delinquencies, commodities or machinery?

Mr. DUBRUL. It's really quite broad. I would say that about half of the total relates to loans not guaranteed by governments or central banks. Those would be private sector loans, they would be primarily loans for capital goods, not commodities.

INCREASE IN ADMINISTRATIVE EXPENSES

Mr. COUGHLIN. On page 4 of your justification you indicate that you are asking about $400,000 more in administrative expenses. How much of that increase goes for additional people and personnel?

Mr. DuBrul. We have a personnel ceiling. We have no increase in personnel.

Mr. COUGHLIN. No increase in personnel?

Mr. DUBRUL. No. The major portion is attributable to the pay increase approved by the President, last fall, and the balance goes for increased costs for the services that we have to purchase, such as telephone, communications, mail, and so forth.

NUMBER AND GRADE LEVELS OF BANK EMPLOYEES

Mr. COUGHLIN. And you have approximately 440 people on board now?

Mr. DUBRUL. Approximately 430—436 as of last week.

Mr. COUGHLIN. Would you provide for the record a listing of the numbers of the people and the various salary grades for those 440 people?

Mr. DUBRUL. Yes, I can give it to you now or do you want me to provide it for the record?

Mr. COUGHLIN. For the record.

[The information follows:]

EXPORT-IMPORT BANK OF THE UNITED STATES

Grade distribution Feb. 29, 1976

Grade:	*Number of employees*	Grade:	*Number of employees*
18	1	6	48
17	5	5	40
16	10	4	31
15	47	3	10
14	30	2	5
13	28	1	1
12	26		
11	32	Total–GS grades	421
10	11	Executive level	5
9	42	Wage Board	10
8	20		
7	34	Total permanent	436

COMPARISON OF BANK GRADES WITH CERTAIN OTHER AGENCIES

Mr. DUBRUL. May I comment on that just in general?

You were very thoughtful the other day to suggest that we review this matter. We took a look at how the Bank compares to other agencies that might be considered somewhat similar, and the average grade at the Export-Import Bank is about a GS–9.5, while the Farm Credit Administration has an estimated average grade of 10.7, the Small Business Administration is 9.2, and the SEC is 10.0.

A more dramatic comparison, however, is that all of the U.S. Government agencies are substantially below the average compensation for, let's say, the World Bank. The average salary for the World Bank professional employees is about 40 percent more than the average compensation for Export-Import Bank professionals.

Mr. COUGHLIN. I think that information is very helpful to have because questions of this nature are asked when the bill comes to the floor.

Mr. DUBRUL. Yes, sir, and we will supply for the record the detail on the grades.

[The information follows:]

COMPARISON OF EXIMBANK'S OVERALL AVERAGE GRADE WITH CERTAIN OTHER AGENCIES

	Fiscal year 1977	
	Estimated average grade	Estimated average salary
Export-Import Bank	9.46	$18,945
Commodity Futures Trading Commission	9.56	18,054
Consumer Product Safety Commission	10.10	21,054
Farm Credit Administration	10.76	20,700
Federal Deposit Insurance Corp	8.95	17,005
Federal Mediation and Conciliation Service	11.18	22,597
Federal Power Commission	9.87	19,257
Federal Trade Commission	9.52	17,987
Securities and Exchange Commission	10.05	19,430
Small Business Administration	9.21	18,094
World Bank—Average adjusted professional salary		35,286

USE OF ENTERTAINMENT ALLOWANCE

Mr. COUGHLIN. Thank you.

On page 4 of your statement you also request a limitation of $24,000 for entertainment expenses. Could you provide for the record the detail of the type of entertainment that is normally performed, because again, that is sometimes challenged on the floor.

Mr. DUBRUL. We will do so.

[The information follows:]

Entertainment expenses fiscal year 1976 (through February 29, 1976)

	Amount
Luncheons and dinners	$4,744.46
Receptions	954.53
Small gift items	63.75
Total	$5,762.74

Mr. DUBRUL. It varies, of course, from year to year. We sometimes have to host bankers from other countries, and in this coming year, by the way, we will be the host for the Berne Union annual meeting. So we may use more of this allocation this coming year than we have in the recent past.

Hopefully, we will keep it down to a minimum.

Mr. PASSMAN. Would the gentleman yield?

Mr. COUGHLIN. Yes, sir.

NEED FOR REPRESENTATION ALLOWANCES

Mr. PASSMAN. Usually when you get in the area of entertainment allowances you find some people sensitive about it. I have never been sensitive. Official entertainment is sometimes a necessary tool of the trade.

NUCLEAR POWER PROJECTS FINANCED BY BANK

Mr. COUGHLIN. Two more brief questions.

What types of nuclear power projects do you finance?

Mr. DUBRUL. We have financed, or are in the process of financing, nuclear power projects in such countries as Japan, Taiwan, Mexico, the Philippines, Spain, Korea, and Brazil.

Mr. COUGHLIN. Those are all of the nuclear?

Mr. DUBRUL. I am sorry, Yugoslavia, and some smaller facilities in a few other countries. The two U.S. companies involved have been Westinghouse and General Electric Co.

Mr. SHRIVER. Would you yield there?

Mr. COUGHLIN. Yes.

TIME REQUIRED FOR CONSTRUCTION AND START-UP OF NUCLEAR POWER PLANTS ABROAD

Mr. SHRIVER. How long does it take from the time you finance the purchase of the equipment for nuclear power plants to get those plants under way in another country?

Mr. DUBRUL. From the point at which, let's say, the Eximbank authorization for the financing is provided, it can take anywhere up to 7 years before that plant comes on stream.

COMPARISON WITH NUCLEAR PLANT CONSTRUCTION IN UNITED STATES

Mr. SHRIVER. Do you know how that would compare with the time needed to comply with regulations and everything else that is required in this country?

Mr. DUBRUL. It would take the same amount of time to actually construct the plants. Did you want me to address the repayment periods involved?

Mr. SHRIVER. No. We have rules, regulations, and countless environmental reports that need to be made. It is a lengthy process in this country compared to other countries.

Mr. DUBRUL. Coming from the State of New York, I can tell you that the time there is now infinite because many of those facilities are just not being built because of the regulatory and other problems to which you are alluding. So, the comparison ranges from no construction here to delays as long as 5 or 6 years in most other countries.

Mr. SHRIVER. Will you expand that for the record?

Mr. DUBRUL. Yes, sir. From our experience we can do that.

[The information follows:]

EXAMPLES OF DELAYS IN NUCLEAR PLANT CONSTRUCTION ABROAD

The period of time required in other countries to clear regulatory, environmental, and other miscellaneous problems varies greatly. Some specific examples from Eximbank files can illustrate the variation:

Philippines—the recently authorized nuclear plant for the Philippine National Power Corp. (NPC) experience practically no delay between finalization of financial negotiations and approval to begin construction;

Taiwan—there has been a delay for over a year in final approval of the siting

of Chinshan No. 5 and 6 due to concern regarding possible adverse impact of construction on an historical site. This problem has not yet been resolved;

Spain—there has been a delay of around 2 years so far in the beginning of construction on the Punta Endata plant due to environmental concerns.

Mr. SHRIVER. Thank you.

SOUTH AFRICA

Mr. COUGHLIN. Do I note here that you are not permitted to finance projects in South Africa?

Mr. DUBRUL. We have not been permitted to make direct loans for many years in the Republic of South Africa.

Mr. COUGHLIN. Is that a congressional prohibition?

Mr. DUBRUL. It is a Government policy formulated in the National Security Council. In other words, it's not congressional, it's administrative.

Mr. COUGHLIN. It's administrative?

Mr. DUBRUL. Yes.

Mr. SHRIVER. Why is that?

Mr. DUBRUL. I do not know the genesis; all I know is that it does exist. I believe that it was adopted because of the controversy over the South African policy on apartheid.

Mr. SHRIVER. Does it have to do with the United Nations?

Mr. DUBRUL. No, I think it is U.S. Government policy. It's unilateral.

Mr. SHRIVER. You have a number of back-up witnesses here who may have the answers to some of these things. You have only been with the Bank a short time.

Mr. DUBRUL. Yes, sir.

REVIEW OF POLICY ON SOUTH AFRICA

Mr. COUGHLIN. Is the policy regarding South Africa under review at the present time?

Mr. DUBRUL. The prohibition on direct loans? I am not a member of the NSC, so I don't know their timetables. Certainly it has been a topic of deep interest, both in the Congress as well as in the administration.

As far as I know, no determination has been made to change the policy in any way, and we will be guided by existing Government policy at the time. I think the policy was adopted in 1964.

Mr. PASSMAN. Thank you Mr. Coughlin. Mr. Chappell?

DEFAULTS AND DELINQUENCIES

Mr. CHAPPELL. Mr. President, can you provide for the record an updated list of defaults and delinquencies of the Eximbank loans by country and the amount of the default?

Mr. DuBrul. Yes, we will be happy to.
[The information follows:]

EXPORT-IMPORT BANK OF THE UNITED STATES

LOAN INSTALLMENTS DELINQUENT 90 DAYS OR MORE, DEC. 31, 1975

[In thousands of dollars]

	Principal	Interest	Total
Argentina	173.7	77.6	251.3
Bangladesh	279.0	135.7	414.7
Brazil	0	22.6	22.6
Central African Republic	0	108.6	108.6
Costa Rica	191.7	40.9	232.6
Guinea	44.5	2.7	47.2
Honduras	1.3	.3	1.6
Lebanon	148.4	17.9	166.3
Mexico	1,082.2	147.9	1,230.1
Pakistan	244.9	30.3	275.2
Thailand	727.6	1,301.5	2,029.1
Yugoslavia	59.7	4.7	64.4
Zaire	921.4	2,266.4	3,187.8
Total; excluding Cuba and China	3,874.4	4,157.1	8,031.5
Cuba	35,644.2	31,218.8	66,863.0
China	25,893.0	21,029.8	46,922.8
Grand total	65,411.6	56,405.7	121,817.3

EXIMBANK ACTIVITY IN COUNTRIES RECEIVING COMMUNIST AID

Mr. Chappell. Mr. President, how many of the countries in which the Eximbank helps operate programs are Communist countries or receive aid in one form or another from Communist countries?

Mr. DuBrul. A large portion of the less developed countries of the world seek and obtain economic assistance from whatever sources may be available, including Communist countries. Recent data indicated that at least 60 countries have, over the past 10 years, received various forms of aid from Communist countries. Eximbank, over the years, has assisted in financing exports to nearly every country in the world, including most if not all of those countries mentioned previously. Eximbank programs are available for only three Communist countries, Poland, Romania, and Yugoslavia.

Mr. Chappell. I have no further questions.

ANNUAL EXPORT SALES SUPPORTED BY BANK AUTHORIZATIONS

Mr. Passman. Thank you Mr. Chappell. Of the total authority you are requesting to operate, what is the gross amount that it will generate, let us say, in 1 year?

Mr. DuBrul. Gross export?

Mr. Passman. Yes.

Mr. DuBrul. Last year Eximbank authorizations supported $12.5 billion in export sales.

Mr. Passman. $12.5 billion, but how much actual money is the Export-Import Bank moving, bookkeepingwise, to generate that $12.5 billion?

Mr. DuBrul. The net outlay last year was about $1.5 billion, as I recall.

Mr. Passman. I think that makes a good story. You take $1.5 billion and you generate $12.5 billion in commodities simply because

of the reputation of your bank. Would you care to elaborate for the record?

Mr. DuBrul. I certainly would, Mr. Chairman.

[The information follows:]

Eximbank loans, guarantees and insurance authorizations in fiscal year 1975 supported $12.5 billion of U.S. export sales. Some of these exports will go forward in future years as shipments are made under loans and guarantees authorized in fiscal year 1975. Actual exports moving from the United States during fiscal year 1975 which were supported by Eximbank authorizations in fiscal year 1975 and prior years are estimated at $9.1 billion. In supporting the $9.1 billion, the Bank's net outflow of funds—its disbursements on loans less repayments on loans made in prior years—was $1.5 billion.

EXIMBANK'S IMPACT ON U.S. TRADE BALANCE

Mr. Passman. Could you tell the Committee what effect the Eximbank has had on the U.S. balance of payments and balance of trade during the past year?

Mr. DuBrul. In fiscal year 1975, the Bank's program supported over $13 billion in U.S. export sales. The Bank estimates that its contribution to the credit side of the balance of payments in fiscal year 1975 was $5.4 billion, up from $4.6 billion in fiscal year 1974.

EXIMBANK'S PROFITS

Mr. Passman. What has been the total profit of the Bank since its inception?

Mr. DuBrul. From inception through June 30, 1975, the Bank has earned $5,303 million in interest and fees and after paying all of its expenses had a net income of $2,549 million.

EXIMBANK'S PROFITS IN FISCAL YEAR 1977

Mr. Passman. What will be its profits in fiscal year 1977?

Mr. DuBrul. We currently estimate that net income in fiscal year 1977 will be about $100 million.

DIVIDENDS PAID BY THE BANK

Mr. Passman. How much in dividends has the Bank paid into the Treasury since it began operation?

Mr. DuBrul. Since inception, the Bank has paid $926 million to the U.S. Treasury.

DIVIDENDS PAID TO TREASURY EACH YEAR

Mr. Passman. How much do you pay to the Treasury each year?

Mr. DuBrul. It varies from year to year. From 1963 to 1974 the Bank paid $50 million in dividends each year. In fiscal year 1975, the Bank paid $20 million, primarily because of somewhat lower net income due to higher interest rates on borrowed funds and the Bank's view that, because of its increased activity, the Bank should add approximately the same amount in fiscal year 1975 to its reserves as it did the prior year.

TOTAL EXPORT SALES ASSISTED

Mr. PASSMAN. Please estimate the total exports made possible by the Eximbank since operations began.

Mr. DUBRUL. It is difficult to arrive at a precise figure, but we estimate that the Bank has assisted in financing about $90 billion of potential U.S. export sales since inception.

POTENTIAL FISCAL YEAR 1977 EXIMBANK EXPORT ASSISTANCE

Mr. PASSMAN. What would be your estimate for fiscal year 1977 for total exports?

Mr. DUBRUL. We estimate that if the Bank authorized loans, guarantees, and insurance up to the full amount of the budget request that Eximbank would support about $18 billion of potential export sales in fiscal year 1977.

U.S. JOBS SUSTAINED BY EXIMBANK SUPPORTED EXPORT SALES

Mr. PASSMAN. How many jobs do you estimate have been created by the operations of the Bank?

Mr. DUBRUL. We estimate that the exports facilitated by the Bank from its inception to date are associated with over 5 million jobs for U.S. workers.

PROFITS TO U.S. CORPORATIONS FROM BANK-SUPPORTED EXPORTS

Mr. PASSMAN. Could you estimate the total profits earned by private enterprise as a result of the Bank's operations?

Mr. DUBRUL. Using the profit to sales ratio which has prevailed in the manufacturing sector during the past few years, authorized Eximbank assistance to U.S. exports since the Bank began operating would have provided some $7 billion in profits to U.S. corporations.

TAX IMPACT OF EXIMBANK ASSISTANCE

Mr. PASSMAN. How much in taxes and other revenues do you estimate the U.S. Government has received as a result of these profits?

Mr. DUBRUL. Using only the corporate profits mentioned earlier, the Government tax revenues would be approximately $3 billion. However, assuming less than the full employment of resources, the cumulative impact of Eximbank assistance since inception on additional direct tax receipts by all levels of Government could be put at some $45 billion.

DEFAULTS AND DELINQUENCIES

Mr. PASSMAN. Have you had any defaults or delinquencies this past year?

Mr. DUBRUL. We had one small write-off of $6,000 in fiscal year 1975. Delinquencies continued to be small in relation to the Bank's total portfolio. At December 31, 1975, excluding old delinquent loans in Cuba and China, principal installments totaling $3.9 million and interest of $4.2 million were delinquent 90 days or more. Including China and Cuba, the totals are $65 million of principal and $56.4 million of interest.

LOSSES SINCE INCEPTION

Mr. PASSMAN. What has been your bad debt experience since the Bank's inception?

Mr. DUBRUL. The Bank's collection record has been excellent. Since inception, the Bank through June 30, 1975 has written-off a net of only $3.8 million of loans and paid a total of $30.9 million of claims, net of recoveries, under the guarantee and insurance programs.

RESCHEDULINGS LAST YEAR

Mr. PASSMAN. Has it been necessary to reschedule any loans this past year?

Mr. DUBRUL. Yes, we had three loans rescheduled in fiscal year 1975. The total amount rescheduled was $5.8 million of principal and $435,000 of interest. During the first 6 months of fiscal year 1976 the Bank rescheduled the maturities due in 1975 under various loans to Chile and one loan to a company in Venezuela. The total of the Chile rescheduling was $47 million in principal and $5.6 million in interest. The Venezuelan rescheduling involved a small loan on which principal of $297,000 was rescheduled.

NUMBER OF COUNTRIES EXIMBANK DOES BUSINESS WITH

Mr. PASSMAN. How many countries are you presently doing business with?

Mr. DUBRUL. The Bank supported U.S. export sales to 158 different countries or markets during fiscal year 1975.

EXIMBANK ACTIVITY IN COMMUNIST COUNTRIES

Mr. PASSMAN. Could you please tell the committee how many of these are Communist countries, list them for the record, and indicate what volume of business you are doing with these countries?

Mr. DUBRUL. Of these, only three are Communist countries.

Loan, guarantee and insurance authorizations in fiscal year 1975 in support of U.S. exports to Communist countries

[Dollars in thousands]

Country:	*Amount authorized*
Poland	$22,990
Romania	2,712
Yugoslavia	120,427

REPAYMENT RECORD OF EXIMBANK LOANS TO COMMUNIST COUNTRIES

Mr. PASSMAN. Could you please tell the committee what has been the pay back record of the Communist countries you have done business with over the years?

Mr. DUBRUL. The repayment record has been excellent. We have no delinquencies in any of the Communist countries for which Eximbank financing has been provided in recent years. There are delinquencies in Cuba relating to loans made when a prior government existed and on which the current government is not making payments. There are also delinquencies in China relating to loans made prior

to 1947 when the seat of the government of the Republic of China was on the mainland and which relate to assets no longer under that government's control.

EXIMBANK OPERATIONS

Mr. PASSMAN. Could you please tell the committee briefly how the Bank operates, indicating what the present interest rates are now being charged, the amount of cash the obligor is required to put up, the percentage of participation the Bank is involved in in a particular loan, and any new terms that are presently in effect?

Mr. DUBRUL. The Export-Import Bank supports U.S. exports by making loans, and providing guarantees and insurance for loans from private commercial sources. The Bank's operations are designed to maximize the private financing of exports; assume commercial and political risks that cannot be undertaken by exporters or private financial institutions; overcome maturity and other limitations in private export financing, and assist in meeting foreign official export competition.

Eximbank interest rates on direct credits range from 8¼ percent to 9½ percent. The amount of cash the obligor is required to put up and the extent of Eximbank participation are determined on a case-by-case basis. The Bank takes into account such factors as the size and the term of the credit and the creditworthiness of the obligor. The percentage of Eximbank direct credit participation in a particular loan can range from 30 to 55 percent, and the amount of cash payment put up by the obligor can range upward from 10 percent.

BUSINESS IN THE SOVIET UNION

Mr. PASSMAN. Is the Bank presently doing any business at all with Russia?

Mr. DUBRUL. No. The Bank has not authorized any credits to the Soviet Union since the spring of 1974. The Bank has been prevented from doing business with Russia since January 1975.

OUTSTANDING LOANS TO RUSSIA

Mr. PASSMAN. Could you please tell the committee what outstanding credits you presently have to the credit of Russia?

Mr. DUBRUL. The Bank has authorized $469 million of credits in support of U.S. exports to the Soviet Union. Not all of these credits have been disbursed. Only $188.5 million had been disbursed and was outstanding at January 31, 1976.

DISBURSEMENTS ON LOANS TO RUSSIA

Mr. PASSMAN. How much of these credits have presently been disbursed?

Mr. DUBRUL. As of January 31, 1976, $188.5 million has been disbursed under these credits to the U.S.S.R. A total of $279.5 million had not been disbursed at that date.

REPAYMENTS OF RUSSIAN CREDITS

Mr. PASSMAN. When do the repayments on the Russian loans become due?

Mr. DUBRUL. The Soviet Union is, of course, paying interest semiannually on the outstanding balances of the loans. The first principal installment to Exim is due on February 5, 1978.

TYPES OF EXPORTS TO COMMUNIST COUNTRIES

Mr. PASSMAN. Could you please tell the committee what types of commodities are being exported to the Communist countries and do any of these commodities qualify as strategic materials or strategic exports?

Mr. DUBRUL. Eximbank has supported exports of a wide range of commodities to the Communist countries, including meat processing plants, metalworking machinery, agricultural machinery, chemical and textile equipment, and computer facilities to Poland; commercial aircraft, chemical equipment, metalworking machinery, offshore exploration and drilling equipment to Romania; metalworking machinery and equipment, chemical equipment, canal-building machinery, and knitting machines to the Soviet Union—before suspension of activity there due to the Trade Act of 1974; and commercial aircraft, metalworking and mining machinery and equipment, petrochemical and textile equipment, and a nuclear power plant to Yugoslavia.

Any such exports must be reviewed under formal procedures and licensed by the strategic export control staff of the Department of Commerce.

EXPORT CONTROL PROCEDURES

Mr. PASSMAN. Could you briefly explain to the committee what sort of safeguards and approvals are required by the United States in approving exports to the Communist countries which are financed by the Export-Import Bank?

Mr. DUBRUL. Eximbank cannot and will not support with its programs any export which is not eligible for an export license from the Department of Commerce. Items under Commerce "general license" can be exported freely. Items controlled by Commerce as strategic are those which would contribute significantly to the development, production, or use of military hardware. Some of these items also have regular civilian uses, so that Commerce will allow their export if they are satisfied that the end use is clearly for civilian purposes. Eximbank plays no role in such decisions. We rely on the exporter and the export control staff of the Department of Commerce.

LEGISLATIVE RESTRICTIONS PLACED ON BANK

Mr. PASSMAN. Could you briefly list for the record the legislative restrictions put on the Bank by the Export-Import Bank Amendments of 1974, and the Trade Act of 1974?

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Mr. DuBrul. The major restrictions placed on Eximbank by the 1974 amendments to the Export-Import Bank Act are as follows:

One: No loan, financial guarantee, or combination thereof, of $60 million or more to any country worldwide and $25 million or more for research, exploration, or production of fossil fuel energy resources in the U.S.S.R. may be approved by the Bank unless in each case the Bank has submitted to the Congress 25 days before final approval a detailed statement describing and explaining the transaction.

Two: A separate national interest determination must be made by the President for each loan of $50 million or more to any Communist country and reported to the Congress within 30 days of the determination but no later than the date on which the Bank takes final action on the transaction.

Three: A limitation of $300 million is placed on new loans and guarantees to the U.S.S.R., none of which amount can be used for equipment and services for the production—including processing and distribution—of fossil fuel energy resources. Not more than $40 million of the $300 million can be used for support of any products or services involving research or exploration of fossil fuel energy resources. The $300 million limitation can be increased if the President determines that it is in the national interest, reports such determination to Congress with the reasons therefore and the amount of such increase which would be available for development for fossil fuel energy resources, and if the Congress adopts a concurrent resolution approving such determination.

Four: Placed the receipts and disbursements of the Bank back in the totals of the U.S. budget starting in fiscal year 1977.

The Trade Act of 1974 prohibited the extension of U.S. Government credits, including Eximbank credits, to any nonmarket economy country not accorded most-favored nation tariff treatment at the date of enactment of the act unless the President finds that such countries are not denying their citizens freedom of emigration. The President may waive such findings under certain conditions, and continue the waiver with congressional sanction. The President also may withhold such credits from these countries if he determines that they are not cooperating in an accounting of U.S. personnel missing in Southeast Asia.

The Trade Act also limited new Eximbank financing for Soviet transactions to $300 million, unless Congress approves a higher ceiling.

REDUCTION IN DISCOUNT LOAN AUTHORIZATION LEVEL

Mr. Passman. The committee has had a great deal of correspondence concerning the reduction in the discount loan program. Could you please tell the committee why you are planning to reduce this discount loan program in fiscal year 1977 and indicate what the total reduction will be?

Mr. DuBrul. As a result of changes made in the discount loan program last November to further increase its efficiency, new authorizations under that program have dropped more than 50 percent, and it appears that total program activity based on current levels of authorization will reach only $1 billion in fiscal year 1976, as compared

to the $1.4 billion originally budgeted for this year. Therefore, based on the present and anticipated level of usage, the Bank believes that the $1 billion requested for fiscal 1977 will be adequate to meet the demand for commitments under this program.

EFFECT OF DISCOUNT LOAN PROGRAM CHANGES ON SMALLER EXPORTERS

Mr. PASSMAN. Has this discount loan program been used primarily for the smaller companies and exporters and could you please tell the committee what the Export-Import Bank is doing presently to increase the opportunities of the small companies or the small exporters to benefit from your services?

Also, with the reduction of this discount loan program, will that mean that the smaller companies and the smaller exporters will be penalized, or will they have additional facilities open to their disposal to finance their exports?

Mr. DUBRUL. The basic purpose of the discount loan program is to enable small and medium-size export transactions to be financed at fixed rates of interest by providing commercial banks with assurances of liquidity in times of tight money. The availability of this type of financing is particularly important to the smaller companies and exporters. While we do not restrict use of the discount loan program to export sales by small companies or exporters, one of the changes made in the program last November was designed specifically to conserve program funds and insure that the program would be used primarily for smaller supplier credit sales rather than for the larger project type transactions. This change limited discount loan authorizations to 50 percent of contract price on certain transactions over $5.0 million, which means, of course, that the smaller size transactions would derive the principal benefit from use of the program.

We have put considerable effort into working with the commercial banks and the smaller companies on use of the discount loan program, particularly under the revised structure, so that the smaller transactions will be funded under this program, as well as under the other Bank programs which benefit smaller transactions.

While it is still too early to get a comprehensive picture of how the changes in the discount program, and the estimated decrease in authorization levels resulting therefrom, will affect the private export financing market, private market funding of export transactions does not appear to have declined substantially since these changes. Some exporters and commercial banks have expressed the opinion that the modifications were too severe and have asked us to consider liberalization of the program. We, of course, will continue to assess the effects of the November changes in the coming months in order to determine what, if any, further program modifications are warranted.

GAO REPORT

Mr. PASSMAN. I am sure you are familiar with the General Accounting Office report dated October 17, 1975, entitled "Weakened Financial Condition of the Export-Import Bank of the United States." It is indicated in the report that the risk of incurring possible losses has increased significantly for the Bank and will continue to increase.

It goes on to say that the Bank's income is declining and prospects for material improvement in the near future are not encouraging. As a consequence, it may not be able to absorb future losses without impairing permanent capital. Do you feel that the Bank is presently in a weaker financial condition then it has been in past years, and is this because the Bank has become greatly over-extended?

I believe the committee desires a complete answer to this General Accounting Office report, so please indicate what the Export-Import Bank is doing to correct the situation that is brough forth in the report.

Mr. DuBrul. At the time the GAO report was released, Eximbank concurred that the Bank's capacity to absorb losses would be reduced over the longer term if certain trends were not reversed. Eximbank has been working to implement the GAO recommendations to see that this does not happen. From inception through fiscal year 1975, Eximbank's gross authorizations for loans, guarantees, and insurance have totaled $73.5 billion. Net loan writeoffs during the period have totaled only $3.8 million, and net claims paid on guarantees and insurance have totaled only $30.9 million. Rescheduled loans are now less than a year ago, and delinquencies, while up, have not become alarming. This gives us confidence that, with rare exceptions, both private and public borrowers will overcome current financial difficulties and meet their obligations.

Eximbank in its efforts to improve its financial condition has increased long-term interest rates from 6 percent in February 1974, to the present range of 8¼ to 9½ percent and interest rates on medium-term commitments to a minimum of 8 percent. The financial guarantee fee has been increased from one-half percent to a range of three-quarters percent to 1½ percent. Short-term and medium-term insurance fees have gone up by 50 percent, and a commitment fee of one-eighth percent has been introduced for advance commitments for discount loans.

As a result of these efforts and the Eximbank procedures in evaluating applications, I feel the Bank is not overextended, and that its financial condition is improved.

EXIMBANK BUSINESS FOR KOREA

Mr. Passman. While some of the Members were in Korea during the past year it was indicated that the Export-Import Bank was kind of turning a cold shoulder toward Korea. It was indicated that the Eximbank was not giving the Korean Government as much support in trying to increase imports into that country. Could you please tell the committee if the Export-Import Bank has cut down on its business transactions for Korea?

Mr. DuBrul. Eximbank has not turned a "cold shoulder" toward Korea. Eximbank authorized support for U.S. exports valued at $180 million in fiscal year 1973, $335 million in fiscal year 1974, and $647 million in fiscal year 1975. Eximbank continues to be open for business in Korea, and—as in other countries—to authorize support for those transactions that appear to offer reasonable assurance of repayment. However, the magnitude of Korea's present debt burden requires us to be selective.

COMPARISON OF EXIMBANK AND FOREIGN COMPETITORS

Mr. PASSMAN. Could you please compare Export-Import Bank's operations to its foreign counterparts, indicating what sort of rates are changed by various foreign countries as compared to the Export-Import Bank rates?

Also, could you further explain just what other foreign countries are doing in the field of export support?

Mr. DUBRUL. The rates charged by the major competing direct lending programs are as follows:

	Quoted interest usually charged	Typical interest rate charged borrower (plus charges and premia)
United States	8.5	9.0
France	7.5	8.5
Germany	7.8	9.0
Italy	8.8	9.9
United Kingdom	8.0	9.2
Japan	7.5	8.4

The quoted interest rate most frequently charged by Eximbank on direct loans is just over 8.5 percent. This is higher than quoted rates typically charged by four out of five other principal competitors. In addition, Eximbank supports a smaller proportion of individual transactions than other nations, with Eximbank never exceeding 55 percent while several competitors range up to as high as 85 percent.

The minimum interest rate Eximbank charges commercial banks for discount loans is 8.0 percent. This is higher than the discount rates charged by major competitors who have rates as follows:

	Percent
France	4.5
Germany	5.0
Italy	3.5
Japan	6.5
United Kingdom [1]	

[1] The rate can fluctuate monthly.

During 1975, Eximbank's principal competitors in France, Germany, Italy, the United Kingdom and Japan markedly increased their new authorizations under existing programs, so that their support of national exports far exceeded that of 1974. Competitors, whose combined GNP is just slightly below that of the United States, collectively increased total authorizations by $12.3 billion to $69.3 billion in 1975—an increase of 22 percent over 1974—compared to Eximbank's total authorizations level of $9.9 billion—corresponding to a 17 percent increase over 1974.

Some of the major changes in competitors support programs during 1975 included the United Kingdom's introduction of cost escalation insurance, guarantees on preshipment financing, and insurance of members of consortia contracting overseas; and Japan's introduction of an export loss reserve system, whereby 7 percent of annual foreign

project costs are deductible from an exporter's taxable income as a reserve against loss.

EFFECT ON OPERATIONS OF INCLUSION OF BANK IN BUDGET TOTALS

Mr. PASSMAN. I note in the fiscal year 1977 budget that the Bank's receipts and disbursements will again be included in the budget totals beginning October 1, 1976. Could you please tell the committee what effect this will have on the operations of the Export-Import Bank?

Mr. DUBRUL. On balance, it will probably have the effect of restricting the Bank's operations and reducing its flexability and ability to respond to the changing needs of U.S. exporters. As you know, congressional controls over the Bank's activities are not reduced because the Bank is currently a off-budget agency. The Bank still goes through the same budget approval process as it did prior to its budget exclusion in 1971.

Putting Eximbank now back in the budget results in specific annual limits being placed on the Bank's "net outlays." Net outlays are the difference between loan disbursements and repayments of principal plus interest in a given year as defined in 1967 by the President's Commission on Budget Concepts.

The 1967 Report recognized that loan programs were inherently different from expenditure programs and that there was no technical, administrative, legal, or financial reason to include loan programs in the unified budget. In fact the committee agreed with the general conclusion of most economists that loan programs should be excluded from the budget totals which are analyzed in reference to the size of the total budget surplus or deficit. The Commission did recognize, nevertheless, the importance of the analytical conveniences and public awareness resulting from the inclusion in a single document (the budget) of the economic impact of both expenditure and loan programs. Hence, the recommendation for inclusion of loan programs in the unified Federal budget.

It is important to note that the intent of the Commission was not to have loan programs analyzed in terms of the size deficit, but only to have the economic impact of them combined with the impact of expenditure programs to show most accurately the total Federal impact.

Use of "net outlays" as opposed to gross authorizations, however, influences budget analysts to focus on numbers rather than the economic environment within which a loan program operates and to which it is supposed to respond. Programs tend to be budgeted to meet predetermined outlay targets that are largely based on the result of past activities rather than the need to satisfy the ongoing requirements for which the program was established initially. Under procedures applied to loan programs not in the budget, OMB would look primarily at the authorization level and judge its appropriateness within the context of expected export growth and other economic valuables. If broad economic conditions support a 20 percent increase in activity, OMB could approve the appropriate authorization level, and the required financing would be obtained. However when a loan program is in the budget, it becomes enmeshed in the artificial Government-wide competition for a "piece" of a targeted budget deficit figure, and the critical factor in their comparison become the

"net outlay." The possible balance of payments, employment, and budget consequences would seem a very high and real price to pay for the inclusion of Eximbank's direct loan activity in the unified budget, which for loan programs may not appropriate funds is admittedly only valuable from an analytical viewpoint. In addition, the procedure which yields such consequences (defining loan program levels in terms of the budget deficit) runs exactly counter to the original intent of the 1967 Commission.

EXIM'S OUTLAYS INCLUDED IN FEDERAL BUDGET TOTALS

Mr. PASSMAN. Does that mean that the outlays produced by the Export-Import Bank will also be included in the outlays projected in the fiscal year 1977 budget?

Mr. DUBRUL. Yes, it does.

COMPETING WITH PRIVATE CAPITAL

Mr. PASSMAN. On page G you indicate that the Export-Import Bank does not compete with or substitute Federal programs for private lending. Could you please tell the committee how you are able to assure the Committee you are not violating this?

Mr. DUBRUL. Eximbank attempts to use the market mechanism of price to ensure that Eximbank assistance does not compete with or substitute Federal programs for private lending. Fees on Eximbank's guarantees and insurance are at a level and of a structure which relate cost to risk and provide sufficient income to actuarially cover possible claims. Interest rates on Eximbank's direct loans are at a level (8.25% for 6-year money to 9.5 % for 15-year money) which closely approximates the rates borrowers pay today on open United States credit markets for similar maturities. By aligning the cost of Eximbank's various services very closely to market costs there is little or no "artificial" incentive for borrowers to request Eximbank assistance unless it is truly necessary. Thus, there exists a strong presumption that Eximbank is not competing with or substituting for private lending. For direct credits Eximbank also undertakes a detailed analysis of the ability of the borrower to obtain private financing for a sufficient maturity and at an economic rate.

FINANCING FOR DEFENSE ARTICLES AND SERVICES—FISCAL YEAR 1976—FISCAL YEAR 1977

Mr. PASSMAN. Is the Export-Import Bank planning to authorize any credits or other business for defense articles and services during fiscal year 1976 and fiscal year 1977?

Mr. DUBRUL. Not that we know of at the present time.

ADMINISTRATIVE EXPENSE PERCENTAGE TO TOTAL

Mr. PASSMAN. What percentage does administrative expenses represent of your total operation in fiscal year 1977?

Mr. DUBRUL. Administrative expenses are only about two-tenths of one percent of total new program activity.

ENTERTAINMENT ALLOWANCE

Mr. PASSMAN. Could you please tell the Committee how much of the $24,000 made available for entertainment allowances in fiscal year 1976 were used, and indicate if the $24,000 will be used in fiscal year 1977 for these same purposes?

Mr. DUBRUL. Through the end of February 1976, the Bank had used only $5,800 of the entertanment allowance. The major items were business luncheons and dinners hosted by members of the Board. I would expect that these will also be the main items in fiscal year 1977. However, in addition, the Bank will host the Berne Union meeting of international export credit and investment insurers and this will also be a major single item of representation expense.

SUPPLEMENTAL FOR PAY INCREASE

Mr. PASSMAN. I note that you are requesting a $319,000 increase in the limitation on administrative expenses for pay allowances in fiscal year 1976, and $115,000 for the same purpose during the transition period. Could you please tell the committee if you believe at this stage in the game and this late in the fiscal year that you will still need amounts requested in the current budget document transmitted to Congress?

Mr. DUBRUL. The estimates you are referring to were made last fall on the basis of our projected average employment for fiscal year 1976 and the transition quarter. However, due to savings in other administrative expense items, such as travel and printing, it now appears that the Bank may be able to absorb some of the costs of the pay increase within the Bank's total requested administrative expense limitations for fiscal year 1976.

Mr. PASSMAN. Thank you Mr. DuBrul. If there are no further questions, this will conclude the Committee's hearings on the Export-Import Bank of the United States.

INTER-AMERICAN FOUNDATION

WITNESSES

WILLIAM M. DYAL, JR., PRESIDENT
LEON M. PARKER, EXECUTIVE OFFICER

Program and Financing (in thousands of dollars)

	1975 actual	1976 estimate	TQ estimate	1977 estimate
Program by activities:				
1. Social and economic development programs	4,608	4,740	1,180	4,640
2. Program support services	1,889	2,260	570	2,378
Total obligations	6,497	7,000	1,750	7,018
Financing:				
Recovery of prior period obligations	−647			
Unobligated balance available, start of period	−31,009	−25,159	−18,159	−16,409
Unobligated balance available, end of period	25,159	18,159	16,409	9,391
Budget authority				
Relation of obligations to outlays:				
Obligations incurred, net	5,850	7,000	1,750	7,018
Obligated balance, start of period	6,953	5,071	4,104	4,248
Obligated balance, end of period	−5,071	−4,104	−4,248	−3,122
Outlays	7,732	7,967	1,606	8,144

Object Classification (in thousands of dollars)

Personnel compensation:				
Permanent positions	1,243	1,496	377	1,533
Positions other than permanent	36	31	7	33
Other personnel compensation	8	7	2	8
Special personal services payments		10	2	10
Total personnel compensation	1,287	1,544	388	1,584
Personnel benefits: Civilian	111	131	34	134
Travel and transportation of persons	175	204	52	224
Rent, communications, and utilities	180	188	47	210
Printing and reproduction	1	30	8	25
Other services	89	120	31	156
Supplies and materials	18	23	6	25
Equipment	28	20	4	20
Grants, subsidies, and contributions	4,608	4,740	1,180	4,640
Total obligations	6,497	7,000	1,750	7,018

PERSONNEL SUMMARY

Total number of permanent positions	68	74		70
Full-time equivalent of other positions	3	3		3
Average paid employment	68	74		70
Average GS grade	10.82	10.78		10.79
Average GS salary	$19,408	$19,970		$21,641

Mr. PASSMAN. The committee will resume its hearing.

The next item to be considered is the Inter-American Foundation. We have as witnesses Mr. William Dyal, Jr., president, and Mr. Leon M. Parker, executive officer.

I assume, Mr. Dyal, you have a statement you would like to make to the committee?

Mr. DYAL. Yes, sir.
Mr. PASSMAN. We will insert your statement at this point.
[The statement follows:]

GENERAL STATEMENT

APPROACH

This month, the Inter-American Foundation is completing its 5th year as a congressional experiment in foreign development assistance.

Established as an independent government corporation, the general management of the Foundation is vested in an unsalaried seven-member Board of Directors appointed by the President of the United States. By law four of the Board members must be from the private sector, and three from other U.S. agencies dealing with inter-American affairs. Present Board membership consists of Augustin S. Hart, Jr. (Chairman), senior vice president, Quaker Oats Co.; George Cabot Lodge (Vice Chairman), Graduate School of Business Administration, Harvard University; John M. Hennessy, senior vice president, First Boston Corp.; Charles A. Meyer, vice president, Sears, Roebuck and Co.; William S. Mailliard, U.S. Permanent Representative to the Organization of American States; John Richardson, Jr., Assistant Secretary of State for Educational and Cultural Affairs; and William D. Rogers, Assistant Secretary of State for Inter-American Affairs.

The approach of the Foundation is to support private community-level self-help efforts to solve basic economic and social problems. The Foundation has no resident overseas staff in Latin America or the Caribbean to design or operate projects and does not offer technical assistance becuase of its conviction that projects will become self-sustaining only when local people are investing their own ideas and labor, and their own money. This approach seems to respond both to the upsurging desire for self-determination among the people in this hemisphere and to the mood in America against outside bureaucratic solutions to social problems.

Making unusually rapid decisions on whether or not to support a project, the Foundation is normally able to enter an ongoing local effort with a small grant at a key point. In this way, it seeks to avoid becoming a prevailing or manipulative factor. Bolstering self-reliance in the recipient, rather than dependency, has been the hallmark of the Foundation's effort to become a responsible funder.

PROGRAM

The scope of the Foundation's funding experience has ranged from support for credit and production cooperatives, agriculture extension programs, low-cost housing, nonformal education, job and skills training, development of intermediate technology, and other such expressions of the impulse toward self-help. Generally, these projects are generated by natural communities and peoples organizations in both rural and urban sectors. As much as possible, they have been designed by local community leaders to reflect local values and customs.

In 5 years of operations, the Foundation has provided more than $40 million for 363 projects in 27 countries of Latin America and the Caribbean. Enclosed in the supplemental material is a brief summary of the projects funded during the past year.

FISCAL YEAR 1977 BUDGET

The Foundation's authorizing legislation provided that not to exceed $50 million should be made available to the Foundation from the economic assistance funds authorized by the Foreign Assistance Act of 1961, as amended. The entire $50 million was transferred to the Foundation and has been available since fiscal year 1971.

Each fiscal year the Congress has established a limitation on the amount of this $50 million that could be obligated. Those limitations were $10 million in fiscal years 1971, 1972, 1974, and 1975; and $5 million in fiscal year 1973. We requested a limitation of $10 million for fiscal year 1976 and are awaiting final congressional action on that figure.

While we have always considered these limitations to be absolute maximums, we have not considered them to be goals to be attained. This led to very little use of these funds in the first two fiscal years, as we were determining our approach and establishing contacts. Since December 1973, we have had access to the reflows of the Social Progress Trust Fund (SPTF), administered by the Inter-

American Development Bank. We have attempted to maximize our use of that funding source in order to stretch out the original appropriated funds. On this basis, we reduced our estimate of appropriated-funding needs in fiscal year 1976 from the $10 million shown in our original budget to $7 million and projected the same figure for fiscal year 1977.

Under the agreement of December 1973 with the Bank, we obtained $31 million for use through the calendar year of 1976. We have just completed negotiations and shortly will sign an exchange of letters extending the original agreement for the calendar years of 1977 through 1979, at a level of $16 million per year, or $48 million, making a total of $79 million over the full 6 year period.

Our actual use of our total resources, on an obligation basis, through February 29, 1976, was $47,451,519 of which $19,013,240 was obligated against the SPTF and $28,438,279 was appropriated moneys. Of the appropriated funds, $20,657,613 was for program purposes, and $7,780,666 was for program support. Within fiscal year 1976, our obligations total $6,534,367 through February 29, 1976, with $2,322,997 from program appropriated funds, $1,299,139 from appropriated program support, and $2,912,231 from the SPTF.

Last year, the committee inquired about our efforts to maximize our use of the SPTF, and to seek to obtain those funds for program support purposes. In the latest negotiations, we have not been able to obtain SPTF funds for these purposes. Additionally, even though we have obtained agreement to use up to $16 million of SPTF a year for the next 3 years, we are running into serious distribution problems.

The SPTF resources to which we have access are all in local currencies, distributed basically only through 18 Central and South American countries, with none available in the Caribbean. We had anticipated that our program needs in the 18 countries could generally all be met with the SPTF, thereby leaving our program activities in the Caribbean and some few projects that do not fit the SPTF criteria for funding out of appropriated funds. On that basis, we reduced our fiscal year 1976 transition period and fiscal year 1977 requests for appropriated limitations, while our anticipated total program levels were expected to increase slightly.

We are now faced with a situation where the Bank's needs for the SPTF resources have increased; and none of those resources are available to us in 5 countries, and very little is available in 6 other countries, leaving SPTF funds available for our use only in Argentina, Brazil, Chile, Colombia, and Peru, with lesser amounts in Paraguay and Uruguay. This makes it imperative that we obtain the maximum limitation we have requested on appropriated funds through fiscal year 1977. Frankly, were we to be putting together this budget today, we would probably go back to our previous $10 million per year request level through this period. However, we are willing to try to live with these funds and will continue to work with the Bank to try to obtain resources in the countries where they are currently unavailable.

In previous hearings, we have experienced some confusion over the terminology of "obligations" and "disbursements." As required by the formats for the budget, most of our emphasis has been on *obligations*. Let me briefly add *disbursements* to the picture.

From the inception of the Foundation through February 29, 1976, we have disbursed $7,675,000 of our program support funds against the obligations of $7,780,666 shown above, or about 99 percent. We have disbursed $28,423,000 of the total program obligations (both the SPTF and appropriated monies) of $39,670,853. This represents approximately 75 percent of the obligations. In any year, we disburse virtually all of our program support obligations and about 50 percent of our program obligations for that year. The balance of the program expenditures come from previous years' obligations.

LOOK TO THE FUTURE

The Foundation Board of Directors has always maintained that the Foundation should be terminated as an experiment if it became clear that its funding efforts were irrelevant to the real needs of the poor of the hemisphere, and unlikely to bring results to change their lives for the better. Accordingly, the Board has directed the staff this year to take a hard look at its funding experience over five years. We are presently in an early phase of this process. When completed, we shall be sharing our conclusions with members of the Subcommittee.

Mr. PASSMAN. Certain justification materials will be inserted at this point.

[The information follows:]

INTER-AMERICAN FOUNDATION
1515 WILSON BOULEVARD
ROSSLYN, VIRGINIA 22209

SUMMARY FUNDING HISTORY

The Foundation (formerly the Inter-American Social Development Institute) was established by Section 401 of Public Law 91-175, of December 30, 1969, the Foreign Assistance Act of 1969.

The Act authorized the transfer to the Foundation of up to $50,000,000 of previously appropriated funds. It authorized funds so transferred to remain available until expended. (Section 401 (s))

The $50,000,000 so authorized was transferred, and has all been available for Foundation use since FY 1971.

A limitation was placed on the use of these funds during the appropriations process for FY 1971. That limit stated that "not to exceed $10,000,000 shall be available to carry out the authorized programs during the current fiscal year". (PL 91-619 dated December 31, 1970). A similar limitation was included in PL 92-242 for FY 1972, again at the $10,000,000 level.

For FY 1973 the Foundation was limited by a Continuing Resolution to a level of $5,000,000.

The Foundation received a limitation of $10,000,000 on the use of these appropriated monies for both FY 1974 and FY 1975. Additionally, $6,000,000 in Social Progress Trust Funds (SPTF) administered for the United States by the Inter-American Development Bank was made available in FY 1974 and $10,000,000 in FY 1975.

Future plans call for the use of $7,000,000 in appropriated monies and $13,000,000 in Social Progress Trust Funds during FY 1976, $1,750,000 in appropriated monies and $3,250,000 in Social Progress Trust Funds during the Transition Quarter, and $7,018,000 in appropriated monies and $16,000,000 in Social Progress Trust Funds in FY 1977.

INTER-AMERICAN FOUNDATION
1515 WILSON BOULEVARD
ROSSLYN, VIRGINIA 22209

FUND AVAILABILITY

	APPROPRIATED	SPTF	TOTAL
Total Made Available	$50,000,000	$79,000,000	$129,000,000
Prior Year Obligations	24,816,143	16,101,009	40,917,152
Balance	25,183,857	62,898,991	88,082,848
Obligations through December	2,646,010	1,167,331	3,813,341
Balance	22,537,847	61,731,660	84,269,507
Planned Obligations Remainder FY 76	4,353,990	11,832,669	16,186,659
Balance	18,183,857	49,898,991	68,082,848
FY 76T Plan	1,750,000	3,250,000	5,000,000
Balance	16,433,857	46,648,991	63,082,848
FY 77 Plan	7,018,000	16,000,000	23,018,000
BALANCE	9,415,857	30,648,991	40,064,848

A&F/Budget
As of 1/28/76

INTER-AMERICAN FOUNDATION
1515 WILSON BOULEVARD
ROSSLYN, VIRGINIA 22209

SUMMARY BUDGET DATA
APPROPRIATED FUNDS

	$ in 000		
	TOTAL	Program	Program Support
FY 1971 Obligations	$ 376	-	376
FY 1971 Expenditures	193	-	193
FY 1972 Obligations	3,929	2,804	1,125
FY 1972 Expenditures	1,577	343	1,234
FY 1973 Obligations	4,890	3,408	1,482
FY 1973 Expenditures	3,982	2,445	1,537
FY 1974 Obligations	9,577	7,973	1,604
FY 1974 Expenditures	6,283	5,039	1,244
FY 1975 Obligations	6,497	4,608	1,889
FY 1975 Expenditures	7,732	5,522	2,210
FY 1976 Obligations- 12/31/75	2,646	1,683	963
FY 1976 Expenditures- 12/31/75	3,956	3,006	950
FY 1976 Obligations Plan	7,000	4,740	2,260
FY 1976 Expenditures Plan	7,967	5,820	2,147
FY 1976T Obligations Plan	1,750	1,180	570
FY 1976T Expenditures Plan	1,606	951	655
FY 1977 Obligations Plan	7,018	4,640	2,378
FY 1977 Expenditures Plan	8,144	5,856	2,288

SOCIAL PROGRESS TRUST FUND

FY 1974 Obligations	5,930
FY 1974 Expenditures	222
FY 1975 Obligations	10,171
FY 1975 Expenditures	7,711
FY 1976 Obligations- 12/31/75	1,167
FY 1976 Expenditures- 12/31/75	2,310
FY 1976 Obligations Plan	13,000
FY 1976 Expenditures Plan	11,700
FY 1976T Obligations Plan	3,250
FY 1976T Expenditures Plan	3,179
FY 1977 Obligations Plan	16,000
FY 1977 Expenditures Plan	14,400

INTER-AMERICAN FOUNDATION
1515 WILSON BOULEVARD
ROSSLYN, VIRGINIA 22209

PROGRAM FUNDS SUMMARY
As of December 31, 1975

PROJECTS APPROVED	40,060,931
APPROPRIATED FUNDS	20,379,641
In FY 76	1,801,204
In Prior Years	18,578,437
SPTF	19,681,290
In FY 76	3,541,306
In Prior Years	16,139,984
TOTAL OBLIGATIONS	37,304,936
APPROPRIATED FUNDS	20,036,596
In FY 76	1,683,435
In Prior Years	18,353,161
SPTF	17,268,340
In FY 76	1,167,331
In Prior Years	16,101,009
TOTAL DISBURSEMENTS	26,685,905
APPROPRIATED FUNDS	16,442,953
In FY 76	3,005,563
In Prior Years	13,437,390
SPTF	10,242,952
In FY 76	2,309,844
In Prior Years	7,933,108

A&F/B
1/20/76

INTER-AMERICAN FOUNDATION
PROGRAM APPROVALS BY COUNTRY
AS OF DECEMBER 31, 1975

COUNTRY	FROM PRIOR YEARS PROJECTS*	FROM PRIOR YEARS AMOUNTS	FY 1976 PROJECTS*	FY 1976 AMOUNTS	GRAND TOTAL PROJECTS*	GRAND TOTAL AMOUNTS
ARGENTINA	6	544,490	2	192,545	8	737,035
BARBADOS	6	835,115	-	76,625	6	911,740
BELIZE	7	109,341	-	-	7	109,341
BOLIVIA	15	2,217,109	3	614,665	18	2,831,774
BRAZIL	56	4,583,387	4	238,900	60	4,822,287
COLOMBIA	24	2,691,311	1	161,376	25	2,852,687
COSTA RICA	6	593,416	-	-	6	593,416
CHILE	9	2,709,654	3	2,270,517	12	4,980,171
DOMINICAN REPUBLIC	4	1,067,068	1	232,256	5	1,299,324
ECUADOR	11	1,177,731	1	9,705	12	1,187,436
EL SALVADOR	9	2,010,231	2	191,172	11	2,201,403
GUATEMALA	14	975,076	-	-	14	975,076
GUYANA	4	186,854	-	4,500	4	191,354
HAITI	10	826,781	1	199,500	11	1,026,281
HONDURAS	14	3,740,939	-	35,000	14	3,775,939
JAMAICA	12	505,626	2	202,350	14	707,976
MEXICO	27	2,255,908	7	515,615	34	2,771,523
NICARAGUA	9	1,264,171	-	-	9	1,264,171
PANAMA	17	2,105,326	-	9,545	17	2,114,871
PARAGUAY	9	1,217,169	2	132,367	11	1,349,536
PERU	8	815,811	1	63,198	9	879,009
TRINIDAD	7	360,575	1	4,189	8	364,764
URUGUAY	4	699,625	1	9,621	5	709,246
VENEZUELA	5	242,864	-	-	5	242,864
WEST INDIES	7	388,122	5	98,795	12	486,917
U.S.	20	438,665	3	53,785	23	492,450
FELLOWSHIP PROGRAM	-	145,149	-	23,348	-	168,497
INVITATIONAL TRAVEL	-	10,907	-	2,936	-	13,843
TOTAL	320	34,718,421	40	5,342,510	360	40,060,931

INTER-AMERICAN FOUNDATION
PROGRAM OBLIGATIONS BY COUNTRY
AS OF DECEMBER 31,1975

COUNTRY	FROM PRIOR YEARS PROJECTS*	FROM PRIOR YEARS AMOUNTS	FY 1976 PROJECTS*	FY 1976 AMOUNTS	GRAND TOTAL PROJECTS*	GRAND TOTAL AMOUNTS
ARGENTINA	6	544,490	2	192,545	8	737,035
BARBADOS	6	799,615	-	112,125	6	911,740
BELIZE	7	109,341	-	-	7	109,341
BOLIVIA	15	2,217,109	1	333,894	16	2,551,003
BRAZIL	56	4,564,192	5	249,530	61	4,813,722
COLOMBIA	23	2,675,601	2	177,086	25	2,852,687
COSTA RICA	6	593,416	-	-	6	593,416
CHILE	9	2,709,654	1	198,496	10	2,908,150
DOMINICAN REPUBLIC	4	1,067,068	1	232,256	5	1,299,324
ECUADOR	11	1,177,731	1	9,705	12	1,187,436
EL SALVADOR	9	2,010,231	1	100,352	10	2,110,583
GUATEMALA	14	975,076	-	-	14	975,076
GUYANA	3	145,350	1	46,004	4	191,354
HAITI	10	826,781	1	199,500	11	1,026,281
HONDURAS	14	3,740,939	-	35,000	14	3,775,939
JAMAICA	12	447,201	2	260,775	14	707,976
MEXICO	27	2,241,152	5	294,751	32	2,535,903
NICARAGUA	9	1,264,171	-	-	9	1,264,171
PANAMA	16	2,077,326	1	32,545	17	2,109,871
PARAGUAY	8	1,172,361	3	177,175	11	1,349,536
PERU	8	815,811	-	-	8	815,811
TRINIDAD	7	360,575	1	4,189	8	364,764
URUGUAY	4	699,625	1	9,621	5	709,246
VENEZUELA	5	242,864	-	-	5	242,864
WEST INDIES	7	381,769	5	105,148	12	486,917
U.S.	20	438,665	3	53,785	23	492,450
FELLOWSHIP PROGRAM	-	145,149	-	23,348	-	168,497
INVITATIONAL TRAVEL	-	10,907	-	2,936	-	13,843
TOTAL	316	34,454,170	37	2,850,766	353	37,304,936

INTER-AMERICAN FOUNDATION
PROGRAM SUPPORT FUNDS
($ in 000)
OBLIGATIONS

OBJECT CLASS	CATEGORY	FY 74 ACTUAL	FY 75 ACTUAL	FY 76 BUDGET	FY 76 TQ BUDGET	FY 77 BUDGET
	STAFF SALARIES & RELATED EXP.					
11.1	A. Permanent Positions	1,021	1,243	1,496	377	1,533
11.3	B. Positions Other than Perm.	30	36	31	7	33
11.5	C. Other Persnl. Compensation	2	8	7	2	8
11.8	D. Spec. Persnl. Ser. Payments	8	-	10	2	10
	TOTAL	1,061	1,287	1,544	388	1,584
12.1	E. Personnel Benefits	86	111	131	34	134
21.0	FOUNDATION TRAVEL	146	175	204	52	224
	SUPPORT SERVICES					
23.0	A. Rent and Utilities	100	105	110	36	115
23.0	B. Communications	40	48	45	8	55
23.0	C. Postage	3	8	8	-	10
23.0	D. Rental of Equipment	13	19	23	3	28
	TOTAL	156	180	186	47	208
24.0	E. Printing & Reproduction	16	1	30	8	25
25.0	F. Commercial Contractor	53	39	45	13	65
25.0	G. Conferences	-	2	8	-	10
25.0	H. Maintenance of Equip.	4	3	4	-	5
25.0	I. Building Alterations	1	2	10	-	10
25.0	J. Leased Transportation	1	1	2	-	2
25.0	K. Contractual Admin. Serv.	41	35	50	17	63
25.0	L. Representat. Allowance	3	2	3	1	3
	TOTAL	103	84	122	31	158
26.0	M. Consumable Supplies	10	18	18	4	20
26.0	N. Resources Library	3	5	5	2	5
	TOTAL	13	23	23	6	25
31.0	O. Office Furnit. & Equip.	23	28	20	4	20
	GRAND TOTAL	1,604	1,889	2,260	570	2,378

INTER-AMERICAN FOUNDATION
PROGRAM SUPPORT FUNDS
FY 1976

		DECEMBER OBLIGATIONS	OBLIGATIONS THROUGH DECEMBER	ANNUAL PLAN	PERCENT OF ANNUAL PLAN	BALANCE
I.	STAFF SALARIES & RELATED EXPENSES	132,600	740,069	1,675,000	44.18	934,931
II.	TRAVEL	4,484	75,461	204,000	36.99	128,539
III.	SUPPORT SERVICES					
A.	RENT AND UTILITIES	8,963	62,741	110,000	57.04	47,259
B.	COMMUNICATIONS	3,669	19,588	45,000	43.53	25,412
C.	POSTAGE	1	1,467	8,000	18.34	6,533
D.	RENTAL OF EQUIPMENT	(78)	20,338	23,000	88.43	2,662
E.	PRINTING & REPRODUCTION	115	660	30,000	2.20	29,340
F.	COMMERCIAL CONTRACTOR	1,685	17,571	29,000	60.59	11,429
G.	CONFERENCES	-0-	4,045	8,000	50.56	3,955
H.	MAINTENANCE OF EQUIPMENT	48	5,793	7,000	82.76	1,207
I.	BUILDING ALTERATIONS	-0-	4,314	10,000	43.14	5,686
J.	STAFF TRAINING	-0-	3,857	16,000	24.11	12,143
K.	LEASED TRANSPORTATION	82	322	2,000	16.10	1,678
L.	CONSUMABLE SUPPLIES	298	3,072	18,000	17.07	14,928
M.	CONTRACTUAL ADMIN. SERVICES	81	360	50,000	0.72	49,640
N.	RESOURCES LIBRARY	385	2,087	5,000	41.74	2,913
O.	OFFICE FURNITURE & EQUIPMENT	-0-	119	17,000	0.70	16,881
P.	REPRESENTATION ALLOWANCE	56	711	3,000	23.70	2,289
	SUB-TOTAL	15,305	147,045	381,000	38.59	233,955
	GRAND-TOTAL	152,389	962,575	2,260,000	42.50	1,297,425

INTER-AMERICAN FOUNDATION
1515 WILSON BOULEVARD
ROSSLYN, VIRGINIA 22209

ANALYSIS OF MATCHING AND LEVERAGED FUNDS
FOR ALL OBLIGATED PROJECTS
AS OF DECEMBER 31, 1975

(Expressed as a Percentage of the Amount Provided by the Foundation)

Number of Projects where other contributions are approximately equal to or in excess of the Foundation's	86
Number of Projects where other contributions are equal to or in excess of 75% of the Foundation's	37
Number of Projects where other contributions are equal to or in excess of 50% of the Foundation's	36
Number of Projects where other contributions are equal to or in excess of 25% of the Foundation's	38
Number of Projects where other contributions are equal to or in excess of 10% of the Foundation's	22
Number of Projects where other contributions are less than 10% of the Foundation's	77
TOTAL	296

A&F/Budget

INTER-AMERICAN FOUNDATION

SUMMARY

ANALYSIS OF MATCHING AND LEVERAGED FUNDS FOR ALL OBLIGATED PROJECTS
AS OF DECEMBER 31, 1975

PROJECT/COUNTRY	FOUNDATION FUNDS	GRANTEE & OTHER FUNDS	TOTAL	GRANTEE AND OTHER FUNDS AS % OF TOTAL	GRANTEE AND OTHER FUNDS AS % OF FND.
FY 1972	2,803,750	2,504,016	5,307,766	47%	89%
FY 1973	2,951,042	4,428,671	7,379,713	60%	150%
FY 1974	13,011,429	12,494,630	25,506,059	49%	96%
APPROPRIATED	7,080,981	5,089,148	12,170,129	42%	72%
SPTF	5,930,448	7,405,482	13,335,930	56%	124%
FY 1975	13,705,065	19,259,953	32,965,018	58%	141%
APPROPRIATED	3,880,329	6,242,225	10,122,554	62%	161%
SPTF	9,824,736	13,017,728	22,842,464	57%	132%
FY 1976	2,647,148	1,233,363	3,880,511	32%	47%
APPROPRIATED	1,647,737	578,623	2,226,360	26%	35%
SPTF	999,411	654,740	1,654,151	40%	65%
FY 1976	2,755,995	1,989,876	4,745,871	42%	72%
Approved not yet Obligated					
APPROPRIATED	335,005	130,383	465,388	28%	39%
SPTF	2,420,990	1,859,493	4,280,483	43%	77%

INTER-AMERICAN FOUNDATION
1515 WILSON BOULEVARD
ROSSLYN, VIRGINIA 22209

SOCIAL PROGRESS TRUST FUNDS

In October of 1973, the Inter-American Foundation (Foundation) and the Inter-American Development Bank (Bank), in accordance with the stated desires of the House Subcommittee on Inter-American Affairs, entered into negotiations to revise the Social Progress Trust Fund (SPTF) arrangements between the United States and the Bank. On December 17, 1973, the Congress enacted PL 93-189, Section 36 (a), directing the President of the United States to renegotiate the SPTF Agreement between the United States Government and the Bank so that SPTF monies could be periodically transferred to the Foundation. An agreement between the Bank and Foundation was reached on December 20, 1973, providing that resources of the SPTF would be utilized to finance projects and programs which pertained to the categories of activity for which the Social Progress Trust Fund was initially established.

The agreement states that $5,000,000 in Social Progress Trust Funds will be made available to the Foundation every six months starting January 1, 1974. Any funds not committed during the six month period can be carried-over to subsequent periods until December 31, 1976. Also advance allocations from future periods may be made if all of the funds previously allocated have been fully committed. The Agreement also specifies that funds in excess of the $30,000,000 will be allocated for projects selected by the Foundation as a result of a specific written request from the Bank.

Additionally, it states that on or before July 1, 1976, the Foundation and the Bank will consult with each other and establish the amount to be allocated to the Foundation during the years 1977, 1978 and 1979, and stipulates that this amount will not be less than the amount previously allocated. Therefore the Foundation has begun negotiations with the Bank, requesting that $48,000,000 (8,000,000 each 6 months) be made available during the next three years.

The Foundation utilized $5,930,448 in Social Progress Funds during FY 1974, $10,170,561 during FY 1975, and as of December 31, 1975 had obligated $1,167,331 of the $13,000,000 it plans to utilize during FY 1976.

Plans for the future call for the use of $3,250,000 during the FY 1976 transition quarter and $16,000,000 during FY 1977.

Mr. PASSMAN. Thank you very much. I believe that the Foundation received a total of $50 million in transfers from AID in fiscal 1970 and 1971, and that these are the funds on which the Inter-American Foundation has been operating. In addition, however, the Foreign Assistance Act of 1973 authorized the use of funds by the Foundation from the Social Progress Trust Fund of the Inter-American Development Bank; is that true?

Mr. DYAL. Yes.

Mr. PASSMAN. Out of the $50 million transfer, how much have we approved for obligation and how much have you actually obligated?

Mr. PARKER. As of February 29, 1976, we have obligated $29 million of the $45 million which has been approved for obligation.

Mr. PASSMAN. Additionally, how much have you received out of the Social Progress Trust Fund of the Inter-American Development Bank?

Mr. PARKER. We have an agreement that allows us access currently to $31 million.

Mr. PASSMAN. How much have you obligated of the $31 million?

Mr. PARKER. $19 million.

Mr. PASSMAN. You have obligated $29 million out of the $50 million transferred and $19 million of the $31 million from the SPTF, for a total obligation level of $48 million.

Mr. PARKER. Yes, sir.

Mr. PASSMAN. As we have stated earlier, the initial legislation envisioned a funding level of $50 million. So far as this original intent is concerned, you have about reached your prescribed level of obligations.

Mr. DYAL. So far as the original intent.

SOCIAL PROGRESS TRUST FUNDS

Mr. PASSMAN. Could you please tell the committee how much the Foundation plans to receive from the Social Progress Trust Fund in fiscal year 1977?

Mr. PARKER. The Foundation plans to use $16 million in social progress trust funds in fiscal year 1977.

Mr. PASSMAN. Can you use the funds from the Social Progress Trust Fund for the same purposes as the appropriated funds?

Mr. PARKER. Social progress trust funds generally can be used for the same program purposes, except for the purchase of agricultural land.

These funds cannot be used for administrative expenses becuase they are in local currencies.

UNOBLIGATED BALANCE

Mr. PASSMAN. Of the $50 million you received from AID by way of transfer, could you tell the committee how much of this will remain unobligated as of the end of fiscal year 1976?

Mr. PARKER. As of the end of fiscal year 1976, there will be an unobligated balance of $18,183,857 from the $50 million transferred from AID.

SIZE OF STAFF

Mr. PASSMAN. What is the present size of your staff, and do you plan to increase this present staff in fiscal year 1977.

Mr. DYAL. Our authorizing legislation allows 100 staff members; however, our present staff consists of 65 permanent people. A slight increase may be necessary in fiscal year 1977 to cover the increase in the projected workload. Our budget for fiscal year 1977 contemplates a maximum of 70 permanent staff.

Mr. PASSMAN. Do you have any people detailed to the foundation or do you hire any consultants from outside the foundation's regular staff?

Mr. DYAL. We do not have any people detailed to the foundation. We have hired a few consultants from time to time, for very brief periods.

Mr. PASSMAN. Are all the employees of the foundation located in Washington?

Mr. DYAL. All of our employees are located in Washington.

NUMBER OF PROJECTS FUNDED

Mr. PASSMAN. Could you please tell the committee the total projects the foundation has now financed, and in how many countries you are presently operating?

Mr. DYAL. As of February 29 we have funded 363 projects for a total of $39,476,855 in 27 countries.

PROJECTS IN CUBA

Mr. PASSMAN. Have you ever considered financing any project in Cuba?

Mr. DYAL. No, sir.

USE OF LOANS BY IAF

Mr. PASSMAN. Have you made any loans or do you plan to make any loans in the near future?

Mr. DYAL. As of this date we have not made any loans nor do we plan to make any in the future. This is based on the decision made by our board of directors that the use of loans to support our program activities was not appropriate.

ADMINISTRATIVE EXPENSES

Mr. PASSMAN. In your justifications you indicate that program support in fiscal year 1976 will constitute 32 percent of the total obligations and in fiscal year 1977 this program support percentage will increase to 34 percent. Could you please tell the committee why you have such a large percentage for program support and, therefore, a smaller amount used for actual programs and projects?

Mr. PARKER. Mr. Chairman, the percentages you are quoting do not take into consideration the program funds from the Social Progress Trust Fund. We have to consider this because the projects funded from the Social Progress Trust Fund are processed the same way as those funded from appropriated moneys. Therefore, our program support costs really only range from 10 percent to 11 percent of our total obligations.

FUNDING IN BRAZIL AND MEXICO

Mr. PASSMAN. I note in your justifications that you have approved 56 projects in Brazil for $4,583,000, and 27 projects in Mexico for a total of $2,255,000. Could you please tell the committee why you have concentrated a great deal of your effort in these two countries when it seems to me that other countries in South America would be more deserving of your project funding because they don't have the ability to pay as well as these two countries?

Mr. DYAL. It is true that both Mexico and Brazil are wealthy countries, however the people in the poorer parts of these countries still haven't been able to gain access to funding. Our funds have gone to nongovernmental institutions and organizations in response to these people's initiatives to resolve their own problems. We have not allocated specific amounts for any of these countries.

U.S. PROJECTS

Mr. PASSMAN. I note that you have approved 20 projects for the United States at a total cost of $438,000. Could you please tell the committee why we are providing funds to organizations in the United States?

Mr. DYAL. The funds we've provided to organizations in the United States have been to permit Latin Americans and Caribbeans to learn from U.S. experiences and North Americans to learn from them.

INVITATIONAL TRAVEL

Mr. PASSMAN. You indicate in the justifications that you have obligated as of December 31, 1975, close to $11,000 for invitational travel. Could you please tell the committee what this invitational travel item is?

Mr. DYAL. Support of the interchange of information about social change is a part of our legislative program mandate. Sometimes this support is easier to handle by means other than grants. We use invitational travel orders to cover the cost of a grantee or potential grantee's travel expenses to conferences which foster the dissemination of information.

CULTURAL PROJECT

Mr. PASSMAN. On page 4 of the justifications under the Project Laborarte you state that the grant will provide equipment and materials needed to document and disseminate expressions of local culture. Could you please tell the committee just what you mean by this explanation and how in the world this is going to help the poor people in Brazil?

Mr. DYAL. Laborarte is one of the few organizations working with the many traditional rural communities which surround the capital city of San Luiz, Maranhao. As massive investments have changed San Luiz, in the period of less than 2 years, these rural fishing communities and their residents have been swallowed up by the expanding city. The city is not yet really aware of how its growth has intruded

upon these people who are ill equipped to function in the city and who are unable to leave its influence. Laborarte presents art, drama, music, and other locally popular cultural activities to dramatize the plight of these people and the life from which they have been forced. The objective of these dramatizations is to create an understanding of, and support for, the poor, dispossessed residents of the region and to give to these people a better understanding of how their own cultural values differ from those of the city and how they might cope.

PRISONS IN BRAZIL

Mr. PASSMAN. On page 5, under a project for Brazil you indicate that the grant will be used by a volunteer group to collect information that will call attention to the prison situation in the State of Sao Paulo, and how it relates to other social issues. Does the Government of Brazil support this grant?

Mr. DYAL. As in all Foundation grants, they are not formally cleared nor approved by the Government of Brazil before they are funded. The organization referred to here, the Comissao de Justica and Paz is an official part of the Archdiocese of Sao Paulo, an institution recognized by the Brazilian Government. The specific study of prisons that we supported was undertaken with the approval and cooperation of the State Secretariat of Justice of the State of Sao Paulo, the agency directly responsible for the prison system in the State of Sao Paulo.

MARTIN STUDY IN DOMINICA

Mr. PASSMAN. On page 11 you indicate that a Mr. Atherton Martin will study the problems in the Dominica and he will disseminate to various groups his own impressions of their own experiences as they change their relationship to the land, to capital, and to resources. Could you tell the committee just how this is going to help the poor people, and indicate just what the qualifications are of Mr. Martin to do this sort of thing?

Mr. DYAL. Mr. Atherton Martin is a Dominican agronomist who was trained at Cornell University. He was manager and a key leader of the 110 member Castle Bruce Cooperative Society, which is located in Dominica. By training, and experience Mr. Martin has the capability to help the former laborers on plantation estates who are now forming their own economic cooperatives in a number of Caribbean Societies.

STUDIES OF SOCIAL CHANGE

Mr. PASSMAN. Throughout the justifications I note that there are a lot of grants to be used to study the effectiveness on social change of various groups. Could you please tell the committee what the purpose of this is, and how this will help to increase food production and decrease poverty in a certain area?

Mr. DYAL. The House Report on the original legislation setting up the Foundation spoke of the objective of "responding to the requirements of social and civic change on the continent". The social change approach to problem-solving requires that those most directly affected accept the responsibility for analyzing causes and proposed solutions. They must determine what action is required, how much

of their time, energy and resources are needed, accept the risks and consequences and be realistic about how much change is possible. People are enabled and encouraged to take responsibility for the quality of their lives rather than relying on the government or some private benefactor to supply what they need.

LEGAL CONFERENCE FUNDING

Mr. PASSMAN. On page 26 you are going to provide a grant to enable eight lawyers from Latin America and the Caribbean to attend a world conference sponsored by the grantee to the United States. It seems to elude me that a grant of this sort could help poor people in a particular Latin American country. Would you please explain?

Mr. DYAL. The eight lawyers were all participants in projects in Latin America and the Caribbean partially funded by the foundation that relate to legal assistance for the poor. Through this grant they were able to participate as speakers in the Seventh Conference of World Peace Through Law and to stress to that distinguished body some of the approaches underway in the neglected area of legal assistance to the poor.

THEATER GROUP CONFERENCE

Mr. PASSMAN. Along the same lines on page 27 you indicate that you are going to provide close to $46,000 to begin a long-range process of information exchange among popular theater groups in Latin America and U.S. Spanish-speaking communities by holding a conference on popular theater. Just how in the world is this going to help poor people in a Latin American country?

Mr. DYAL. This grant provides for a program of interchange of information among Latin American and U.S. Spanish-speaking community organizations using popular theater for social development purposes. Popular theater is one way, and I stress one way, which can be used to enable people who are nonparticipants in society to learn to communicate and to organize themselves in order to gain access to greater opportunities.

Mr. PASSMAN. Mr. Shriver?

FUNDS ALLOCATED AND OBLIGATED

Mr. SHRIVER. The book shows the Foundation had a total of $129 million available, is that correct?

Dr. DYAL. That includes the $31 million of the first agreement with the Inter-American Development Bank plus a second agreement for a second 3-year period which is now in process for a $48 million figure, so the total amount would be $129 million through 1979.

Mr. SHRIVER. You anticipate using $25 million of this in 1976?

Mr. DYAL. That would be the outer limit, the maximum.

Mr. SHRIVER. And a little over $23 million in fiscal 1977?

Mr. DYAL. That is correct.

Mr. SHRIVER. You use no private funds?

Mr. DYAL. We have received one $25 check in terms of private funds. That is it. Everything else has been appropriated money for the Social Progress Trust Fund.

We have tried to use the Social Progress Trust Fund with priority because it is local currency, helps the United States balance of payments and also stretches out the original dollar appropriation.

SOCIAL PROGRESS TRUST FUND CRITERIA

Mr. SHRIVER. You said you have to fund some of these projects with your appropriated funds because they do not meet the funding criteria of the Social Progress Trust Fund. Why do they not meet those criteria?

Mr. DYAL. It is not so much the criteria as the lack of availability of those monies in a number of countries.

Mr. PARKER. There is a specific criteria consideration in that you can not fund the project if it involves the purchase of agricultural land. That was one of the prohibitions. That is about the only serious prohibition from the criteria basis. Our other problems are with distribution.

Mr. DYAL. Availability.

FUNDING REQUESTS

Mr. SHRIVER. As I understand it, you have no overseas staff?

Mr. DYAL. No.

Mr. SHRIVER. How do local sponsors of projects get in touch with you?

Mr. DYAL. We have a staff still of only 65 total permanent staff members. The original legislation called for a hundred. We kept it to this 65 level.

A number of these staff members are Foundation representatives who travel to the countries. Contact is made both by their visits and relationships in the countries, as well as by the whole referral process from a number of private organizations, from governments, from our own official missions, and from others who are aware of us. We are into our 5th year so now there is a little more credibility and more awareness of our operations in the countries.

BOARD OF DIRECTORS

Mr. SHRIVER. Before we started the formal hearing we were talking about the board membership. It is quite an impressive board of directors. How often do they meet?

Mr. DYAL. They meet now every two months. They met for the first few years monthly, and they have been very active.

The chairman of our board, who has been the chairman since the beginning, 5 years now, has missed only two board meetings in the 5 years. That is indicative of their involvement.

Mr. SHRIVER. What do they do when they meet?

Mr. DYAL. They generally review what we have been funding. They also make funding decisions of anything over $200,000 per project. They have taken a very active role in the development of policies as well as overview of the Foundation.

PROJECT REVIEW

Mr. SHRIVER. If you don't offer any technical assistance on these projects, and you have no overseas staff, how do you know if the projects are successful? How do you review them?

Mr. DYAL. We are in a particularly interesting time, Mr. Shriver, this year because of the instruction of the Board in this fifth year. We are spending the year and part of our staff time in actively reviewing every single project we have funded with a view to what happened to the money, what impact it has had, and what we have learned.

It also takes into account some evaluations which have been done and reports from the grantees.

We will then submit this to a series of public reviews over this year, and certainly to the congressional committees at the next round, in terms of what we see the impact to be both pro and con.

We also provide for a very careful commercial audit of each project.

Mr. SHRIVER. Have you suspended any?

Mr. DYAL. Yes. We have terminated several.

Mr. SHRIVER. Give us some examples for the record.

[The information follows:]

We have terminated several projects before the completion date agreed upon at the time of the original grant agreement.

Three projects were terminated because audit reports and other information indicated misapplication of funds and other inappropriate administrative activities. We are recovering funds from these projects.

One project has been terminated because of the grantees inability to provide appropriate program and financial reports.

PROJECT APPROVAL

Mr. SHRIVER. You said you make unusually rapid decisions on whether or not to support a project. What is the average time between when you get a request for support and your decision?

Mr. DYAL. Three months maximum.

ADMINISTRATIVE EXPENSES

Mr. SHRIVER. Even without the overseas staff your program support expenses are running about 25 percent of your appropriated funds. Why would that be so high?

Mr. DYAL. If you look at it strictly in terms of the appropriated moneys. When you add the Social Progress Trust Fund moneys, which represents about half of our total funding in the last several years, and has to have the same kind of rigorous review and analysis, it runs, Mr. Shriver, about 10 or 11 percent.

Mr. SHRIVER. Would that not still be pretty high?

Mr. DYAL. No, sir. That would be considered quite low.

Mr. SHRIVER. Compared with what?

Mr. DYAL. Compared with the general run of foundations and other funding entities.

SOCIAL PROGRESS TRUST FUND

Mr. SHRIVER. Why doesn't the Social Progress Trust Fund allow you to use the funds you get from it for program support expenses?

Mr. DYAL. Primarily because they are in local currencies and not in dollars, and obviously our program support needs are primarily in dollars.

We are really talking about personnel costs.

CHILE

Mr. SHRIVER. Last week, we had our foreign operations appropriations bill on the floor for the fiscal year we are now in. I recall that statements were made on the floor that the administration has announced we will have no economic aid programs for Chile this year. Your book shows three program approvals for that country for 1976.

Mr. DYAL. The distinction, Mr. Chairman, and we have checked it out with congressional committees as well as with the State Department, is in our original legislation. We function outside of short-term U.S. foreign policy considerations and with nongovernmental entities.

None of the projects we have funded have been to the Government of Chile. They have all been to private nongovernmental groups. This is interpreted by all parties and also our legal counsel as being appropriate.

Mr. PASSMAN. Will the gentleman yield?

Mr. SHRIVER. Yes.

Mr. PASSMAN. If this is the interpretation regarding the Inter-American Foundation it could also be made for several of the other many facets of foreign aid and, in that way, provide an avenue for U.S. financial assistance to Chile. Couldn't it?

Mr. DYAL. I suppose it could.

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

PROJECTS FOR WEALTHIER COUNTRIES

Mr. SHRIVER. In a number of instances you have projects in countries which are not considered AID recipient countries, such as Mexico and Brazil. Why not concentrate your efforts in the poorest countries?

Mr. DYAL. Actually, Mr. Shriver, we are still concentrating the assistance to the poorest segments of the population. In Brazil, for example, in spite of the economic miracle, our funding primarily is to the Northeast section of the country, to a population with an average income of less than $100 a year.

STAFF SALARIES

Mr. SHRIVER. You told us the number on your staff—65.

Mr. DYAL. Yes, sir.

Mr. SHRIVER. Would you put in the record a breakdown of their salaries.

Mr. DYAL. Yes, sir, we will provide that.

[The information follows:]

SALARY BREAKDOWN

Grade	Salary range based on step within grade	Number of employees
Executive level	39,900	1
GS–17 [1]	37,800	1
GS–16	37,800	1
GS–15	33,397–36,529	11
GS–14	26,861–29,546	7
GS–13	22,906–25,198	8
GS–12	19,386–21,325	7
GS–11	16,255–18,423	5
GS–10	16,306	1
GS–9	13,482–14,829	10
GS–8		
GS–7	11,046–11,414	5
GS–6	9,946–10,610	4
GS–5	8,925– 9,223	3
GS–4	7,976	1
GS–3		
Total employment		65

[1] Employee on reimbursable detail to AID.

REPRESENTATION ALLOWANCE

Mr. SHRIVER. Do you have a representation allowance?

Mr. DYAL. Yes.

Mr. SHRIVER. How much is that?

Mr. DYAL. $3,000 a year total.

Mr. SHRIVER. Why do you need that?

Mr. DYAL. Primarily in areas where as a funder we would prefer not to be beholden to groups and organizations in other countries as we attempt to relate to them, and so we would prefer to pay those expenses ourselves.

We do not, by the way, charge any of our staff's participation. These are mainly to foreign nationals.

Mr. SHRIVER. I thank you very much.

MATCHING CONTRIBUTIONS

Mr. PASSMAN. Mr. Conte?

Mr. CONTE. In going over the justification figures presented to the subcommittee I note that 137 of the 296 projects are matched with less than 50 percent of the funds contributed by the foundation. Is any effort being made to increase the matching funds?

Mr. DYAL. Actually, in most of those cases these would be best described as very poor grassroots organizations who are in the first stage of operation and who tend to be a risk at a certain stage, and at a second stage it would be hoped they would have access to other kinds of funding.

INCREASE IN ADMINISTRATIVE EXPENSES

Mr. CONTE. What is the major factor in the $118,000 rise in program support funds?

Mr. DYAL. Probably pay increases.

Mr. CONTE. Do you want to make sure of that and put it in the record?

[The information follows:]

A 2.5-percent increase of $43,000 has been included for increases in personnel costs and benefits resulting from the pay raise and normal within-grade increases. Travel has been increased by $20,000 to allow for increases in per diem, air fares, and additional mileage. The other $55,000 covers the increases associated with postage, communications, rent and utilities, and contractual services rendered by GSA, GAO, and the Treasury Department.

SPECIAL PROGRESS TRUST FUND OBLIGATIONS

Mr. CONTE. If the Foundation plans to obligate social progress trust funds of $13 million during fiscal year 1976, why has only $1,167,331 been obligated as of December 31, 1975?

Mr. DYAL. We should state that the obligation figure as it is expressed is not a goal to be met but an outside limit.

Mr. CONTE. The $13 million is an outside limit?

Mr. DYAL. Right.

FUNDING IN BRAZIL AND VENEZUELA

Mr. CONTE. What percentage of your funds are in Brazil and Venezuela?

Mr. DYAL. Less than 1 percent in Venezuela. The number in Brazil is 12 percent.

OVERSIGHT

Mr. CONTE. I just came back from a conference in Caracas and they have money coming out of their ears and we are going to be looking for foreign aid from them pretty soon.

How much oversight does the Foundation have over projects it funds or helps fund?

Mr. DYAL. Very little program oversight because we did not either design them nor we are attempting to operate them.

We have careful financial oversight by means of a commercial audit. There are also reports which come from the various projects.

Mr. PARKER. Basically a quarterly progress report and financial report tailored to the requirements of each grant.

PROJECT PURPOSES

Mr. CONTE. In going through the summaries of projects, I notice several theater groups, dance groups, and film production. Shouldn't your effort be devoted to economic and basic educational facilities rather than cultural and Recreational activities?

Mr. DYAL. Where these exist, Mr. Conte, they are once again very much related to the poorest segment of the population, that population that has not been able to organize in terms of community development or associations because of a lack of any sense of cultural roots, pride in their past, their origins, their understanding. These are strictly related to an ultimate social and economic impact where they exist.

They are not seen as the normal or traditional cultural or recreational activity. They are a means to an end in terms of our funding.

Mr. CONTE. I am a little hazy on it. Are you telling me what you are trying to do is to bring out their culture by a dance program, by plays, etc.?

Mr. DYAL. Let me give you an example. The Theater of Identity, as it is called in Colombia by and among coastal blacks who are the descendents of slaves. They have never truly been integrated into the country's economy. They have lived very much apart.

They have very little sense of any pride or dignity in themselves, there are no community organizations that have developed.

By the use of what amounts to popular theater, street theater, they are able to form groups which for the first time express their social and economic needs as individuals.

Mr. CONTE. You provide guidance and expertise?

Mr. DYAL. No. This has been done by the Colombian director of the project. The money is given to an organization headed by Manuel Zapata.

Mr. CONTE. How do you fit into the picture?

Mr. DYAL. We are strictly an outside funder.

Mr. CONTE. You give this person some money?

Mr. DYAL. Yes.

Mr. CONTE. There has to be a connection here somewhere.

Mr. DYAL. Manuel Zapata is the organizer.

Mr. CONTE. Did you give him money?

Mr. DYAL. Yes, sir.

Mr. CONTE. That is it?

Mr. DYAL. He formed the organization. He is a Colombian anthropologist.

Mr. CONTE. What did he do with the money?

Mr. DYAL. His organization together with that community, developed street theater—very much as it has developed in California among the Chicano groups. They have consciousness-raising as a part of what they are attempting to do.

But it is a cultural phenomenon in Colombia, not an outside approach by the United States.

EVALUATION

Mr. CONTE. Will you put in the record how much of your budget is spent in evaluation of projects.

[The information follows:]

As of February 29th the Foundation had funded 59 evaluations for a total of $2,013,109. Three of these evaluations were funded during fiscal year 1976 for a total of $124,605. However, this only deals with projects completely devoted to evaluation, and we're now funding evaluation as a part of the project in most cases; therefore, separate identification of evaluation funding as a category is no longer possible or meaningful.

CONSORTIUM

Mr. CONTE. What proportion of the funding of your projects is put up by other U.S. foundations? What foundations? Put that in the record.

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[The information follows:]

CONSORTIUM

It would be a small proportion. We couldn't verify an exact amount since the money does not pass directly through us. Projects we have funded have received support from the Ford Foundation, the Tinker Foundation, the Clark Foundation, the Pan American Development Foundation and Catholic Relief Services, among others.

A large proportion of the outside funding has come from European foundations and especially the two West German development foundations funded by the West German Government together with the Catholic and Protestant churches.

SUCCESS OR FAILURE OF PROJECTS

Mr. CONTE. Last year Mr. Dyal testified that this foundation was "neither obsessed with success nor fear of failure." That's nice to say, but what do we tell the taxpayers who foot the bill for all of this? I realize failures can be instructive but successes can be even more so. How many of your projects do you feel were successful?

Mr. DYAL. I would find it difficult to answer because of the relative nature of successes-failures, although I understand what you mean, that we need to be able to sense some benefit from the dollars that are poured in.

That is the reason for the study we are doing this year, to try to get some clear information on every one of those projects.

I think it is appropriate here to say that the board of directors feel that this is a very important study and analysis. They are unwilling simply to say, let's go yearly forward with an institution unless they can be sure that indeed it is fulfilling its original mandate, that the dollars do have meaning for the poor.

A decision will be made by the board at the end of this year as to the future of the organization. We will bring recommendations to the Congress on that basis.

Mr. CONTE. That will be part of your evaluation?

Mr. DYAL. Yes.

SOCIAL PROGRESS TRUST FUNDS NONCONVERTIBILITY

Mr. CONTE. Does the fact that Social Progress Trust Funds you receive are in local nonconvertible currencies create problems in using them properly?

Mr. DYAL. Yes, sir.

FELLOWSHIP PROGRAM

Mr. CONTE. I would like to know how many fellowships you are sponsoring this year.

Mr. DYAL. A total of 10 last year and this year.

HOST GOVERNMENT RELATIONSHIPS

Mr. CONTE. Do you sound out the host government's feeling about some of the projects you fund? I am concerned about the reaction where you are funding a project such as the Projecto Compesino in Colombia which organizes sugar-cane cutters with the intent of making them more politically aware.

I don't quarrel with the intent. The intent is all right. But I am concerned about a foreign government funding foreign consultants to do it.

Mr. DYAL. We never attempt to do anything sub rosa, under the table. Everything is on top of the table. We do quite often consult governments. We also expect those local entities to have appropriate lines of information and relationship with their governments including legality as an organization which means some kind of official recognition.

We do provide to every government information about every grant we make so there is an opportunity for them to respond to that. We don't ask them to participate in the decisionmaking process about the grant, but there is full information.

Mr. CONTE. That is important.

Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Conte. Mr. Chappell?

THEATRICAL PROJECTS

Mr. CHAPPELL. You state that your approach is to support private community-level self-help efforts to solve basic economic and social problems. I have reviewed the projects in your program for this year and the vast majority of them appear to meet your criteria, however, I want to ask you about three of them:

One: You have a $45,000 item to International Educational Development, Inc., for a conference on popular theater.

Two: You have part of a $22,000 item to Wayne Ewing Films for a movie on the National Dance Co. of Jamaica.

Three: You have $47,858 in Paraguay for the staging of three plays and theater workshops.

I really wonder how these expenditures relate to self-help efforts to solve basic economic problems? Can you justify these three expenditures in a specific manner for the record?

Mr. DYAL. As I said to Congressman Passman in reply to a similar question, the grant to the International Educational Development, Inc., provides for a program of interchange of information among Latin American and U.S. Spanish-speaking community organizations using popular theater for social development purposes. Popular theater is one way, and I stress one way, which can be used to enable people who are nonparticipants in society to learn to communicate and to organize themselves in order to gain access to greater opportunities. The grant to Wayne Ewing Films enabled four 25-minute films to be produced from excess footage from a 1-hour documentary that appeared on educational TV entitled "The Other Caribbean." These films depict the thrust and activities of the Kingston Legal Aid Clinic, the Sugar Workers' Cooperative Council, and the National Dance Co. in Jamaica and the Castle Bruce Cooperative in Dominica. These organizations have used the films for development education and dissemination in the Caribbean and elsewhere.

The films provide an effective means for the four organizations to share their experiences with other groups involved in similar processes. These experiences relate to important societal issues in the Caribbean: cultural and national identity, equity before the law, and equitable distribution of land resources.

In the Paraguay project, presentations are made of short vignettes drawn from local folklore and the daily problems and activities of isolated rural communities, vignettes which are embued with the values of that community and are expressed in the Guarani language of the countryside.

Working in tandem with community organizers, these theatrical activities have been the catalyst for community coalescing to pursue educational purposes, organize joint marketing ventures, improve rural roads, and various other cooperative efforts.

Mr. CHAPPELL. You had a discussion earlier with my distinguished colleague, Mr. Conte, regarding these cultural-type expenditures. I wish you would clarify in more detail for the record why you feel the United States, in view of our severe budgetary restraints, must concern itself with the use of street dances to try to make people feel they have a self-identity. Can we really afford to concern ourselves with these psychological and sociological matters when people need to learn how to produce food and obtain clothing and shelter?

Mr. DYAL. The very creation of the Inter-American Foundation was based on the recognition growing out of the experience under, title IX of the Foreign Assistance Act that the social, cultural, psychological, and economic aspects of development are so enmeshed that to ignore any of them as essential elements in the development process leads to failure.

We are not talking about cultural or recreational-type expenditures, but the use of what is commonly called popular theater or street theater as one possible tool to use in organizing people in order to motivate them to address some of those basic human problems, which you mention, such as how to produce food and obtain clothing and shelter.

SUPPORT OF LEFTIST ACTIVITIES

Mr. CHAPPELL. Last October, the San Jose News in Costa Rica had an article stating that the Inter-American Foundation had poured about $400,000 into a leftist newspaper and school. The statement was attributed to Vice President Carlos Manuel Castillo who was quoted as saying that the National University's School of Planning and Social Development "regularly promotes agitation." Here is a copy of the article. Please comment on these allegations for the record.

Mr. DYAL. The School of Social Planning and Promotion of the National University of Costa Rica is engaged in a rural extension program interlinked with the academic curriculum of the school. The program, funded by the Inter-American Foundation, involves students in field work and provides feedback to the academic faculty from both students and extension team regarding the adequacy of course content. The extension program is now entering its second year; during the first year the involvement of students in field work was minimal. While students may have participated in the "agitation" referred to in the article—support of a rural workers' strike—there is no evidence to our knowledge nor any reason to believe that they were students from the School of Social Planning and Promotion. The rector of the national university, a leader in the political party which

currently controls the Presidency, has publicly expressed his disagreement with the Vice President's allegations.

The newspaper Pueblo is not funded by the Inter-American Foundation. It is a weekly publication stressing urban social problems and injustices, which receives financial support from the World Council of Churches in Geneva and the U.S. Catholic Conference through a Costa Rican publishing firm, Publicaciones Ecumenicas, the president of which is Episcopal Bishop Antonio Ramos. The Inter-American Foundation funded an agrarian supplement to Pueblo which is published separately and is intended to serve as a means of communication among rural peasants as well as a source of information on agrarian issues and technical questions. Early termination of the project agreement was recently agreed upon by both parties, since the supplement was rapidly reaching a circulation level adequate for self-support.

Mr. CHAPPELL. Is it the policy of the Inter-American Foundation to support projects which involve themselves in leftist or pro-Communist activities?

Mr. DYAL. No, sir.

Mr. PASSMAN. Thank you, Mr. Chappell. I would like to welcome Mr. Coughlin's constituency.

The next member of the subcommittee to be recognized will be our very dear and able friend Lawrence Coughlin from Pennsylvania. When Lawrence gets through questioning, the witnesses usually know they have been worked over. He is a very able member of this committee, and he has made a great contribution to the work of the subcommittee.

I yield to Mr. Coughlin, the gentleman from Pennsylvania.

Mr. COUGHLIN. Thank you, Mr. Chairman, for your kind words and for having these folks sit with us here. They are Pennsylvania farmers, I might say, as I know you come from farm country yourself. We appreciate having them here.

Mr. PASSMAN. You are certainly welcome here.

FUNDS ALLOCATED AND OBLIGATED

Mr. COUGHLIN. I am confused on one thing. You are at an authorized level of $50 million.

Mr. DYAL. The original authorization.

Mr. COUGHLIN. We have appropriated and you have obligated $24 million of that $50 million; is that right?

Mr. PARKER. Yes, through fiscal year 1975.

Mr. COUGHLIN. You are asking to obligate another $10 million this coming year?

Mr. PARKER. Estimating in fiscal year 1976 or 1977?

Mr. COUGHLIN. 1977.

Mr. PARKER. Our request is for a limitation of $7,018,000.

Mr. COUGHLIN. When you reach the $50 million, what happens? Are you out of business?

Mr. DYAL. Yes, and effectively so because we cannot utilize social progress trust funds for program support, so we would have to have a new authorization to continue.

LEVERAGING OF FUNDS

Mr. COUGHLIN. It would also be helpful in the future if you could number the pages in your justification consecutively because it is hard to refer to it.

On page 2 of your statement you say that you put up part of the money and yet in your justification, if I can find it, you state they are matching leverage funds. Could you provide for the record a listing of the countries that provide contributions equal to and in excess of the Foundation's, and what percentage that contribution compares to the total cost of the project in that particular country.

It would be interesting to see what the individual country's contribution is and the percentage of the contribution compared to the total project cost.

Mr. DYAL. You would understand it is not the government of that country. That is very important to keep the distinction from AID where anything would be from the government.

In our case it would all be primarily nongovernmental funds.

Mr. COUGHLIN. But at least it would indicate a country's own efforts and what kind of matching effort they are putting in.

[The information follows:]

ANALYSIS OF MATCHING AND LEVERAGED FUNDS BY COUNTRY,
FOR ALL OBLIGATED PROJECTS
AS OF DECEMBER 31, 1975*

COUNTRY	FOUNDATION FUNDS	GRANTEE & OTHER FUNDS	TOTAL	GRANTEE AND OTHER FUNDS AS % OF TOTAL	GRANTEE AND OTHER FUNDS AS % OF FND.
Argentina	737,035	605,390	1,342,425	45	82
Barbados	911,740	1,020,005	1,931,745	53	112
Belize	107,291	133,008	240,299	55	124
Bolivia	2,490,478	1,966,493	4,456,971	44	79
Brazil	4,387,672	5,384,720	9,772,392	55	123
Colombia	2,694,327	1,891,550	4,585,877	41	70
Costa Rica	441,210	781,185	1,222,395	64	177
Chile	2,908,150	5,251,396	8,159,546	64	181
Dominican Rep.	1,260,745	1,664,357	2,925,102	57	132
Ecuador	1,085,960	757,555	1,843,515	41	70
El Salvador	1,863,032	2,242,173	4,105,205	55	120
Guatemala	972,576	2,027,899	3,000,475	68	208
Guyana	135,850	53,730	189,580	28	39
Haiti	1,002,481	891,993	1,894,474	47	89
Honduras	3,669,779	3,344,453	7,014,232	48	91
Jamaica	523,363	381,103	904,466	42	73
Mexico	2,476,411	2,781,813	5,258,224	53	112
Nicaragua	1,228,221	1,788,467	3,016,688	59	145
Panama	2,077,871	3,038,180	5,116,051	59	146
Paraguay	1,200,397	537,377	1,737,774	31	45
Peru	815,811	406,408	1,222,219	33	50
Trinidad	333,974	240,598	574,572	42	72
Uruguay	640,446	644,522	1,284,968	50	101
Venezuela	222,370	361,697	584,067	62	163
West Indies	438,794	211,595	650,389	33	48
United States	492,450	1,512,966	2,005,416	75	307
TOTAL	35,118,434	39,920,633	75,039,067	53	114

*Since we do not require matching funds on our evaluation projects, they have not been included in this report.

FUNDING FOR WEALTHIER COUNTRIES

Mr. COUGHLIN. Last year concern was expressed over the heavy concentration of projects in countries such as Brazil, Panama, and Mexico. While I realize that poverty is not simply a measure of a country's per capita income, I was interested that in your proposed projects 11 will be in Brazil, a country which is doing pretty well for itself. How do you rationalize that?

Mr. DYAL. If once again you recognize the population of Brazil is equal to almost the rest of Latin America combined, and that the poverty level in the northeast part of Brazil is at such a level that it makes it almost on a different planet from south Brazil. Our only justification is to be responsive to people's initiatives to resolve their own problems by some means.

We attempt to respond to what comes to us. We don't program those responses by saying we will have a priority to spend a fourth of our money this year in Colombia or a third somewhere else.

Mr. COUGHLIN. Honduras is a very poor country.

Mr. DYAL. We certainly make attempts there, but once again we are responding to local nongovernmental initiatives of organizations in communities. In some instances, in some countries very little exists. Take Haiti, for example, although we have funded several projects in Haiti.

Mr. COUGHLIN. How about Honduras?

Mr. DYAL. Honduras would be in the top six of the number of countries who have received the most from the Foundation.

Most of it in Honduras has gone to the rural sector.

Mr. COUGHLIN. Which has been terribly hard hit.

Mr. DYAL. Yes; this is to the small farmer.

U.S. PROJECTS

Mr. COUGHLIN. I am curious as to your proposing five projects in the United States.

Mr. DYAL. These are projects that we have funded during the past year rather than proposed. What we are doing is reporting to you what we have done in the past year.

We limit what we do in the United States primarily to projects that deal with dissemination or that relate to the original legislation which talked about building some bridges of understanding.

For example, one of the projects we mentioned was providing travel funds for some Mexican-American small loan groups to learn what is happening in Latin American since the whole cooperative credit union mechanism in Latin America seems to have more experience than we have in this country. It was an attempt at interchange of information.

ADMINISTRATIVE FUNDING

Mr. COUGHLIN. Your fiscal 1977 budget shows $2.3 million in support funds. That is your administrative costs?

Mr. DYAL. Yes.

Mr. COUGHLIN. You intend to obligate with how many dollars worth of projects?

Mr. PARKER. That is to support the $20 million of project funding.

Mr. COUGHLIN. So you are supporting about 10 percent?

Mr. DYAL. We tried to keep 10 to 11 percent maximum figure for administrative costs.

TRAVEL

Mr. COUGHLIN. You have now how many people on your staff?

Mr. DYAL. 65.

Mr. COUGHLIN. Of those, how many travel?

Mr. DYAL. A maximum of 24, on a continuing basis.

Mr. COUGHLIN. What would be the average number of trips per person of those who travel?

Mr. DYAL. Four to six a year.

Mr. COUGHLIN. What would be the average cost per trip?

Mr. DYAL. That would vary, actually because of the demand. The man traveling to Argentina is obviously going to spend more money than the one to Mexico.

Mr. COUGHLIN. Do you have an average figure you can supply for the record?

Mr. PARKER. We will give you an overall average.

[The information follows:]

We have approximately 24 persons who are frequent travelers. Each of them makes approximately four to six trips per year. The average cost per trip for fiscal year 1976 is $1,853. For fiscal year 1977 we have projected 26 persons traveling with an average cost of $2,038 per trip.

Mr. DYAL. The total travel cost is less than keeping even a small number of staff overseas. We elected that route for two reasons, philosophically it gets us out of the programing business, and second, the costs are so much lower by far than having a resident staff overseas.

We have done some studies that, underscore the savings from not having people living overseas.

Mr. COUGHLIN. I have no further questions at this time.

Mr. PASSMAN. Thank you very much. The committee will stand adjourned.

THURSDAY, MARCH 11, 1976.

DEPARTMENT OF STATE

MIGRATION AND REFUGEE ASSISTANCE

WITNESS

JAMES M. WILSON, JR., COORDINATOR FOR HUMANITARIAN AFFAIRS

PROGRAM AND FINANCING

[In thousands of dollars]

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Program by activities:				
1. Intergovernmental Committee for European Migration	3,076	3,000	----	3,000
2. United Nations High Commissioner for Refugees	1,156	1,471	----	1,471
3. International Committee of the Red Cross	494	500	----	500
4. United Nations Relief and Works Agency	10,000	----	----	----
5. United States refugee program	14,518	7,435	----	3,700
Total calendar year program	29,244	12,406	----	8,671
6. Operational and administrative expenses	1,214	1,452	358	1,329
7. Adjustments to fiscal year basis:				
Calendar year 1974 program funds obligated in 1975	8,222	----	----	----
Calendar year 1975 program funds obligated in 1976	−6,254	6,254	----	----
Calendar year 1976 program funds obligated in transition quarter	----	−450	450	----
Calendar year 1976 funds program obligated in 1977	----	−450	----	450
Calendar year 1977 program funds obligated in 1978	----	----	----	−450
Total obligations	32,426	19,212	808	10,000
Financing:				
Unobligated balance available, start of period	−6,784	−2,739	−450	−450
Unobligated balance available, end of period	2,739	450	450	450
Unobligated balance lapsing	61	----	----	----
Budget authority	28,443	16,923	808	10,000
Budget authority:				
Appropriation	18,443	10,100	800	10,000
Transferred from other accounts	10,000	6,800	----	----
Appropriation (adjusted)	28,443	16,900	800	10,000
Supplemental now requested for civilian pay raises	----	23	8	----
Distribution of budget authority by account:				
Migration and refugee assistance	18,443	16,923	808	10,000
Assistance to Palestinian refugees	10,000	----	----	----
Relation of obligations to outlays:				
Obligations incurred, net	32,426	19,212	808	10,000
Obligated balance, start of period	3,418	3,970	4,113	1,393
Obligated balance, end of period	−3,970	−4,113	−1,393	−700
Adjustments in expired accounts	−214	----	----	----
Outlays, excluding pay raise supplemental	31,660	19,048	3,520	10,691
Outlays from civilian pay raise supplemental	----	21	8	2
Distribution of outlays by account:				
Migration and refugee assistance	21,660	19,069	3,528	10,693
Assistance to Palestinian refugees	10,000	----	----	----

OBJECT CLASSIFICATION

[In thousands of dollars]

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Personnel compensation:				
Permanent positions	719	802	214	818
Positions other than permanent	27	160	8	32
Other personnel compensation	1	2	----	2
Special personal services payments	40	34	9	35
Total personnel compensation	787	998	231	887
Personnel benefits: Civilian	147	170	47	171
Travel and transportation of persons	27	40	10	41
Transportation of things	1	1	----	1
Rent, communications, and utilities	27	29	7	31
Printing and reproduction	9	13	3	14
Other services	8,544	5,321	53	3,854
Supplies and materials	7	13	2	9
Equipment	5	21	5	21
Grants, subsidies, and contributions	22,873	12,606	450	4,971
Total obligations	32,426	19,212	808	10,000

PERSONNEL SUMMARY

Total number of permanent positions	40	40	----	40
Full-time equivalent of other positions	1	1	----	1
Average paid employment	39	40	----	40
Average GS grade	7.58	7.85	----	7.85
Average GS salary	$14,004	$13,561	----	$13,842
Average grade and salary rates established by the Foreign Service Act of 1946 (22 U.S.C. 801-1158):				
Average grade:				
Foreign Service officer	3.38	2.63	----	2.63
Foreign Service reserve	3.17	3.40	----	3.40
Foreign Service staff	5.00	4.67	----	4.67
Average salary:				
Foreign Service officer	$28,529	$30,565	----	$31,251
Foreign Service reserve	$27,577	$26,197	----	$27,517
Foreign Service staff	$19,358	$19,538	----	$19,785
Average salary in foreign countries (local rates)	$14,545	$18,545	----	$20,636

Mr. PASSMAN. The committee will come to order.

We shall continue our examination today of the fiscal year 1977 budget request for foreign assistance. The item we will discuss this afternoon will be the migration and refugee assistance program of the Department of State. We have as our primary witness Hon. James M. Wilson, Jr., Coordinator for Humanitarian Affairs, Department of State.

I assume you have a statement for the committee, Mr. Wilson.

Mr. WILSON. I do, Mr. Chairman.

[The statement follows:]

GENERAL STATEMENT

Mr. Chairman and members of the Subcommittee, This is my first appearance before this subcommittee in my capacity as Coordinator for Humanitarian Affairs in the State Department. I was designated to that position in April 1975, but actually served until last June as a deputy to Ambassador Brown when he headed the Interagency Task Force on Indochinese Refugees.

A large part of the Coordinator's responsibilities is devoted to policy and programs for assistance to refugees. A reorganized Office of Refugee and Migration Affairs supports the Coordinator in this refugee effort. As a matter of information, the Coordinator also has two other responsibilities; overall policy considerations in the field of human rights in foreign affairs and primary concern for prisoner-of-war an missing-in-action matters. In all three areas there are many humanitarian problems which require attention and action.

My colleagues and I are here today, Mr. Chairman, to discuss with you the request for $10 million for refugee and migration assistance for fiscal year 1977. These funds are for predictable refugee needs and represent what we consider to be an appropriate level for the U.S. contribution to the regular international efforts and for our own ongoing unilateral programs.

To meet emergency and unexpected refugee and migration needs beyond these regular activities we have requested $25 million in fiscal year 1976 under the authority of the newly created United States Refugee and Migration Assistance Fund as provided in the Foreign Relations Authorization Act, Public Law 94–141. This fund will only be utilized when the President determines it is in the national interest to do so. We would expect, as anticipated in the authorizing legislation, to appear before you in the future as the occasion demands to seek further appropriations to replenish that fund as it is drawn down.

In our request for the $10 million for fiscal year 1977 for regular programs we are proposing a $3 million contribution to the Intergovernmental Committee for European Migration (ICEM), a contribution of $1,471,000 to the United Nations High Commissioner for Refugees (UNHCR) and $500,000 for the International Committee of the Red Cross (ICRC). We are also asking for $3,700,000 for the U.S. refugee program and $1,329,000 for administrative costs.

Unkind events in 1975 produced large new groups of refugees requiring assistance. One of the major preoccupations throughout 1975 was the resettlement of the Indochinese refugees in the United States and elsewhere in the free world. That program was run until the end of 1975, as you know, by the Interagency Task Force. The U.S. funds for the program, however, have been administered from its beginning by my office, and we now have residual responsibility for all the remaining international aspects of the program, including family reunification, which is continuing, and repatriation of those still desiring to return to their native lands.

Almost 133,000 Indochinese refugees were resettled in the United States as of the first of this month and an additional 30,203 were received in other countries excluding Thailand where there are now an extimated 85,000 more. The Interagency Task Force was able to close the five refugee centers on Guam and in the United States by the end of 1975—a truly remakable achievement. Much of the credit for this record must go to the American voluntary agencies who worked so diligently to develop sponsors and to tend to the human and personal needs of each individual refugee. The same voluntary agencies also played a substantial role in placing Indochinese refugees in other countries. These efforts are continuing.

Fortunately the organizational structures of the Intergovernmental Committee for European Migration and the United Nations High Commissioner for Refugees and the International Committee of the Red Cross were also ready to respond to these new and heavy demands. These agencies are continuing to play a major role in solving the remaining Indochina problem abroad. There is a large refugee population of recent arrivals in Thailand, of whom 3,400 Laotians are currently being paroled into the United States, while other Laotians and Vietnamese and Cambodians, with the aid of ICEM and the UNHCR, are resettling elsewhere. France, for example, is receiving refugees from Thailand at a rate of approximately 1,000 per month. The Federal Republic of Germany and Australia have very recently agreed to take additional numbers.

We have currently asked the Attorney General to parole several thousand more Indochinese into the United States—a request which is still under considera-

tion. For the many thousands more who must remain in Thailand, at least for the time being, the U.N. High Commissioner together with the Royal Thai Government has undertaken a program of care and maintenance as well as resettlement assistance toward which we have contributed or expect to contribute further—along with other nations—from funds made available in previous years.

There are also new groups of refugees in other countries who are of concern to us; and the concerned internatioual organizations; and, if I may, I will mention the more significant ones. There is the program of international assistance for refugees from Chile supported by both the U.N. High Commissioner and ICEM. Almost 15,000 families have thus far been resettled. We have been authorized to parole some 400 families from Chile into the United States, a program on which we are making substantial progress; and we rely very heavily on both ICEM and UNHCR to initiate the processing and on one to provide the transportation. Throughout 1975 alone ICEM, complementing the efforts of the UNHCR, succeeded in moving 6,000 Chilean refugees to other countries.

The High Commissioner and ICEM because of their ready status were able to participate in the emergency airlift of Portuguese refugees from Angola, which took place in the fall of 1975. Now there is the added problem of the permanent settlement of the more than 250,000 returnees who presently lack jobs and adequate training AID is looking into this. ICEM, however, is also developing plans for the resettlement of some 12,000 of these lower residents of Angola, mainly to Latin America, and an appeal has been issued to the ICEM membership for resettlement opportunities and international financing. Some governments have been very quick to respond, and we are studying it.

There is additionally the continuing problem of the uprooted people on the island of Cyprus where the U.N. High Commissioner, at the request of the U.N. Secretary General, is extending his role in the care of almost 200,000 persons. He has only this month also been asked to mount a program in Lebanon for those people displaced by the civil war there. There is, finally the problem of the Assyrians and the Armenians caught up in the internal struggle in Lebanon; and ICEM, the UNHCR, and voluntary agencies are moving fast to be of assistance to those groups.

All of these efforts reflect the capacity of ICEM and UNHCR to expand on their regular activities to meet emergency and special situations. We have said this in prior years, but the experience of the last year would seem to give new meaning to the point. In saying this I do not mean to detract in any sense from ICEM's regular program for refugees and migrants or to the significance of the High Commissioner's protection and material assistance programs to which the United States continues to attach high importance. These programs along with our own unilateral efforts for the benefit of refugees are the main purpose of our presentation today.

Refugees continue to succeed in leaving Eastern Europe seeking asylum in the West and permanent settlement in countries willing to receive them. Dissidents and others in the Soviet Union continue to manage to secure exist permits and require assistance for temporary care and onward movement to Israel and other countries in the West. The tide of this particular group ebbs and flows. In this regard it is too early to predict what influence the Helsinki declarations will have in the future on the volume. On the other hand, the main emphasis of the High Commissioner's material assistance program, Mr. Chairman, is concentrated outside of Europe in the less developed areas of Africa and Latin America.

As part of this request, we are asking for $500,000 as the U.S. contribution to the International Committee of the Red Cross. This highly motivated, unpolitical, and humanitarian organization has served us well and continues to serve in such places as Angola, Cyprus, and Lebanon. Moreover, the ICRC has continued its efforts to help account for Americans missing in action in the Indochina conflict, and to assist Americans who remain in South Vietnam. The ICRC is the only international organization which has had representatives in Saigon continuously since the U.S. withdrawal in April 1975. They have been instrumental in arrangements for the departure of third country nationals from South Vietnam, including some of our own, maybe some 50 American's remain.

ICRC delegates and doctors have also helped to provide medical and other assistance to Indochina refugees in Thailand and are continuing to do so. The ICRC has worked closely with the American Red Cross on an international locator service to enable Indochina refugees in the United States and other countries to find and communicate with each other. The ICRC is currently attempting to provide communications between refugees as well as American citizens in the United States, and their relatives in Indochina.

Because of its well-founded reputation for independence and impartiality the ICRC is able to act swiftly and decisively in situations of humanitarian crisis. In many cases, ICRC's actions in such areas have come in direct response to requests from the USG. Because of its apolitical and nongovernmental character it is able to function in situations of political tension or conflict in which governments and UN organizations find it difficult to intervene. Our contribution, and those of other governments and Red Cross societies, are essential for the continued work of this respected organization.

In addition to the U.S. contributions to ICEM, the UNHCR and the ICRC under the $10 million request we will also wish to continue to fund the U.S. refugee program (USRP). This is a program of supplementary assistance to meet the material needs of refugees from Eastern Europe, refugees from the mainland of China and a program of scholarships for refugees from minority ruled states of Southern Africa.

With respect to USRP, we anticipate that there will be approximately 6,000 new cases from Eastern Europe in 1977 excluding the Soviet Union. We also expect to be able to assist in the same year some 4,000 to resettle overseas or settle locally where they may have requested asylum. This assistance will be provided through a network of voluntary agencies with representatives in countries of first asylum. The assistance will, as it has in the past, take the form of personal articles, care and maintenance assistance, counseling, documentation for resettlement, language training and transportation.

With the independence of the Portuguese African territories, refugees who have received assistance in their education have begun to return home with their knowledge and skills to assume roles in the development of their countries. Under an ongoing program administered by the UNHCR part of these funds will provide for scholarships for political refugee students from Rhodesia, South Africa and Namibia. It is our hope to be able to fund 100 such scholarships from this request.

The foregoing, along with the printed material before you, represents a general outline on how we would plan to utilize the funds requested. In making this request I would like to underline that the need for assistance for refugees and migrants has not abated. Costs continue to rise and the value of the dollar in relation to European currencies reduces the value of our contribution in real terms. The percentage of the U.S. contribution to the international organizations mentioned is diminishing. We consider, however, that what we are proposing is fair, reasonable and at an appropriate level in relation to what we understand other nations will also contribute to these humanitarian efforts.

We believe our special U.S. interests are protected and minimally provided for in this request. We also are convinced that this level of expenditure will retain for us an adequate influence in seeing to it that real needs are met with all resources available. At the same time we are making steady progress in the process of coordinating all U.S. resources available under various authorities to meet the variety of compelling demands to assist the unfortunate and the dislocated.

Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you very much. Would you like to take a few moments to summarize your statement orally for the subcommittee?

Mr. WILSON. Very well, Mr. Chairman.

Let me say by way of summary that we are appearing this afternoon in support of the administration request for $10 million for fiscal year 1977 for the regular programs for refugee and migration assistance. These are divided into major segments as follows: For the Intergovernmental Committee for European Migration, ICEM, a contribution of $3 million; for the United Nations High Commissioner for Refugees, $1,471,000; for the International Committee of the Red Cross, $500,000; for the U.S. refugee program, $3,700,000; and for administrative costs the sum of $1,329,000.

This, Mr. Chairman, represents essentially the same request that was put before this committee for fiscal year 1976. I would be very happy to answer any questions that the committee puts to us or, if we cannot answer them here, to see if we can get the necessary

information for you to assist you in your deliberations. Thank you very much.

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

I would like to place your biography in the record at this point.

[The biographical sketch follows:]

BIOGRAPHY OF MR. JAMES M. WILSON, JR.

James M. Wilson, Jr. is currently the Coordinator for Humanitarian Affairs in the Department of State, a new position which last summer combined the functions of the previous Special Assistant to the Secretary for Refugee and Migration Affairs with that of the Special Assistant for Prisoners of War/Missing in Action and a new human rights function. He is a career foreign service officer with long experience both in Washington and overseas.

Mr. Wilson's most recent previous assignment was a special White House detail as United States Deputy Representative for the Micronesian status negotiations, which resulted in a covenant, now approved by the people of the Marianas and the U.S. Congress, that will establish the Northern Mariana Islands as a Commonwealth of the United States.

Prior to that assignment Mr. Wilson was Deputy Assistant Secretary of State for East Asian and Pacific Affairs from 1970 to 1972. He served earlier as Deputy Chief of Mission with the personal rank of Minister in both the Philippines (1966–70) and Thailand (1964–66).

From 1961 to 1964 Mr. Wilson was in Spain where he was Counselor of Embassy for Economic Affairs and head of the U.S. economic assistance mission. Prior thereto he was in Washington in the office of the Under Secretary of State as Assistant Coordinator of the worldwide foreign assistance program from 1958 to 1961.

Mr. Wilson served last fall as U.S. Representative on the Executive Committee of Program of the U.N. High Commissioner for Refugees, with rank of Ambassador, and chaired the November meeting of the Intergovernmental Committee on European Migration in Geneva. He is a lawyer by training, graduating from Harvard Law School in 1948, and has degrees from the Fletcher School of Law and Diplomacy, the Geneva School of International Studies and Swarthmore College.

Mr. PASSMAN. Certain justification material will be inserted in the record at this point.

[The information follows:]

DEPARTMENT OF STATE
MIGRATION AND REFUGEE ASSISTANCE

Appropriation Request, 1976	$10,100,000 1/
Transfer from Foreign Assistance Funds by Presidential Determination No. 76-3	6,800,000
Supplemental Requested for Civilian Pay Raises	23,000
Transfer of Foreign Affairs Administrative Support System to Other Accounts	-143,000
Total Adjusted Availability 1976	16,780,000
Estimate 1977	10,000,000 2/
Decrease	-6,780,000

Program by Activities:	1976 Appropriation	1976 Presidential Determination	1976 Total Program	1977	Increases Decreases 1976 Appropriation	Increases Decreases 1976 Total Program	Justification Page No.
1. Intergovernmental Committee for European Migration (ICEM)	$3,000,000	-	$3,000,000	$3,000,000	-	-	4
2. United Nations High Commissioner for Refugees (UNHCR)	1,471,000	-	1,471,000	1,471,000	-	-	6
3. International Committee of the Red Cross(ICRC)	500,000	-	500,000	500,000	-	-	9
4. United States Refugee Program	3,700,000	$6,800,000	10,500,000	3,700,000	-	-$6,800,000	11
5. Operational and Administrative Expenses	1,309,000 3/	-	1,309,000 3/	1,329,000	$20,000	20,000	15
Total Obligations	9,980,000	6,800,000	16,780,000	10,000,000 2/	+20,000	-6,780,000	

1/ Also authorized under PL-141: Assistance to Refugees from the Soviet Union ($20,000,000 which has been appropriated for FY 1976) and the United States Emergency Refugee and Migration Assistance Fund ($25,000,000 which is being requested as a supplemental to be appropriated in FY 1976).

2/ Excludes replenishment needs of the United States Emergency Refugee and Migration Assistance Fund

3/ Includes $23,000 supplemental appropriation request for Federal salary increases; excludes $143,000 required for transfer to other Department of State appropriations for the Foreign Affairs Administrative Support system.

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MIGRATION AND REFUGEE ASSISTANCE

1976	1977	Difference
$9,980,000 (requested)	$10,000,000	+ $20,000

General Statement

An appropriation of $10,000,000 is requested for fiscal year 1977 for programs of assistance to refugees and migrants. This appropriation would cover contributions to: the Intergovernmental Committee for European Migration (ICEM), the United Nations High Commissioner for Refugees (UNHCR) and the International Committee of the Red Cross (ICRC). It would also fund the United States Refugee Program (USRP) and Administrative Expenses.

Since the $143,000 to be reimbursed to other Department of State appropriations for the Foreign Affairs Administrative Support System in 1976 is to be budgeted for direct appropriation in 1977, the 1976 requested appropriation figure shown above has been adjusted downward by this amount. With comparable figures for the two years, the fiscal year 1977 request reflects an increase of $20,000.

The ICEM and the UNHCR are multilateral organizations supported primarily by contributions from governments. Both ICEM and UNHCR depend on a significant and continuing level of support and financial assistance to carry out their increasingly important refugee assistance functions. These organizations, together with the International Committee of the Red Cross (ICRC), are essential elements in the international mechanism for providing assistance to refugees and they are often able to provide effective services and relief assistance to refugees in situations where it would be inadvisable if not actually impossible to do so through unilateral channels.

The United States Refugee Program (USRP) conducts a range of assistance activities including initial reception, emergency aid, care and maintenance and resettlement assistance for refugees from Eastern Europe and the People's Republic of China, and finances education programs for refugees from certain Southern African countries. An adequate level of funding in fiscal year 1977 will be essential to the ability of the voluntary agencies to carry on required resettlement and related activities on an effective level and to avoid financial difficulties for these organizations in performing a service desired by this Government.

In fiscal year 1977 the Department requests $10 million to permit the carrying on of these programs on a fully effective level. Our envisaged contributions, both through bilateral and multilateral programs,

would enable the United States to meet its fair share of the demands of predictable refugee needs and help insure that the assistance mechanisms are available and ready to meet sudden and in some cases unanticipated major refugee crises. These mechanisms, whose value has been frequently demonstrated in past years, will be fully utilized in the future.

$25 million has been requested in FY 1976 to fund the newly created United States Emergency Refugee and Migration Assistance Fund as provided in the Foreign Relations Authorization Act, Fiscal Year 1976, P.L. 94-141, and will be used to meet unexpected urgent refugee and migration needs whenever the President determines it is in the national interest of the United States to do so.

In fiscal year 1977 as well as in 1976 we will watch with special concern situations in several nations which conceivably could result in the explosive exodus of new waves of refugees. We have every reason to believe that some existing movements are going to continue and that new problems are going to arise in expected and unexpected places.

Unresolved refugee problems tend to deteriorate, resulting in tensions, ferment and even terrorism. The programs described in the justifications of this appropriation request are intended to help find just solutions to refugee problems which in turn can help promote the reduction of tensions, the solution of broader problems, the stability of concerned nations and the preservation of the peace.

1. INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION (ICEM)

1976	1977	Difference
$3,000,000	$3,000,000	- 0 -

An amount of $3,000,000 is proposed for the United States contribution to the regular program of the Intergovernmental Committee for European Migration (ICEM) for fiscal year 1977. This amount will assist ICEM in carrying out ongoing programs for the resettlement of refugees and migrants from Europe for calendar year 1977. ICEM projects for 1977 a program level of $18,600,000, an increase of $1,888,400 over 1976. Of the $3,000,000 U.S. contribution planned for 1976, there would be an allocation of $1,450,000 to the administrative budget of $4,450,000 and the balance of $1,550,000 would be applied to the operational budget projected at a level of $12,261,600. The United States contribution would thus approximate 18% of the regular program in 1976.

In calendar year 1976 ICEM, with the agreement of its governing body, will also undertake a number of special programs which will require separate funding. The United States will, as it has in the past, make additional contributions to these as requirements arise and other funds are available. Some of these programs were initiated in prior years and are ongoing activities. Among those so far identified are the program for the resettlement of 10,000 Indochinese at an estimated cost of $5,000,000, the resettlement of 6,000 refugees from Chile at a cost of $3,000,000, a Far East refugee program involving $117,800 and assistance to refugees outside Europe not already mentioned for $1,168,800. A further special program is the management of a loan fund which provides for the transportation of Jewish and other refugee migrants from the Soviet Union to Israel and other countries. ICEM estimates that in 1976 more than 23,000 will be moved under this program. ICEM is the single international organization concerned with the processing and movement of refugees and migrants. There are thirty-three member governments which support the organization. It is a uniquely Western oriented organization which assists in the selection, processing, transport and reception of individual refugees and migrants. ICEM also provides the essential services of counselling, orientation, medical examinations, vocational and language training, placement and adaptation courses. Its main business is to arrange for modern transportation at a moderate cost and to finance the movement of refugees and migrants who are unable to meet their own expenses. It also assists member governments to develop their own migration programs. Over the years it has assisted the United States in practically all these areas.

The United States annual contribution to the regular program goes to preserving ICEM infrastructure which has as its basic task the processing and movement of refugees residing in countries of first asylum in Western Europe. By maintaining this infrastructure ICEM, on short notice, is able to expand its activities in times of crisis and is capable of processing and moving promptly thousands of new refugees and migrants as circumstances may require. In its twenty-five year history, it has facilitated the movement of more than two million persons of whom approximately 1,160,000 were refugees. It has effectively kept pace with the steady flow of refugees from Eastern Europe throughout the years.

In calendar year 1975 ICEM assisted in transporting over 51,000 refugees and migrants under regular programs and special programs. Half of this number of movements were funded under special programs. In the 1976 program ICEM expects to move some 59,000 persons in all categories. ICEM movement projections for 1976 call for the transport of some 39,000 from Eastern Europe, of which 18,000 would be Jewish migrants from the Soviet Union to Israel. ICEM expects to move 10,000 Indochinese refugees to the United States and other countries. It anticipates the movement of 6,000 refugees from Chile, 100 from the Far East and 3,000 non-European migrants. As a comparison it moved over 19,000 Indochinese in 1975 of whom 13,000 were moved to the United States. The U.S. costs were financed from the separate appropriation for Indochinese refugees. Also in 1975 it moved over 5,000 from Chile.

In addition to the main flow of refugees from Eastern Europe, there are large groups of relatively new refugees for whom resettlement assistance is of direct interest to the United States. Of vital concern are the more than 70,000 refugees in Thailand. ICEM will arrange for the transport of those refugees who are able to resettle abroad, including those who are moved to the United States. U.S. costs are borne by the separate appropriation for Indochinese refugees. ICEM is exploring the possibility of recruiting among the displaced persons on Cyprus, a limited number of skilled/professional persons for placement in Latin American countries. ICEM is also developing plans for the resettlement of Angolan returnees in Portugal to other countries. Again, any U.S. contribution to these efforts would have to be over and above the contribution to the regular program.

ICEM's activities, which the United States has supported over the years, have served to prevent a large accumulation of refugees in countries of first asylum. The constant process of international migration has assisted the primary receiving countries in reducing potentially difficult political problems and tensions. Moreover, through resettlement, economic and social problems in these same asylum countries are avoided. The availability of this international machinery very much contributes to a more sympathetic and humane attitude toward the principle of political asylum and the concept of the right of freedom of movement. In more practical terms ICEM has the capacity to move refugees and migrants promptly at a reasonable cost. It is an efficient and tested international organization.

2. UNITED NATIONS HIGH COMMISSIONER FOR REFUGEES (UNHCR)

1976	1977	Difference
$1,471,000	$1,471,000	- 0 -

The amount proposed for the United States contribution to the United Nations High Commissioner for Refugees (UNHCR) for fiscal year 1977 is $1,471,000. This contribution would be applied to the UNHCR's regular Material Assistance Program for calendar year 1977 which is expected to total at least $15 million. The U.S. contribution would represent slightly less than 10 per cent of the total to which some seventy other governments contribute. Over the past five years the budget for the UNHCR's Material Assistance Program has risen steadily from a level of $6 million in 1970 to over $14 million in 1975.

The UNHCR is one of the key elements in the international mechanism for assistance to refugees, and is the primary instrument for providing international protection for refugees throughout the world and for promoting permanent solutions to their problems. As such the UNHCR activities enhance the attainment of United States foreign policy objectives. The presence of unassimilated refugees can create problems which adversely affect the economic and often the political stability of asylum countries. Moreover, refugee problems also involve international and domestic tensions which can threaten the preservation of peace. UNHCR assistance programs, by reestablishing refugees, promote the reduction of tensions and the stability of asylum countries, encourage liberal asylum policies and reflect the humanitarianism of free societies. These are primary aims of United States foreign policy.

The United States continues to attach the highest importance to the international protection of refugees for which the UNHCR has responsibility. The 1951 Refugee Convention and the 1967 Protocol Relating to the Status of Refugees serve as the UNHCR's chief tools for providing international protection to refugees. He actively exercises this function in all parts of the world and is now giving special attention to the refugee situation in Thailand. In this function the UNHCR specifically seeks to prevent forcible repatriation and seeks to secure those legal, political, economic and social rights within countries of first asylum as well as in countries of final settlement which best promote the assimiliation of the refugees. At the same time the UNHCR continues his efforts to gain additional accessions to the refugees treaties to further strengthen his protection function. To date there have been 67 accessions.

The UNHCR continues to work towards an acceptable arrangement which would permit the voluntary repatriation of Vietnamese and Cambodian refugees still in the United States who have expressed a desire to return home. In 1975 the High Commissioner visited capitals in Southeast Asia to pave the way for the eventual return of these people. These efforts continue.

The UNHCR is the key international instrument for providing material assistance to refugees, and UNHCR activities are indispensable in finding permanent solutions to refugee problems. It is a small organization whose secondary purpose is to deal with a wide range of humanitarian problems, especially in the developing areas of Africa and Latin America. A major objective is to promote the full economic and social integration of refugees who have been uprooted by political and military forces. Its method of operation is to bring together the resources of governments, international organizations and voluntary agencies in the common objective of helping refugees either singly or in groups.

In 1975, UNHCR facilitated the repatriation of refugees from Senegal, Tanzania, Gambia and Zambia to their former homes in Guinea-Bissau and Mozambique. Some 25,000 new refugees from Ethiopia fled to the Sudan where UNHCR provided emergency relief. Almost 100,000 refugees in Burundi and Tanzania received UNHCR assistance in 1975. Education and health assistance was provided. In Latin America there were some 34,000 refugees who required assistance in one form or another. Most of these refugees were from Chile, residing in Argentina, and some 5,400 of them benefitted from the UNHCR's regular program in 1975. The UNHCR continued to support a modest program for foreign refugees in Western European countries particularly in Greece where subsidies were provided to the aged, in Austria for rent subsidies, in Italy for local settlement and in Spain for local settlement and legal protection.

While UNRWA is the responsible international organization concerned for the care of Palestinean refugees in the Middle East, UNHCR has some programs for other refugees in that area. Small groups of refugees in the Maghreb countries, including refugees from Latin America, received modest subsidies to meet the high cost of living. In Egypt assistance was provided to stateless Armenians, refugees of European origin and a growing number of refugees from Africa. A counselling activity is supported in Cairo. Assistance to the aged refugees in Iran in the form of housing was provided. Temporary relief was provided to refugees in Lebanon who were waiting emigration. Ugandan Asians of undetermined nationality in the United Arab Emirates also received help.

When called upon by higher United Nations authority, the UNHCR assumes on an extraordinary basis special assignments to deal with major refugee problems outside his usual concern. These special operations are funded separately, in most cases by government contributions in re ponse to specific appeals by the High Commissioner. Current special programs envisage expenditures in excess of $55 million and are concerned with Indochinese refugees, the displaced persons on Cyprus and refugees in Africa.

Not the least of these programs is an effort underway to provide for the care and resettlement of Indochinese refugees now located in Thailand who number more than 70,000. During calendar year 1975 the United States government contributed $5 million to the joint UNHCR/Royal Thai Government refugee program in Thailand.

The United States has a special interest in some of these programs and provides special contributions to them not included in this request. The U.S. is especially concerned over the situation of the refugees in Thailand, Cyprus and Chile. Finding permanent solutions for these large groups of dislocated persons is a U.S. foreign policy objective. With regard to the Indochinese the U.S. has requested and the UNHCR has agreed to do whatever is possible to resettle as many as possible in third countries.

As already indicated, in 1975 a special U.S. contribution of $5 million under separate authority has been made available for the UNHCR program in Thailand. The USG has assured the UNHCR it will be reimbursed for costs related to repatriation of Cambodian and Vietnamese refugees who desire to return from the United States to their homelands. The U.S. through AID has made available $25 million to the UNHCR for the care of refugees on Cyprus and $1 million was provided for the repatriation program for Guinea-Bissau and Mozambique. These were all special programs.

3. INTERNATIONAL COMMITEE OF THE RED CROSS (ICRC)

1976	1977	Difference
$500,000	$500,000	- 0 -

For 1977 it is proposed that the United States contribute $500,000 to the International Committee of the Red Cross (ICRC), which is the same amount as was requested for appropriation for 1976. Public Law 93-312 authorized an annual contribution of $500,000 to the ICRC.

The fundamental purpose of the International Committee of the Red Cross is to implement, supervise and promote the application of the provisions of the 1949 Geneva Conventions, to which the United States is a party. These international treaties deal with the humanitarian treatment of prisoners of war, the protection of civilians in time of war and the amelioration of the conditions of wounded, sick and shipwrecked members of the armed forces. Founded in Geneva in 1863, the ICRC is the mother organization of all Red Cross societies and serves as the promoter of Red Cross principles. Although Swiss in its constitution and personnel, it operates on an international level and has the ability to act as a neutral institution, whether in cases of international or national sensitivities, or tensions.

The scrupulous adherence of the ICRC to the principle of political impartiality is recognized throughout the world and has often enabled the ICRC to act decisively and in a timely manner in situations in which, due to political sensitivity, other organizations or governments are either unable to act effectively or are not permitted to participate in the action required. In such circumstances, the ICRC is often called upon to meet compelling humanitarian relief needs.

ICRC activities in the field have traditionally involved the provision of medical services for the wounded of the armed forces and civilians affected by hostilities. This function and its programs of subsistence and related relief assistance, arranging for prisoner of war exchanges, and other humanitarian efforts are amply illustrated by its most recent major activities. In Chile and elsewhere in Latin America ICRC delegates have visited detainees and provided material assistance to detainee families. During and since the 1973 Yom Kippur conflict in the Middle East, ICRC has carried out major relief, protection and tracing operations, has been instrumental in the repatriation of prisoners of war among Egypt, Syria and Israel, has facilitated the reunion of families and has promoted the release and repatriation of civilian detainees. On the Asian Sub-continent in 1973-74, the ICRC played a key role in facilitating the movement of over 241,000 persons between Pakistan and India. In Cyprus in 1974 the ICRC assumed for a time the role of coordinator for the relief effort until the arrival of the High Commissioner for Refugees.

It was concerned there in establishing safety zones in Nicosia during the hostilities and it remains instrumental in arranging prisoner of war exchanges, in providing relief supplies to displaced persons and in the distribution of family messages. Most recently, ICRC has been active, in behalf of Indochina refugees and their relatives, in promoting family reunions and delivering family messages throughout the world, and also in issuing ICRC travel documents to facilitate the resettlement of such refugees who lack identity documents. In Angola, ICRC has commenced the provision of medical supplies and subsistence relief to needy persons, primarily in the principal hospitals. In 1976 it has taken the lead in relief efforts for victims of conflict and displaced persons in Lebanon and Western (formerly Spanish) Sahara.

Over the years the ICRC has been of great assistance to the United States Government, the United States armed forces, and American civilians. With its Central Tracing Agency, the ICRC has been in the forefront of efforts to account for Americans still missing in action. In many cases, ICRC activity in the fields of relief and supporting assistance has come in direct response to a request from the U.S. Government. U.S. support of the organization is thus in keeping with U.S. foreign policy goals for the promotion of peace and the relieving of tensions throughout the world, and serves to demonstrate traditional U.S. humanitarian concerns.

A U.S. contribution for 1977 of $500,000 would make a signficant impact on the ICRC's fiscal well-being and would not in any way prejudice the impartiality, independence and neutrality of the organization. In this latter connection it is noted that the Swiss Government balances its contributions from all other governments. In addition to the Swiss and U.S. contributions, over 50 other governments contribute to the ICRC annual permanent budget which for 1977 is expected to total approximately $9.5 million.

4. UNITED STATES REFUGEE PROGRAM (USRP)

1976	1977	Difference
$3,700,000	$3,700,000	- 0 -

The amount requested for the United States Refugee Program for fiscal year 1977 is $3,700,000. This amount will be used to fund the program for calendar year 1977. The United States Refugee Program (USRP) represents an amalgam of refugee programs offering direct United States assistance to distinctive groups of refugees. Three former activities have been consolidated in one overall program. These are:

-- Assistance to refugees from Eastern Europe.

-- Assistance to refugees from the People's Republic of China.

-- Assistance to refugees from Southern Africa.

The United States provides direct supplementary assistance to meet the immediate material needs of Eastern European and Chinese refugees. Refugees from the minority ruled states of Southern Africa have been helped through a program of scholarship grants. While there is only one total program, this justification is divided into two component parts with an outline of the activities for each part.

ASSISTANCE TO EASTERN EUROPEAN AND CHINESE REFUGEES

In contrast to assistance being provided through international organizations, U.S. help to refugees from Eastern Europe and China is more personalized. The refugees are very much aware that American funds are maintaining them and making it possible for them to resettle and reestablish themselves in free societies. American voluntary agencies are the administering agencies for these funds.

There are four major aspects of the program of assistance to Eastern Europe and to Chinese refugees. The first is the humanitarian one. Refugees continue to find ways to get out of Eastern Europe and the People's Republic of China, many at considerable personal risk. The cases of the "freedom swimmers" of Hong Kong are well-documented. All give up their homes and most of their personal possessions and they are unable to return without severe penalties. The program is a tangible demonstration of the interest of the United States in the plight of these refugees who flee from a political system sustained by conditions of oppression and exploitation.

Secondly, assistance to refugees from these countries clearly establishes our firm support for the concept of freedom of movement and emigration. This was an underlying major position of the United States at the recent Conference on Security and Cooperation in Europe. This is, moreover, in accord with our obligations under the Convention and Protocol Relating to the Status of Refugees and also with the Universal Declaration of Human Rights. The United States position in this area stands in stark contrast to the attitudes and actions taken by the countries from which the refugees emanate.

Thirdly, United States resettlement assistance relieves Hong Kong and countries on the periphery of Eastern Europe from having to carry the entire burden for those refugees to whom they grant first asylum. Many refugees are absorbed into the economies of these countries. However, these countries are not fully able or willing to carry the burden of absorbing all refugees. The United States effort drains off a portion of the total number of refugees and resettles them in other countries, including the United States. In doing so, countries of first asylum are encouraged to maintain liberal asylum policies and have done so despite economic difficulties and internal resistance to such activities.

Finally, a unilateral United States program provides a degree of flexibility which would not exist if we attempted to provide all assistance through international organizations. It permits the U.S. to be somewhat selective in directing its assistance efforts.

The international voluntary agencies are the key to this program. They would not be able to carry out their work without U.S. financial support. It is the agencies who deal with the individual case and who are concerned with such important details as locating permanent resettlement opportunities by finding acceptable sponsors. These agencies are particularly skilled at finding permanent, humane solutions for the aged and handicapped. As they undertake the task of developing lasting resettlement opportunities, they similtaneously prepare the refugee in a variety of ways to reestablish himself in a new and foreign society.

The program also includes assistance to Chinese refugees in Hong Kong and Macau and represents direct United States assistance to non-Caucasian refugees. Through contracts with voluntary agencies, assistance includes the traditional forms of resettlement aid. However, the program in Hong Kong also includes a few selective construction projects such as housing, community centers and clinics. The U.S. was one of the donors, along with Canada, the United Kingdom and Hong Kong to a recently opened fishing village for refugees from the mainland. The small amount allocated for these few projects (approximately $200,000 annually) is highly effective and is a visible demonstration of U.S. concern.

SOUTHERN AFRICAN REFUGEE EDUCATION PROGRAM (SAREP)

The SAREP has a high political and foreign policy priority. It is one of the very few concrete manifestations of direct United States concern for refugees from the minority ruled areas of Southern Africa. It is a tangible demonstration of United States interest and support for the goal of self-determination and dignity for the peoples of Southern Africa. The program emphasizes the non-violent aspects of self-determination. Its concept is to train a nucleus of refugees who can someday return to the majority ruled states of Southern Africa and assume positions of leadership and responsibility. The SAREP is now beginning to achieve this objective. With the independence of the Portuguese African territories, about 50% of SAREP and other American trained refugees from these areas have begun to return. An additional consideration is that the United States support of SAREP is recognized by independent African states as contributing to the to the political and educational evolution of Southern Africa.

There are two aspects of the SAREP. Under the SAREP a scholarship program for secondary level education is administered by the United Nations High Commissioner for Refugees (UNHCR). Refugee students are jointly selected by the UNHCR, the Government of Zambia and the concerned refugee political organization and admitted for secondary school training at the Nkumbi International College which was partly built with U.S. funds. We plan 100 bursaries in 1977 for Rhodesians, Namibians and South Africans. We estimate the average cost of the bursary is $2,300 annually.

Secondly, university, technical and vocational scholarships are provided in other African schools and universities under a program administered by the African-American Institute and financed by the SAREP. Formerly, these students came to the United States on scholarships. However, the high non-return rate prompted a change and concentration of undergraduate and vocational studies in African institutions. This program provides an alternative to education of Southern African refugees in the United States. We plan 75 students in schools in Africa for 1977 at an average cost of $2,600. With the independence of Angola, Mozambique and Guinea-Bissau, students from these countries will no longer be considered for scholarship assistance.

5. OPERATIONAL AND ADMINISTRATIVE EXPENSES

1976 1/	1977	Difference
$1,309,000	$1,329,000	+ $20,000

The request for fiscal year 1977 is $1,329,000, an increase of $20,000 over the amount requested for comparable purposes for fiscal year 1976.

The increase of $20,000 is to fund mandatory overseas wage and price increases and within-grade salary increases.

This budget includes funds for salaries, benefits and related operating costs for 40 positions, the same number as in fiscal year 1976.

1/ Includes $23,000 supplemental for Federal Salary Increase and excludes $143,000 required to fund the transfers to other Department of State Appropriations for the Foreign Affairs Administrative Support System (Missions to International Organizations - $98,000; Acquisition, Operation and Maintenance of Buildings Abroad - $2,000; and Salaries and Expenses - $43,000).

ESTIMATES BY OBJECT CLASS
(in thousands of dollars)

	Personnel Compensation	1975 actual	1976 estimate	1977 estimate	Increase or Decrease
11.1	Permanent positions	$719	$802	$ 818	$ + 16
11.3	Positions other than permanent	27	160	32	- 128
11.5	Other personnel compensation	1	.2	2	-
11.8	Special personal services payments	40	34	35	+ 1
	Total personnel compensation	787	998	887	- 111
12.1	Personnel benefits: civilian	147	170	171	+ 1
21.0	Travel and transportation of persons	27	40	41	+ 1
22.0	Transportation of things	1	1	1	-
23.0	Rent, communications and utilities	27	29	31	+ 2
24.0	Printing and reproduction	9	13	14	+ 1
25.0	Other services	8,544	5,178	3,854	-1,324
26.0	Supplies and materials	7	13	9	- 4
31.0	Equipment	5	21	21	-
41.0	Grants, subsidies and contributions	22,873	12,606	4,971	-7,635
	Total obligations	$32,426	$19,069	$ 10,000	$ -9,069

Mr. PASSMAN. This is in reality a new assignment for you, is it not?

Mr. WILSON. That is correct. My first appearance before this committee.

Mr. PASSMAN. We are very happy to have you appear before the subcommittee. It is a bit unusual to be considering budget requests for a fiscal year when the prior fiscal year still has not become law, but under the new Budget Control Act we have to move. As far as the House is concerned, as far as this committee is concerned, we are going to proceed and try to meet the deadlines.

FISCAL YEAR 1977 BUDGET REQUEST

Now, it is my understanding that your 1977 estimate is $10 million.

Mr. WILSON. That is correct.

Mr. PASSMAN. Now, the 1976 appropriation, as passed by the House, was $9 million.

Mr. WILSON. I am aware of that, sir.

Mr. PASSMAN. Now, in addition, there is $6,800,000 transferred in by a Presidential determination for refugees from Laos, is that correct?

Mr. WILSON. That is correct, sir.

LAOTIAN REFUGEES

Mr. PASSMAN. If I remember correctly, we handled an amendment in our bill that would include the Laotian refugees under the provisions of Public Law 94–24. What effect would that have on any future requests from your department?

Mr. WILSON. Mr. Chairman, the amount for the Laotian refugees would come from the funds which have been made available by separate legislation for Indochinese refugees, if the legislation passes, which is now pending.

Mr. PASSMAN. You are talking about the legislation. This committee voted to put the Laotians, Cambodians and Vietnamese in the same package, did they not?

Mr. WILSON. At this point, Mr. Chairman, the Senate, according to my understanding, has passed an authorizing bill which would bring the Laotian refugees under the terms of the 1975 Relief for Indochina Refugees Act.

Mr. PASSMAN. I think we ourselves put that in an amendment to our bill.

If the Senate Appropriations Committee accepts that language that we put in, would that cover it?

Mr. WILSON. The problem at the moment, as I understand it, Mr. Chairman, is that the authorizing legislation has not yet passed the House.

Mr. Chairman, if this occurs, the remaining funding for the Laotian program would be subject to the terms of the Indochina Refugee Act which would mean that all obligations would have to be made during this remaining fiscal year.

ADMINISTRATIVE EXPENSES

Mr. PASSMAN. Yes, that is our understanding. We hope that the agencies will cooperate this year. You really are only going to have

four days from the date you receive the transcript to edit it, prepare inserts and return it to the committee. If you don't, then the unedited copy will have to go in the record. So, if you will, keep that in mind. What percentage of the total appropriations request for fiscal year 1977 will be used for administrative expense?

Mr. WILSON. The amount requested is $1,329,000 out of a total of $10 million, roughly 13 percent.

Mr. PASSMAN. In reality, all the way through we are dealing with paper work and personnel and not commodities in this program? Very few commodities are purchased, is that correct?

Mr. WILSON. That is correct, yes, sir. I should point out in this connection that we are talking about the regular programs. To the extent that it becomes necessary to engage in any activities beyond these regular programs, with special funding——

Mr. PASSMAN. Such as?

Mr. WILSON. The percentage which goes into administration would be reduced accordingly.

Mr. PASSMAN. What possible programs or projects would you project now that you may need money for? You referred to it as a special funding.

My question dealt with your $10 million request, the percentage of the total appropriations request that would be used for administrative expenses is $1,329,000.

Mr. WILSON. That was my response, Mr. Chairman.

Mr. PASSMAN. Yes.

Mr. WILSON. The point I was trying to make on this. To the extent that it becomes necessary in fiscal year 1977 to undertake any special programs over and beyond the regular programs, as we had done, as you are well aware, in past years, then the percentage of the administrative costs relative to program costs is reduced.

Mr PASSMAN. Would be reduced?

Mr. WILSON. That is correct, yes, sir.

Mr. PASSMAN. To what figure?

Mr. WILSON. It would depend entirely on how much went into the special programs.

Mr. PASSMAN. Doesn't that leave it just a little bit confused, actually what you need, what you are going to spend?

Mr. WILSON. It is virtually impossible, Mr. Chairman, to predict with any degree of certainty what these special programs are likely to amount to in the fiscal year 1977.

Mr. PASSMAN. Are you saying you could fund the special programs cheaper than the regular programs?

Mr. WILSON. No, sir.

Mr. PASSMAN. All right. If you are going to fund special programs and that reduces the percentage of administrative expense, I am afraid I can't equate that with the facts. I wonder if you meant to say, if you got the $10 million and at a subsequent date you got more than $10 million, since you would be administering the larger program, that the percentage of administration would be reduced accordingly?

Mr. WILSON. That is exactly right, Mr. Chairman.

Mr. PASSMAN. You didn't apply it to an increased figure. You said projects. I assume you meant funded out of this?

Mr. WILSON. No, sir.

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Mr. PASSMAN. So we are dealing specifically with the $10 million, aren't we?

Mr. WILSON. Yes.

NUMBER OF REFUGEE MOVEMENTS

Mr. PASSMAN. Could you please tell the committee how many refugees you plan to move in the next year, Mr. Wilson?

Mr. WILSON. This is an estimate, of course, Mr. Chairman.

Mr. PASSMAN. An estimate, please.

Mr. WILSON. In terms of the activities of ICEM, we anticipate that the movements during 1977 would amount to approximately 56,000 individuals.

Mr. PASSMAN. Does that represent emigrants and subsequent repatriates?

Mr. WILSON. Yes, sir. This would be movements.

Mr. PASSMAN. They go both ways?

Mr. WILSON. It would be both people who are new cases—

Mr. PASSMAN. You do have some that go both ways?

Mr. WILSON. That is correct. In the case of the United Nations Commissioner for Refugees, I think it is much more difficult to put a figure on this.

Mr. PASSMAN. Would you please then provide a table for the record which would show the refugee movements for the last 10 years by year?

Mr. WILSON. Yes, sir, be glad to do so.

Mr. PASSMAN. Both in and out.

[The information follows:]

REFUGEE MOVEMENTS—1966–75, MOVEMENTS BY ICEM

1966	30, 452	1971	44, 756
1967	35, 410	1972	62, 888
1968	51, 070	1973	62, 150
1969	59, 528	1974	60, 262
1970	52, 357	1975	55, 451

In addition to the above, we estimate that over 12 million refugees crossed international borders during the last 10 years. Some examples of the movements follow:

Refugees from Cuba	600, 000
Refugees from East Pakistan	[1] 9, 985, 000
Refugees from Peoples Republic of China	150, 000
Ugandan Asians expelled from Uganda	45, 000
Refugees from one African country to another African country	2, 000, 000
Refugees from Iraq into Iran	150, 000
Refugees from Chile	20, 000
Refugees from Southeast Asia	[2] 234, 000

[1] Voluntarily returned to Bangladesh (East Pakistan).

[2] Of which 1,704 voluntarily repatriated and 1,019 awaiting voluntary repatriation.

TOTAL U.S. REFUGEE AID

Mr. PASSMAN. Please place in the record a table similar to the one which appears on page 491 of last year's hearings showing the total U.S. assistance to refugees for 1975 for the various programs.

Mr. WILSON. We will do that.

[The information follows:]

U.S. ASSISTANCE TO REFUGEES FOR FISCAL YEAR 1975

Categories of refugees assisted	Program managed by	Source of funds	Amount of program assistance	Value of Public Law 480 funded by Department of Agriculture [1]	Total
Refugees in Europe and elsewhere from European Communist countries.	State	Foreign assistance	$2,241,000		[2] $2,241,000
Chinese refugees in Hong Kong and Macao.	do.	do	445,000		[2] 445,000
Refugees moved from Europe, the Near East, and other areas.	Intergovernmental Committee for European Migration (ICEM)-State.	do	[2] 3,076,000		[2] 3,076,000
Various categories of refugees worldwide.	United Nations High Commission for Refugees (UNHCR)-State.	do	1,156,000		[2] 1,156,000
Refugees from the Soviet Union.	State	do	43,500,000		43,500,000
Refugee students from southern African countries in the United States.	do	State	112,142		112,142
Refugee students from southern Africa in other African countries.	do	Foreign assistance	267,000		[2] 267,000
Palestine Arab refugees	U.N. Relief and Works Agency for Palestine refugees in the Near East (UNRWA)-State/AID.	do	39,200,000		39,200,000
Vietnamese refugees displaced within South Vietnam.	AID	do	80,411,000		80,411,000
Laotian refugees displaced within Laos.	do	do	4,167,000		4,167,000
Cambodian refugees displaced within Cambodia.	do	do	20,000,000		20,000,000
Cuban refugees in the United States.	HEW	do	84,236,000		84,236,000
Refugees from Cambodia and Vietnam.	State	State	124,353,000		124,353,000
Do	HEW	HEW	6,082,000		6,082,000
Do	State	Foreign assistance	2,277,454		2,277,454
Do	do	Foreign assistance (AID/IPR).	98,000,000		98,000,000
Displaced Cypriots	UNHCR/AID	Foreign assistance	20,722,105		20,722,105
Refugees returning to Guinea-Bissau.	do	do	1,000,000		1,000,000
Refugees returning to Mozambique.	do	do	850,000		850,000
Public Law 480 Food for Peace—Worldwide AID.		Agriculture		$7,100,000	7,100,000
Total			532,095,701	7,100,000	539,195,701

[1] At Commodity Credit Corporation costs.
[2] Includes obligations incurred in calendar year 1975.
[3] Includes national migrants to Latin America.

U.S. REFUGEE PROGRAM

Mr. PASSMAN. Now, we usually refer to this as the European migration program, do we not?

Mr. WILSON. Yes, sir.

Mr. PASSMAN. Wouldn't the European nations be able to take care of this expense themselves? Why do we have to really get in on every program and stay in on every program indefinitely?

Mr. WILSON. The answer to this, sir, I think is that the governments of European countries, to a large extent, have been contributing.

Mr. PASSMAN. I didn't say anything about them not contributing. I said why couldn't they take over and absorb all the costs? They are waxing fat in wealth, some of them. Do we have to stay in this program? This is mainly a European program. I believe you answered affirmatively.

Mr. WILSON. That is correct.

Mr. PASSMAN. Have you given any thought to letting the European nations take over this program themselves?

Mr. WILSON. I think we certainly have.

Mr. PASSMAN. What is our advantage in continuing to contribute money to this program?

Mr. WILSON. Two advantages I would say primarily, Mr. Chairman. One from a humanitarian standpoint. This country has always been——

Mr. PASSMAN. I had qualified the fact that some European nations were waxing fat with wealth and able to fund this program themselves. I was not saying you do that at the expense of any humanitarian approach. I am just talking pure economics at this time. Why couldn't the European nations, since it is a European nations project, just like we think of Cuba as our responsibility, why don't they take over and relieve us of this pressure? As you know, we are nickel and diming the American taxpayer to death.

Mr. WILSON. The refugees we are speaking of come by and large from Eastern Europe and other areas under Communist domination. It has been felt in the past, and we still feel very strongly, that this is a burden which should be shared—a matter of taking care of these people. Some of them go to European countries, some of them go to countries in Latin America; some of them come to this country. That resettlement burden is shared, and it is our strong feeling that we should share the financial burden as well.

Mr. PASSMAN. We are spending money we don't have trying to be everything to everybody, spending borrowed money at the expense of unborn generations. It would be pretty hard to disprove the accuracy of that statement, wouldn't it? We are having to borrow this money whether we are willing to admit it or not. When I came here in 1946 we had a public debt of $259 billion.

This past 30 years has been the most prosperous period in the history of America by far, yet we push this public debt up to pretty close to $600 billion and if we look at the record, we find that foreign aid and assistance, the net cost is approaching $500 billion, almost a half trillion dollars.

I handled a bill on the floor a few days ago which contained a committee recommendation of $72 million for a technical aid program. There was an amendment offered to increase it. Then when we look at the record, we find we had appropriated in fiscal year 1975 $67 million for this same program. Of this amount there remained $6.5 million unobligated, which meant that they had only obligated, out of the appropriations of fiscal year 1975, $60,500,000, but we recommended $72 million more. So, in debating the amendment, we found, in addition to the $72 million, that they also had available for use the $6.5

million; in addition to that they had another $17 million available from deobligations. I think I am straight on that.

Then we found they had $190 million in the pipeline for the same program. So the proper amendment would have been to have reduced it, not to have increased it. We have foreign aid so fouled up until the most astute members have difficulty understanding all segments of it.

That is why we wonder if maybe a lot of these programs should not be completely funded by those countries or organizations that derive the most benefit.

Mr. ROUSH. While you are on the European migration program, could I follow up with a couple of questions?

Mr. PASSMAN. Certainly.

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

Mr. ROUSH. How many nations are involved in the Intergovernmental Committee for European Migration?

Mr. WILSON. Thirty-three.

Mr. PASSMAN. Would you list those for the record, please?

Mr. WILSON. Yes, sir.

[The information follows:]

Argentina
Austria
Belgium
Bolivia
Brazil
Colombia
Costa Rica
Cyprus
Chile
Denmark
Ecuador
El Salvador
Panama
Paraguay
Peru
Portugal
Dominican Republic
Spain
Federal Republic of Germany
Greece
Honduras
Israel
Italy
Luxembourg
Malta
Netherlands
Nicaragua
Norway
South Africa
Switzerland
United States
Uruguay
Venezuela

Mr. WILSON. The total budget this year for the Intergovernmental Committee for European Migration is estimated to come to $16,712,000.

Mr. ROUSH. What is our percentage of contribution to that total budget?

Mr. WILSON. Our percentage of contribution to the budget——

Mr. ROUSH. You can give us the figure; we can figure the percentage.

Mr. WILSON. 18 percent.

Mr. ROUSH. How many of the refugees handled come to the United States?

Mr. WILSON. I would have to check that one for you, sir.

In 1975, Mr. Roush, the figure which we show of refugee migration to the United States is 28,276. But that includes 20,300 Indochinese, a special circumstance.

Mr. ROUSH. What was the total number then handled by this committee?

Mr. WILSON. The total number handled by the committee in 1976—this is again an estimate.

Mr. ROUSH. You gave me figures for 1975, I believe.

Mr. WILSON. For Intergovernmental Committee for European Migration, in 1975, the number of refugees handled was 60,650.

Mr. ROUSH. Is that the 56,000 you gave us a while ago?

Mr. WILSON. That is correct. I am sorry. I gave the 60,650 figure which includes migrants; the 56,000 is refugees only.

Mr. ROUSH. Thank you, Mr. Chairman.

Mr. PASSMAN. As we think of the European refugee program, that is mainly a European program to relocate eastern Europeans.

Mr. WILSON. The bulk of it is certainly that, if we exclude the special program for Indochnia, of course.

Mr. PASSMAN. All right. Now, let's look at the United States.

We have something comparable over here. We have the Cuban refugee program. How many other nations are helping us with our Cuban refugee program?

Mr. WILSON. I would say directly probably very few.

Mr. PASSMAN. Do you know one?

Mr. WILSON. Spain is, of course, one.

Mr. PASSMAN. Some of them relocate in Spain. I am talking about appropriated funds. This is a U.S. program and U.S.-financed, isn't it?

Mr. WILSON. To the extent that ICEM has been involved in the movement of some of the Cuban refugees.

Mr. PASSMAN. That is on a reimbursable basis?

Mr. WILSON. That is right.

Mr. PASSMAN. Those are fat cats who get out, isn't that right?

Mr. WILSON. By and large.

Mr. PASSMAN. Let's keep the record straight. Actually these other nations are not involved in the Cuban refugee program. It is Uncle Sam footing the bill. I think it is running about $85 million a year.

How is Frank Merrill?

Mr. WILSON. He was very well when I saw him in November.

Mr. PASSMAN. He is a very able young man.

I want at this time to yield to Mr. Coughlin of Pennsylvania and then come back to Mr. Roush. Then I will have other questions.

NONVIETNAMESE REFUGEES ON GUAM

Mr. COUGHLIN. Thank you, Mr. Chairman. I want to join in welcoming Mr. Wilson and Mr. Carlin to this subcommittee.

I certainly have always been very impressed by the work that we do with our refugee programs. When I was in Guam last August, there was a group of non-Vietnamese nationals who were still remaining there because they didn't technically fit into the Vietnamese refugee program. These were mostly Koreans who had been associated with U.S. firms or our forces in Vietnam. They wanted very badly to come to the United States, but we had to have the Attorney General parole them in. There was a limited number of them. Do you know what happened to them?

Mr. WILSON. Let me check. I think I can get the answer for you right away.

We have asked INS to admit them. I do not know what the result of that request has been.

Mr. COUGHLIN. Are they still in camp on Guam?

Mr. WILSON. No; we will have to provide further information on their whereabouts.

Mr. ROUSH. Does your statement at the bottom of page 4 relate to this?

Mr. WILSON. No, sir. As I understood Mr. Coughlin's question, this related to third country nationals who were in Guam. The section in my statement refers to Indochinese nationals who are currently located in Thailand.

Mr. ROUSH. Thank you.

Mr. WILSON. And other countries.

Mr. COUGHLIN. Are they still in a camp on Guam?

Mr. WILSON. No, they would not be there; the camps have been closed.

Mr. COUGHLIN. They would be on the economy in Guam.

Mr. WILSON. They would be on the economy in Guam if they have not left, and I will provide an answer to that.

[The information follows:]

THIRD COUNTRY NATIONALS IN GUAM

There remain in Guam 125 third country nationals who were evacuated from South Vietnam with U.S. Government means. They were paroled into Guam with permission to work and are presently living on the economy of Guam. They wish to come to the United States but their claim has been denied by the Immigration and Naturalization Service.

This group consists of: 110 Koreans with 345 family members in Korea; 5 Filipinos with 4 family members in the Philippines; 7 Chinese with 7 family members in Taiwan; and 3 Indians with 14 family members in India.

This is a total of 125 third country nationals with 370 family members. None of them are accompanied by family members, nor do they have family members in the United States.

If they were granted parole under the program, it would not be a question of 125 individuals but 370 immediate family members of this group who would subsequently become eligible to file for immigrant visas in the country of nationality. Thus the possible claim for entrance into the United States for 495 individuals is involved.

On September 9 and 10, 1975, exclusion hearings were held in Guam by the INS. An Immigration judge found all 125 excludable under section 212(A)(20) of the Immigration and Nationality Act. The judge took the position that they were deemed excludable because they have no claim to refugee status. They can all return to thier countries of nationality where most of them have families and all have been advised that their countries will accept them.

The deportation decision has been appealed by all 125 to the Board of Immigration Appeals. On January 6, 1976, the case was heard. As of March 15, 1976, no decision has been made. Pending the outcome of their appeal, all 125 have been offered jobs and housing in Guam.

ICEM MEMBERSHIP

Mr. COUGHLIN. Under the ICEM program, have any additional nations dropped out or threatened to drop out? I guess it was Australia that dropped out of it a couple of years ago.

Mr. WILSON. To my knowledge, Mr. Coughlin, no new countries have dropped out. Two new countries have come in; Portugal was admitted at the last meeting and Cyprus has recently come in. We are hoping a couple of others will be coming in at the next meeting scheduled for this spring in Geneva.

Mr. COUGHLIN. That is encouraging.

MOVEMENT OF REFUGEES

On page 5 of your justifications you indicate that ICEM intends to move about 10,000 Indochinese refugees to the United States and other countries, 6,000 refugees from Chile, 100 from the Far East, and 3,000 non-European immigrants. How many of these might come to the United States and where might the remaining refugees locate?

Mr. WILSON. Let me take those one at a time, if I may. Of the 10,000 Indochinese, these would be moved to the United States, almost all of them, if the new authority which has been requested is granted. Of the 6,000 refugees from Chile, virtually none would be moved to the United States; these would be going to other countries. Our Chilean program in the United States, as you know, is limited to 400 cases.

In the case of the 100 from the Far East, these would be mostly White Russians, and perhaps 75 of these would come to the United States. Of the 3,000 non-European migrants, most of them are Chinese and the bulk of them would come to this country. These would be coming, I might say, not as part of a parole program, but as part of the regular preference program under the quota system.

Mr. COUGHLIN. And of the Jewish migrants from the Soviet Union, you anticipate 18,000?

Mr. WILSON. That is the ICEM estimate, total movement.

Mf. COUGHLIN. That is the total movement?

Mr. WILSON. Yes.

Mr. COUGHLIN. What proportion of those would likely come to the United States?

Mr. WILSON. Judging from past experience on this, and this may change radically, perhaps as many as 40 percent this way.

Mr. COUGHLIN. Generally, 40 percent this way and 60 percent to Israel?

Mr. WILSON. That is correct.

REFUGEES FROM THE SOVIET UNION

Mr. COUGHLIN. One further question with regard to that, if I might. At the present time you bring the refugees coming from the Soviet Union to Italy, is that right?

Mr. PASSMAN. Their first stop generally is Vienna, where there is a separation made of those who wish to go to Israel and those going to other countries. They then go from Vienna directly to Israel if that is their ultimate destination, or they are moved to other camps, some in Italy, some in other countries, where they are then segregated according to their eventual destination, for those not going to Israel.

Mr. COUGHLIN. The reason for the question, I recently spoke with a Soviet Jewish refugee who came to the United States, and his wife was subsequently released. For some reason she has to be held in Italy for 2 to 4 months before she can be processed out of there. Why does it take that long to process the refugees through Italy?

Mr. WILSON. I think the answer to your question is, unfortunately, that is the amount of time it takes to go through the normal security processing, issuing of visas, etc.—the whole process which is involved in conditional entry.

Mr. COUGHLIN. It should be just a couple of days for a visa.

Mr. WILSON. Yes, but in order to get the visa it is necessary for the person to have his background checked, to meet all of the requirements of the Immigration and Naturalization Act. They then must wait in line for permission to come in, if others are ahead of them. They must wait their turn.

Mr. COUGHLIN. Is that even true where you have a husband who is already here?

Mr. WILSON. Unfortunately, yes.

Mr. COUGHLIN. I have no further questions.

Mr. PASSMAN. Mr. Roush?

PAROLE OF INDOCHINESE REFUGEES INTO THE UNITED STATES

Mr. ROUSH. Mr. Chairman.

Again referring to page 4, the question I asked a moment ago, does the several thousand referred to at the bottom of page 4, is that the 10,000 figure you gave to Mr. Coughlin in response to this question?

Mr. WILSON. No.

Mr. ROUSH. How many have you asked to be paroled?

Mr. WILSON. The Department of State, Mr. Roush, has asked the Attorney General specifically to parole up to 11,000 into the United States.

INDOCHINESE REFUGEES IN THAILAND

Mr. ROUSH. Next page, top of the page, you refer to the program of care and maintenance as well as resettlement assistance, which the Thai Government has undertaken with the U.N. High Commissioner, and mention the fact that we have contributed, or expect to contribute further. How much have we contributed, and how much do we expect to contribute?

Mr. WILSON. To put this in perspective, Mr. Roush, the appeal of the U.N. High Commissioner for the program of Indochina refugees within Thailand is based on an estimate which they have worked out with the Government of Thailand, a program which would carry through this calendar year at a cost of $25 million, half of which would be met by the Thai Government.

The other half, to the tune of $12.4 million, is the basis for the U.N. High Commissioner's appeal. We have thus far pledged to this program, the sum of $5.6 million. How much more the U.S. would want to put into that is going to depend on a great number of factors, not the least of which is how much other countries are willing to put up.

Mr. ROUSH. Where does this $5.6 million figure into your budget?

Mr. WILSON. The $5.6 million does not figure in this budget which is before you at all. This is in the form of presidential determination funds, which were drawn down in fiscal year 1975, and in the earlier part of this fiscal year.

Mr. ROUSH. Are you telling me that the funds have already been drawn down?

Mr. WILSON. Not entirely, sir. In fiscal year 1975, we asked, originally, for the sum of $5 million by Presidential determination to meet the anticipated early needs of the Indochinese program. This was the first of three shots of money which went into that.

After considerable study and after other funds had been made available for the Indochina program, a decision was made to use $2.7

million out of that original $5 million, for a program of assistance for Laos, and this was made the subject of a second Presidential determination.

Further study of the Laos program led to a decision to seek a further presidential determination in the amount of $6.8 million in the current fiscal year, which appears on the first page of our presentation document, that blue sheet which you have your hand on.

The sum of $2.7 million plus $6.8 million is the source of funding for part of our pledge to the U.N. High Commissioner's program.

Other parts of that money are being used to pay the transportation for some of the Laotian refugees in the special Laos program. Parts of it are still being held in reserve pending the outcome of the U.N. High Commissioner's appeal and pending further developments within Thailand itself, with respect to the Laos refugees.

Does that begin to answer your question?

Mr. ROUSH. Yes; it begins to. It is very, very confusing, I must say.

Mr. WILSON. It is.

Mr. ROUSH. In going through this, I was confused by it. The reason I had my finger on this blue sheet you referred to is because I observed this $6,800,000 and what really caught my eye was the fact that you also state that there is a decrease from the 1976 program of $6,800,000.

Mr. WILSON. This is a bookkeeping transaction only.

Mr. ROUSH. When I look at it, though, I look at it as though you were telling us that you are cutting back on this program this year.

Mr. WILSON. No, sir.

Mr. ROUSH. The fact is you are not?

Mr. WILSON. No, sir, it is not in any sense intended to give you that impression. I wish it were so but it is not.

Mr. ROUSH. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you. Mr. Bevill?

MAJOR ICEM REFUGEE PROGRAMS

Mr. BEVILL. What were the major refugee programs supported during fiscal year 1975 and fiscal year 1976 by the Intergovernmental Committee for European Migration?

Mr. WILSON. In addition to the regular program of assistance in resettlement of refugees from Eastern Europe including the Soviet Union, ICEM was involved in major programs to resettle Indochinese refugees and refugees from Chile.

NEW REFUGEE SITUATIONS

Mr. BEVILL. You state on page 3 that you are watching "situations in several nations which conceivably could result in the explosive exodus of new waves of refugees". What nations are these? Do you have any estimate of how many refugees these nations could generate?

Mr. WILSON. Mr. Bevill, it is of course difficult to predict with any certainty, emergency situations, but one which comes to mind as offering the greatest potential as we view things today is the crisis in Lebanon. This might well generate thousands of new refugees. There

is also the situation of more than 70,000 refugees from Cambodia, Vietnam, and Laos in Thailand and more continue to arrive each week. There are also thousands of Angolan refugees in Zaire and Zambia. The UNHCR is now in the process of trying to assess these situations.

COORDINATION BETWEEN INTERNATIONAL ORGANIZATIONS

Mr. BEVILL. What kind of communications go on between the Intergovernmental Committee for European Migration and the United Nations High Commissioner for Refugees in the coordination of these refugee programs.

Mr. WILSON. There is continuing close coordination between these two organizations both at the headquarters level in Geneva and in field operations. The High Commissioner often calls on ICEM to provide transport for refugees and displaced persons. ICEM and the UNHCR are cooperating with each other especially closely in the program to resettle refugees from Chile and in moving Armenian and Assyrian refugees from Lebanon. There is similar cooperation with regard to refugees in Thailand who now number over 70,000.

GOVERNMENTS CONTRIBUTING TO ICEM

Mr. BEVILL. What other governments contribute to the Intergovernmental Committee for European Migration?

Mr. WILSON. I will supply a list.

[The list follows:]

Argentina
Australia
Austria
Belgium
Bolivia
Brazil
Canada
Colombia
Costa Rica
Cypress
Chile
Denmark
Ecuador
El Salvador
Panama
Paraguay
Peru
Portugal
Dominican Republic
Spain
Federal Republic of Germany
Greece
Honduras
Israel
Italy
Luxembourg
Malta
Netherlands
Nicaragua
Norway
South Africa
Switzerland
Uruguay
Venezuela

U.S. EMERGENCY REFUGEE AND MIGRATION ASSISTANCE FUND

Mr. BEVILL. What agencies or bodies will actually implement the refugee programs provided by the fund? What controls will you have over the implementation to assure that the programs are being properly carried out?

Mr. WILSON. Voluntary agencies, ICEM and the UNHCR have historically provided the Department with the operational capability to carry out refugee programs of a continuing and emergency nature. Their ability to quickly expand their operations on a relatively small infrastructure base was dramatically illustrated by the resettlement of our 130,000 Indochinese refugees within the United States during 1975. In this program, as in others, control is exercised by contract supervision, auditing and close liaison with the operating agencies as the programs progress.

Mr. PASSMAN. Mr. Shriver?

U.S. EMERGENCY REFUGEE AND MIGRATION ASSISTANCE FUND

Mr. SHRIVER. Thank you, Mr. Chairman.

Mr. Wilson, concerning this new $25 million U.S. Refugee and Migration Assistance Fund, what is required in the law regarding Presidential notification to Congress when money is spent from this fund?

Mr. WILSON. You are referring here, sir, to the new emergency fund?

Mr. SHRIVER. Yes.

Mr. WILSON. This requires—in the first instance, as you will recall—a determination by the President before any funds can be used.

Mr. SHRIVER. Is this in effect the old contingency fund?

Mr. WILSON. Yes, sir.

The justification must be sent—to answer your first question specifically—must be sent to the Foreign Affairs and Appropriations Committees after each determination under the terms of the law.

This substitutes for the authority which was available in previous years to draw down up to $10 million from the contingency funds of AID for this purpose again by Presidential determination.

Mr. SHRIVER. You are asking for all of this $25 million to remain available until expended?

Mr. WILSON. Yes, sir.

Mr. SHRIVER. Not just for 1 year?

Mr. WILSON. Not just for 1 year, no, sir. The theory, as I understand this—and as you know, this is a change which was made at congressional initiative, not at ours. The funds would remain available but would be replenished as they are drawn down by our coming to the committees of the Congress and justifying, after the fact, the use which we have made of the funds.

Mr. SHRIVER. Where did this initiate?

Mr. WILSON. I understand it, it initiated in the Senate.

REFUGEE AID FURNISHED BY U.S. AND OTHER COUNTRIES

Mr. SHRIVER. Including all programs, those we are considering today and those we will have next week, roughly what portion of refugee aid worldwide is furnished by the United States?

Mr. WILSON. I would have to get that answer for you, Mr. Shriver, for the record. I just do not have it. I will have to give you an approximation of it. We will be submitting, in response to an earlier request, a table showing the assistance which is provided by the United States from all sources to refugees at the present time.

Mr. SHRIVER. Put it in the record then.

[The information follows:]

ASSISTANCE TO REFUGEES FROM OTHER MAJOR DONOR COUNTRIES

There is no exact data on the amounts other governments spend for refugees in a given year. The reason for this is that assistance to refugees is not in a number of instances carried as a line item in the national budget. In other instances governments do not publish the figure. Fiscal years also vary as to dates so it is difficult to determine over what period expenditures were made. There is also the matter of the definition of the term refugee. Some countries label groups as refugees whom we would not consider as falling into that category.

The information that we do have for 1975 on some major expenditures on behalf of refugees is as follows:

Austria	$2, 775, 900
Belgium	593, 374
Canada	4, 474, 767
Denmark	9, 200, 000
Cyprus	31, 700, 000
Federal Republic of Germany	70, 000, 000
Greece	1, 274, 787
France	12, 000, 000
Israel	262, 900, 000
Italy (estimated)	2, 700, 000
Norway	2, 857, 400
Netherlands (estimated)	30, 000, 000
Sweden	7, 297, 303
	437, 773, 531

There follows a table of other government contributions to international organizations concerned with refugees:

Other government contributions—1975

ICEM (estimated)	$5, 011, 000
UNHCR (estimated):	
Regular	7, 990, 000
Special	67, 725, 000
UNRWA	88, 800, 000
ICRC (regular program)	3, 738, 946
Total	173, 264, 946

Mr. ROUSH. Mr. Shriver, may I follow up with you for a moment on your question?

Mr. SHRIVER. Yes.

TRANSFER OF FUNDS BY PRESIDENTIAL DETERMINATION

Mr. ROUSH. In your justifications you list some examples of the use of the President's transfer authority during the past 5 years. You list some $40 million. I wonder if it wouldn't be helpful for us to have listed for the record a complete list of the exercise of that authority and the amounts, which would give us some idea as to the need or lack of need for the sum of $25 million which is being requested?

Mr. SHRIVER. Would you put that in the record then?

[The information follows:]

Transfers From Foreign Assistance Appropriations to Migration and Refugee Assistance Appropriations by Presidential Determination, Fiscal Year 1963–76

Fiscal year:	
1963	None
1964	None
1965	None
1966: Unnumbered—Refugees from Cuba	$271, 000
1967	None
1968: Presidential Determination 68–3—Refugee needs in connection with the Middle East crisis	125, 000
1969: Presidential Determination 69–4—Czechoslovak and other refugees from communist countries in Europe	5, 706, 000
1970: Presidential Determination 70–2—Czechoslovak and other refugees from communist countries in Europe	5, 752, 000

Transfers From Foreign Assistance Appropriations to Migration and Refugee Assistance Appropriations by Presidential Determination, Fiscal Year 1963–76—Con.

Fiscal year—Continued	
1971	$10,000,000
Presidential Determination 71–15—Refugees from East Pakistan (Bangladesh) in India	5,000,000
Presidential Determination 71–19—Refugees from East Pakistan (Bangladesh) in India	5,000,000
Fiscal year 1972	8,850,000
Presidential Determination 72–01—Refugees from East Pakistan (Bangladesh) in India	5,000,000
Presidential Determination 72–06—Assistance to selected emigrees (purchase of annuities)	1,850,000
Presidential Determination 72–14—Refugees from the Soviet Union going to Israel	2,000,000
1973	4,000,000
Presidential Determination 73–01—Refugees returning to the Sudan	2,500,000
Presidential Determination 73–06—Asians expelled from Uganda	1,500,000
1974	10,000,000
Presidential Determination 74–06—Exchange of persons—Pakistan and Bangladesh	4,400,000
Presidential Determination 74–24—Assistance to Palistinian refugees	4,200,000
Presidential Determination 74–15—Assistance to regufees in and from Chile	1,400,000
1975	10,000,000
Presidential Determination 75–06—Assistance to Soviet refugees going to other than Israel	5,000,000
Presidential Determination 75–13—Assistance to refugees from South Vietnam and Cambodia	5,000,000
Presidential Determination 76–02—Assistance to refugees from Laos and authority to use funds made available under Presidential Determination 75–13 for this purpose.	
Use of Presidential Determination 75–13 and Presidential Determination 76–02 funds:	
Cambodia/South Vietnam	(2,277,454)
Laos	(2,722,546)
1976: Presidential Determination 76–03—Assistance to refugees from Laos	6,800,000

Mr. WILSON. I make this point on that subject, Mr. Rouse. The reason, as I understand it, for the $25 million is a somewhat different one. In the history of this legislation, we in the executive branch asked originally to have the $10 million authority, which existed under previous legislation, raised to $25 million for one reason only. That was that it was the considered judgment of those who had worked in this program that we needed emergency authority to go that high to meet a really big emergency need. It was not a question of accumulation of little emergencies, but one big one.

Now we recognized we could not handle another Vietnam—that one was completely out of the ballpark in terms of the funding require-

ments and obviously we would have to, as we did, come back to Congress and ask you for special funds to meet it. But it was felt we should have standby authority of up to $25 million, the drawdown authority. This was the origin of the $25 million.

Then when the committees of Congress, on the authorizing side, looked at this, it was their feeling it would be better to have a fund, as I understand it, from which we could draw subject to later replenishment, rather than the drawdown authority.

So it is not a question of our coming before this committee to ask for a series of possible emergencies which would amount to $25 million. Rather, it is a question of our hope that we will have the authority to meet, in a hurry, up to a $25 million emergency.

Mr. SHRIVER. Besides something like Vietnam, what kind of emergency would require that kind of money?

Mr. WILSON. Well, let's assume—I hope it never happens—that you had a situation in which you had to do something radical about the Christians in Lebanon.

Mr. SHRIVER. Don't you think it would be fairly easy to get Congress to do something about that?

Mr. WILSON. Yes, sir, I think you probably would get a great deal of sympathetic response. But suppose it happens when Congress is out of session?

Mr. SHRIVER. We are in session practically all the time.

Mr. WILSON. It does take time. As those of us know who went through the process of getting the funds for the Vietnamese, Congress acted extremely expeditiously—beautifully from our point of view—but it still took time and we had run out of money before we could really get going.

SOUTHERN AFRICAN REFUGEE EDUCATION PROGRAM

Mr. SHRIVER. The southern African refugee education program is now under the U.S. refugee program, giving it even more identification with our Government. What is the diplomatic reaction to this program from the Government of South Africa?

Mr. WILSON. We have had none of which I am aware, Mr. Shriver.

Mr. SHRIVER. No reaction?

Mr. WILSON. No reaction. It is handled, as you know, through the U.N. Commissioner for Refugees.

Mr. SHRIVER. Incidentally, who is the U.N. High Commissioner for Refugees?

Mr. WILSON. He is Prince Saddrudin Aga Khan, who has been the High Commissioner for some years now.

Mr. SHRIVER. I have more questions, but I had better go vote.

FOREIGN AID PROGRAMS

Mr. PASSMAN. Very well.

You know, when I look across the table at you men with superb intelligence, a lot of responsibility, it takes me back about 29 years ago when we started this foreign aid program. It took men with great seniority, the older men, well-fortified with seniority, to go down into the well of the House and address the chair and say, "Mr. Speaker,

we are now embarking upon a program to feed the starving people of Europe, conceivably it will take us into as many as 17 nations. The cost may soar to $15 billion and it may take 5 years to complete the program." You could have heard a pin drop. The idea, not too long out of this costly war, starting a foreign aid program in 17 nations at a cost of $15 billion.

Today, as chairman of this committee, I remember those words as if they were spoken yesterday. But when I contrast the beginning of this program to the present, not 17 nations, we have moved this foreign aid program into 134 nations of the world; not 5 years, we are now going into our 29th year; not $15 billion, the cost has soared to almost half a trillion dollars, and all of it on borrowed money. And by pushing this public debt from $259 up to $600 billion we have reduced the purchasing power of the dollar by 68 percent during that 29 years. It is legal confiscation, when we create inflation. We look at the balance of payments. The last complete year, 1974, it was a $18 billion deficit; second largest in the history of America.

I was in Vietnam when this program started, many, many years ago. There were very poor people and very primitive. Now, we offered them something that we thought was good and that was a high standard of living. But we look at that one little country of 19 million; we find that we dropped $146 billion in this one country, plus 56,000 precious lives and 300,000 casualties. So they went from poverty to TV sets, radios, motorcycles, motorboats, paved streets, good water systems, good homes, and air-conditioning. If there ever was a nation that should have survived from the standpoint of aid, it was Vietnam. You don't quarrel with that, do you?

What in the name of God happened, men? This is just something that we should get an answer to. I supported the program all the way through, believing I was doing the right thing and I have no apologies, but when you think about dropping $146 billion of our resources in this one little country and 56,000 lives, and turn around and lose them, somewhere along the way we should find an answer, don't you agree?

Mr. WILSON. Yes.

Mr. PASSMAN. But it is a clearcut example that foreign aid, giving away our wealth, just does not change the people's way of thinking. They didn't want us there and they didn't like our form of Government. We were trying to expose them to it through our people. When we look at that, it should cause us to stop, look, and listen, because the foreign aid program is not getting smaller; it is getting bigger, as you men know. But it is so cleverly fragmentized that it is impossible to put the pieces back together.

What is the answer to this failure? Do you have any idea?

Mr. WILSON. The answer is extremely complex, of course, Mr. Chairman. If I had the answer, I am sure I would want to be President of the United States. I don't.

Mr. PASSMAN. Well, you are bound to have given some thought to it. Could one of the faults be that its president began to weaken and attempt to appease many segments of his opposition. Wasn't his government eventually infiltrated by the Viet Cong? Has that not been proven in recent months?

Mr. WILSON. There were a great many things that went wrong in that equation.

Mr. PASSMAN. Isn't that one? Didn't President Thieu actually try to appease all factions; didn't it have a lot to do with undermining the whole system?

Mr. WILSON. I am really not that familiar with the situation in Vietnam.

Mr. PASSMAN. It sounds reasonable, doesn't it?

Mr. WILSON. It does.

Mr. PASSMAN. We are going to see that very thing happen in Korea. The one country which is firm, has a strong economy, holding tight, creating a sovereign nation. Much pressure has been brought to bear on the U.S. Congress because of Mr. Park's strong policies which have been offensive to many of our people. Missionaries have gone there, forgotten their purpose and become involved in political reform and have found themselves in opposition to the government.

Korea is one nation in that part of the world which we can rely upon. If we don't back that country up in their present troubles, then you are going to see Korea go down the drain. within 24 months. You see it in the paper every day; it is almost a carbon copy of what happened in Vietnam, before this government started crumbling. You have to have strict discipline if you are going to survive in an environment like that.

But, we should all keep searching for answers to try to explain the disaster in South East Asia.

Mr. WILSON. We certainly should.

Mr. PASSMAN. If we don't find one favorable, then admit foreign aid is completely a failure that may have done more harm than good? Let me return to Mr. Shriver.

ICEM ADMINISTRATIVE BUDGET

Mr. SHRIVER. Thank you, Mr. Chairman.

We pay about a third of the administrative budget of the Inter-Governmental Committee for European Migration?

Mr. WILSON. That is correct, yes, sir.

Again, that should be qualified by saying we pay a third of the regular budget. A third of the administrative part of the regular budget.

Mr. SHRIVER. For the regular program?

Mr. WILSON. Yes, sir.

Mr. SHRIVER. What is our share of that program?

Mr. WILSON. Of the total program, 18 percent of the regular program in 1976.

Mr. SHRIVER. Why is that different then? Why in one place 18 percent and in the other place a third?

Mr. WILSON. Sir, I think it is a matter of how this has grown up as much as anything.

The administrative budget has been increasing fairly constantly in the last 4 or 5 years due largely to increases in costs and due to inflationary factors. The operational budget on the other hand has been going down to some extent.

Mr. SHRIVER. I would think that the requirement on the part of the United States would also go down.

Mr. WILSON. The requirement has been going down in terms of our percentage of contributions to the operational budget.

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MOVEMENTS FROM THE SOVIET UNION

Mr. SHRIVER. The book says that ICEM expects 23,000 refugees from the Soviet Union to Israel in 1976. I thought we had been told that this flow had slowed to a trickle. What is correct?

Mr. WILSON. In 1976 our current estimate is that you will probably have somewhat less than the ICEM estimate. About 20,000.

Mr. SHRIVER. That is more than we have been led to believe here in this committee.

Mr. WILSON. The actual figure in 1975 was just under 16,000 coming out of Russia.

Mr. SHRIVER. Not all of them are going to Israel, are they?

Mr. WILSON. No; this is total coming out of the U.S.S.R. Of that amount the refugees going to Israel was slightly more than half, 8,400.

Mr. SHRIVER. You are projecting 20,000 this year?

Mr. WILSON. That is correct.

Mr. SHRIVER. Do you have information as to why more are now getting out?

Mr. WILSON. I would say this, that 1975 was an abnormally low year compared to the previous 3 years. We hope, and this is nothing more than a hope at this point, that as the aftermath of the Helsinki Accords, there will be a loosening up of some of the practices in the Soviet Union which will permit greater numbers of people to emigrate from the Soviet Union to Israel and to other countries. This is nothing more than an educated guess based upon a hope at this point. The figures which we are currently operating with—and we just got some new figures for the month of February—would indicate a slight upturn from the numbers in 1975.

The number coming out, as I recall, was something in excess of 1,300. That is up some 200 from the figure in January. It still is not anything like the rate that we had in 1974.

VOLUNTARY REPATRIATION OF INDOCHINESE REFUGEES

Mr. SHRIVER. The book says that the U.N. High Commissioner is working out arrangements for Vietnamese and Cambodian refugees in the United States to return to their home countries. How many have expressed a desire to go back, and what reason do they give?

Mr. WILSON. At the present time the U.N. High Commissioner for Refugees has, I believe, some 550 names on record of Cambodians and Vietnamese who wish to return to their native lands. These are in addition to the 1,546 already sent back, as you probably know, on the repatriate refugee boat from Guam.

The reason for most of these people wanting to return is family reunion. A lot of these people found themselves in this country as students or people who were caught in one line of business or another and would have expected to go home under any circumstances. Their wives were back in Vietnam; their children were back in Vietnam. It was their feeling they had no particular ties to the United States and they had no particular desire to stay here as compared to what they felt were their obligations toward their families back in Vietnam. I think this is the primary reason for it.

MISSING IN ACTION

Mr. SHRIVER. There has been quite a lot of interest in the Congress in connection with missing-in-action personnel in Indochina. Would you put in the record a status report on the activities of the International Committee of the Red Cross in behalf of our missing in action?

Mr. WILSON. Yes. We have been working both with the Red Cross and the U.N. High Commissioner.

[The information follows:]

The ICRC is the only international agency that has maintained representation in North and South Vietnam continuously since the withdrawal of U.S. forces from South Vietnam. Before and since the U.S. withdrawal, ICRC delegations in Hanoi and Saigon have made continuing efforts to account for our MIAs and to assist American citizens stranded in Vietnam. Some 50 Americans are believed still in the Saigon area, and for them the ICRC provides the main and, in many cases, the only channel of communication to the exterior. Through its central tracing agency, the ICRC has taken the lead in efforts to locate and exchange information on relatives of refugees who left Vietnam for the United States and other third countries during 1975. The tracing agency has also continued its efforts to obtain information from the Indochina Communist authorities on our MIAs, including those listed as killed for whom no accounting has been received.

Mr. SHRIVER. Are they getting more cooperation from those countries now?

Mr. WILSON. We have gotten pieces of cooperation recently, Mr. Shriver. I am sure you are familiar with the fact that the Vietnamese authorities, first of all, released the nine Americans who had been held after the fall of Saigon in April 1975. They were held as prisoners.

The next move was their return of the bodies of some three U.S. airmen who had been found in Vietnam. They were given to congressional representatives in Hanoi.

Most recently the bodies of the two marines killed in the evacuation of Saigon were turned over to representatives of the Congress in Saigon 2 weeks ago. They have also permitted the exit of a very few Americans who voluntarily stayed on in Vietnam after the American evacuation. They have not, however, thus far permitted all of those Americans to leave.

There are some 50 still on our list of people who are due to come out. The ICRC is looking after the interests of those 50 Americans who are staying there; they make frequent visits to them. Indeed, some of them were staying with the ICRC representatives for a time in Saigon. The UNHCR has made similar representations on their behalf.

ICEM REFUGEE MOVEMENTS

Mr. PASSMAN. Thank you, Mr. Shriver. What is your estimate of the number of refugee movements to be handled by the Intergovernmental Committee for European Migration this year, and how does this compare with last year?

Mr. WILSON. ICEM estimates that it will move 59,000 refugees and migrants in 1976. This is a slight decrease from 1975 during which 61,134 were moved.

ICEM—PERCENT OF U.S. CONTRIBUTION

Mr. PASSMAN. What does the U.S. contribution represent as a percentage of the total contribution received by ICEM?

Mr. WILSON. In 1975, the percentage of the U.S. contribution to ICEM's total budget—ICEM's regular program—was 19 percent. In 1976, it is estimated that the percentage will be on the order of 18 percent.

PORTUGUESE RETURNEES FROM ANGOLA

Mr. PASSMAN. On page 5 of the justifications you indicate that ICEM is also developing plans for the resettlement of Portuguese returnees from Angola in other countries. You go on to say that again any U.S. contribution to these efforts would have to be over and above the contribution to the regular program. Could you please tell the committee if the United States is planning to make any contributions for this effort, and if so, what amounts are you talking about?

Mr. WILSON. ICEM is developing a program to resettle some 12,000 Portuguese returnees from Angola who are currently in Portugal, mainly to countries in Latin America. The estimated cost of this program is $4 million. ICEM has issued an appeal for funds to all member governments for this purpose. This is the type of emergency migration situation for which funds from the Emergency Refugee and Migration Assistance Fund might be used; however, moneys for this fund have not as yet been appropriated and the Department of State does not have any other moneys available for this purpose. Under these circumstances USAID is considering a response to this appeal, possibly 25 percent of the total need, or $1 million.

PERCENT OF U.S. CONTRIBUTION TO UNHCR

Mr. PASSMAN. Could you please tell the committee what percentage the U.S. contribution represents of the total contributions received by the United Nations High Commissioner for Refugees?

Mr. WILSON. The percentage of the U.S. contribution to the various programs of the High Commissioner varies with each program. There follows a listing of current programs of the High Commissioner showing total program, the U.S. contribution, and percentage of U.S. contribution to the total program.

[In thousands of dollars]

	Total program	United States contributions	Percentage
United Nations High Commissioner for Refugees:			
Regular program	13,848	1,471	11
Cyprus	29,929	20,772	69
Guinea-Bissau	4,025	1,000	25
Mozambique	7,150	850	12
Indochina 1974–75	8,000	2,000	25
Emergency relief in South Vietnam	14,367	----	----
Indochina 1975–76	20,000	----	----
Displaced persons outside Indochina (Thailand) 1975–76	[1] 25,000	[2] 5,000	[3]
Displaced persons outside Indochina (elsewhere) 1975–76	10,200	[2] 500	[3]
Cape Verdeans	2,300	----	----

[1] Royal Thai Government contribution $12,600,000. Other government contributions (administered by the UNHCR) $12,400,000.
[2] 1975 Contribution. Amount of 1976 contribution has not yet been determined.
[3] Percentage unknown since amount of 1976 contribution not determined

PAY ACT INCREASES

Mr. PASSMAN. On page 547 of the budget I note you plan to ask for a supplemental for pay increases of $23,000 in fiscal year 1976.

and $8,000 during the transition period. Could you tell the committee if the latest estimates indicate that you will still require this total amount for pay increases?

Mr. WILSON. Our current estimates indicate that we still require the pay increases of $23,000 in fiscal year 1976, and $8,000 during the transition quarter.

Mr. PASSMAN. On the same page of the budget appendix you also indicate that you plan to have an unobligated balance at the end of fiscal year 1976, the transition period, and fiscal year 1977 of $450,000. Could you please tell the committee what this unobligated balance is?

Mr. WILSON. Because most of our programs are funded on a calendar year rather than a fiscal year basis, the unobligated balances are to fund the programs from the end of the fiscal year through December 31.

Mr. PASSMAN. Could this unobligated balance be used to provide you with the necessary pay increases you are requesting new funds for?

Mr. WILSON. The unobligated balances will be needed to fund our programs through the calendar year. We will need additional funds for the pay increases.

ICRC BUDGET

Mr. PASSMAN. Is the International Committee of the Red Cross facing any serious budget problems at the present time?

Mr. WILSON. The ICRC has encountered serious budget constraints both with regard to its regular operating expenses and in its special programs. Over half of its regular budget comes annually from the Swiss Government, with most of the remainder coming from other governments, led by the United States and Western European nations. The amounts available for this purpose have held steady for several years, despite continuing ICRC efforts to raise additional funds from a broader spectrum of nations. At the same time inflation and currency fluctuations have led to growing pressure on an essentially fixed regular budget.

Budget problems of the ICRC's special programs are equally acute. For example, the ICRC has projected a $4 million program for Lebanon of which only approximately $1 million has been raised thus far. ICRC appeals are currently pending for expanded programs in Spanish Sahara and Angola. The ICRC recently informed us that, as a result of escalating costs of operations, including transportation, they are virtually unable to act in crisis situations without prior assurances that funds will be forthcoming from government and Red Cross Society donors.

CHINESE REFUGEES

Mr. PASSMAN. Is the Hong Kong Government still sending refugees back to China?

Mr. WILSON. As announced in November 1974, the Hong Kong Government has reverted to a policy it had until 1967 of returning to the People's Republic of China illegal immigrants apprehended while entering the colony. All cases are considered on an individual basis before any action is taken to return an illegal immigrant and full account is taken of any special circumstances or cases of genuine hardship. We presume one of the factors the Hong Kong Government

considers is whether the illegal immigrant is a refugee—one who is unable or unwilling to return to his country of nationality because of a well-founded fear of persecution based on race, religion, nationality, membership in a particular social group, or political opinion. It does not appear that this policy extends to those illegal immigrants who manage to reach Hong Kong's urban areas and establish themselves. It is estimated that only one of four illegal immigrants is apprehended while entering the colony.

FAR EAST REFUGEE PROGRAM

Mr. PASSMAN. Could you tell the committee what effect this policy has had on the level of funding of the Far East refugee program?

Mr. WILSON. The number of legal immigrants entering Hong Kong from the PRC increased from 2,530 in 1971 to more than 55,000 in 1973, over 32,000 in 1974, and more than 22,000 last year. While there may be a decrease in the number of illegal immigrants resulting from the HKG's treatment of illegals, we do not believe there will be a significant decline, if any, in the FERP caseload. Through the FERP we will continue to provide selective assistance to refugees from the People's Republic of China in Hong Kong and Macau developing reception, counseling, training, feeding, and medical facilities to help these refugees become assimilated.

Mr. PASSMAN. Could you please tell the committee what the level of funding is for this program in fiscal year 1977 and how does that compare to last year?

Mr. WILSON. The level of funding requested for fiscal year 1977 is $500,000, the same amount requested for fiscal year 1976.

SOUTHERN AFRICAN REFUGEE PROGRAM

Mr. PASSMAN. On page 14 under the southern African refugee education program you indicate that these people were brought to the United States on scholarships to attend school but that due to high-nonreturn rate, this policy has been changed and they are now provided education in African institutions. Could you please tell the committee why such a high percentage of these did not return to Africa?

Mr. WILSON. While there may have been some refugee students brought into the United States under the southern African training program, forerunner of the southern African refugee education program [SAREP], the explanation citing the redirection of that program due to a high nonreturn rate of students in the United States is in error. The SAREP, however, can be compared with the southern African student program [SASP] which is administered by the Bureau of Cultural Affairs of the Department of State, and provides educational assistance to southern African students in the United States. There was a high nonreturn rate of SASP students due to the following reasons: (1) Many students, upon completion of their undergraduate studies, enrolled in postgraduate programs thereby remaining longer than initially anticipated, (2) these students were de facto refugees who could not return to their countries of nationality owing to a well-founded fear of persecution, and (3) many of the countries which initially granted these students asylum do not wish them to return.

Consequently, the refugee travel documents issued to these students permitting their reentry into their asylum country expired without being extended or being replaced by a new travel document.

Mr. PASSMAN. What was the nonreturn rate for this program?

Mr. WILSON. The nonreturn rate for the SASP had been approximately 80 percent through the early 1970's. However, during the last 18 months we have been witnessing a substantial improvement in the return rate. This is due, in large part, to the recent independence of the former Portuguese territories. The African-American Institute, which administers the SASP and the SAREP, predicts that a large portion of those still unable to return to their countries of nationality will return as soon as conditions improve which would permit their safe return. The disappointing rate of return previously experienced in the SASP led to a modification of that program to concentrate on postgraduate studies, in lieu of undergraduate and vocational training, in the United States and has encouraged D/HA in its determination to continue the SAREP as a program of study in independent African countries.

ADMINISTRATIVE EXPENSES

Mr. PASSMAN. I note you are requesting $1,329,000 in administrative expenses to administer these programs. Could you tell the committee how many people are involved in this administrative item?

Mr. WILSON. There are 40 permanent positions funded under the $1,329,000 in administrative expenses. This is the same number of positions as last year.

Mr. PASSMAN. On page 16 of the justifications you indicate that the travel and transportation of persons will increase from $27,000 in fiscal year 1975 to $41,000 in fiscal year 1977. Could you please tell the committee why this is increasing by such a large amount?

Mr. WILSON. We had originally budgeted $37,000 for travel and transportation of persons in fiscal year 1975, but because of the pressure of work associated with the Indochinese resettlement program, some of the trips which had been programmed for fiscal year 1975 were not carried out and our actual obligation of funds was $27,000.

ASSISTANCE TO REFUGEES FROM THE SOVIET UNION

Mr. PASSMAN. Assistance to the refugees from the Soviet Union. I don't believe you are making any request for funds for fiscal year 1977, is that correct?

Mr. WILSON. That is correct.

Mr. PASSMAN. The House bill, as passed, provided $15 million for the Soviet refugees. Do you think you are going to be able to utilize this appropriation advantageously to the refugees? Do you foresee a program that will call for these funds?

Mr. WILSON. The answer to that is yes, sir.

Mr. PASSMAN. With respect to Soviet refugees, most of these we have discussed have been of the Jewish faith. Now, are these people of other religions or nationalistic persuasion desiring immigration from the Soviet Union?

Mr. WILSON. Yes, sir. We have Armenians from the southern part of Russia. We do have others from different parts of Russia. Let me see if I can get you an estimate as to the number. I believe it is about

6 percent of the total who are non-Jewish who want to come out. Let me check that for the record if I may, sir.

Mr. PASSMAN. Ninety-four percent Jewish and 6 percent non-Jewish. Now, what program do we have to bring out those who are non-Jewish? Do we have any program for them?

Mr. WILSON. They would ordinarly come under the USRP, Mr. Chairman.

Mr. PASSMAN. You don't segregate them; you just think in terms of Soviet refugees, is that correct?

Mr. WILSON. That is correct, yes.

Mr. PASSMAN. I have read a couple articles about some Jewish immigrants wanting to return to the Soviet Union after having relocated in Israel. How many of them have asked to be returned to the Soviet Union?

Mr. WILSON. I am advised that about 300 have come back to Vienna and asked to be returned to the Soviet Union.

Mr. PASSMAN. From what countries?

Mr. WILSON. This would be mainly from Israel.

Mr. PASSMAN. That is a very small percentage of the total, is it not?

Mr. WILSON. Yes.

ASSISTANCE TO REFUGEES FROM THE SOVIET UNION

Mr. PASSMAN. Would you tell the committee what the latest situation is regarding the Jewish movement out of Russia, and what the current Russian policy is on this subject?

Mr. WILSON. About 14,000 Soviet exit visas for Israel were issued in 1975. About 1,200 exit visas for the United States were issued during the year, and about half these recipients were Jews. Issuance of exit visas is continuing at about the same rate. Soviet policy of keeping down the level of emigration, and limiting it to alleged family reunification, and generally to certain ethnic groups (notably Jews and ethnic Germans), remains generally unchanged. The Soviet Government, did however, make some procedural changes in recent months, apparently in response to the CSCE. Exit visa fees were reduced, documentation requirements for character references were somewhat simplified, and the period in which refusals are reviewed was reduced from 1 year to 6 months.

Mr. PASSMAN. What are your latest estimates of the number of Jews who will leave Russia in calendar 1974, calendar 1975, and what has been the movement thus far in calendar 1976?

Mr. WILSON. We will be happy to furnish that information.

[The information follows:]

REFUGEE MOVEMENTS FROM U.S.S.R.

	To Israel	To destinations other than Israel		
	Jews	Jews	Non-Jews	Total
1974	16,846	[1] 4,213	[1] 1,025	22,084
1975	8,395	5,795	1,400	15,590
1976:				
January	482	609	100	1,191
February	731	515	86	1,332

[1] Estimate.

Mr. PASSMAN. Do you anticipate that these Jewish movements will increase during the next year?

Mr. WILSON. Yes, we do anticipate that movements from the Soviet Union and other Eastern European countries will increase this year. This is based on the assumption there will be a relaxation of restrictions on the movement of people in the Eastern European area because of the Helsinki Accords. As a matter of fact, there has been a slight uptrend in these movements during the past few weeks.

Mr. PASSMAN. Would you please place in the record a table showing how you plan to allocate the $15 million that was provided to you in fiscal year 1976?

Mr. WILSON. In accordance with the Foreign Relations Authorization Act, fiscal year 1976, Public Law 94–141 (section 501 (c))—"Not to exceed 20 per centum the amount appropriated under this subsection may be used to resettle refugees in any country other than Israel." We plan to allocate 80 percent of the appropriation to the United Israel Appeal grant for resettlement and absorption in Israel and 20 percent to other voluntary agencies for resettlement of refugees in countries other than Israel.

Mr. PASSMAN. Are all the funds that are used to provide assistance to the Jewish refugees going to Israel provided through the United Israel Appeal?

Mr. WILSON. The major portion of the funds for assistance to refugees going to Israel are provided through the United Israel Appeal. In 1973, $44 million was provided; in 1974, $30.5 million; and in 1975, $34,115,000. In addition, funds have been placed in an ICEM loan fund to provide transportation for these refugees from Vienna to Tel Aviv and other destinations. In 1973, $5 million was provided and in 1974, $2.5 million. In 1975, $1 million was provided to establish a fund exclusively for movements to Israel.

Mr. PASSMAN. Would you please list for the record just what other countries these Jewish refugees are traveling to, besides Israel?

Mr. WILSON. The major countries of resettlement, other than Israel for Jewish and non-Jewish refugees ex-U.S.S.R. are the United States, Canada, and Australia.

Mr. PASSMAN. Would you also please list the numbers going to each country?

Mr. WILSON. I'll be happy to submit that for the record.

[The information follows:]

RESETTLEMENT OF REFUGEES EX-U.S.S.R. IN COUNTRIES OTHER THAN ISRAEL

	1972	1973	1974	1975
United States	527	1,540	4,098	6,016
Australia	1	7	41	261
Canada	6	132	491	948
Sweden		7	6	13
South Africa		1		3
Latin America	4	5	8	5
Western Europe	21	34	99	199
Other		11	40	82
Total	559	1,737	4,783	7,527

Mr. PASSMAN. According to a letter dated February 17, 1976, it was indicated that the assistance of refugees from the Soviet Union

was a violation of section 3679 of the Revised Statutes. Could you please explain what this section is and just what happened that made you in violation on this account?

Mr. WILSON. Section 3679 of the Revised Statutes, as amended, provides in part: (1) That financial apportionment and reapportionment of funds will be made by the Director of the Office of Management and Budget; and (2) that obligations or expenditures shall not be incurred or authorized in excess of such apportionments or reapportionments. OMB had apportioned the fiscal year 1975 appropriation for assistance to refugees from the Soviet Union in the amount of $40 million as follows:

(1) Soviet refugees—UIA grant	$33, 300, 000
(2) Soviet refugees—All other	6, 700, 000
Total	40, 000, 000

A grant was issued to United Israel Appeal on January 27, 1975, in the amount of $10 million. A supplemental grant was signed on June 5, 1975, in the amount of $23 million, for a total obligated amount of $33,300,000.

During the last days of the fiscal year it was found that an additional $815,000 was available to grant to UIA for assistance to refugees resettling in Israel, from unobligated funds in the "all other" category.

As stated in the letter dated February 17, because of the workload associated with the emergency relief program for refugees from Cambodia and Vietnam, the staff inadvertently exceeded the OMB apportionment of $33,300,000 by allotting and obligating $815,000 to increase the UIA grant without prior reapportionment by OMB.

U.S. EMERGENCY AND REFUGEE MIGRATION ASSISTANCE FUND

Mr. PASSMAN. Your 1976 request was $25 million for the United States Emergency and Refugee Migration Assistance Fund. Your 1975 appropriation was zero, is that correct?

Mr. WILSON. Thus far, yes, sir.

Mr. PASSMAN. This is a dormant account, isn't it, at this time?

Mr. WILSON. No, sir, it is not.

Mr. PASSMAN. This special fund is not?

Mr. WILSON. As I explained to Mr. Roush earlier, we simply asked for the authority to raise the pre-existing $10 million drawing authority from $10 to $25 million, and the Congress, upon studying this, decided to change it and set up this emergency fund which we had not asked for.

Mr. PASSMAN. In other words, you lose $10 million but the Congress recommended $25 million, is that what you are saying?

Mr. WILSON. No, sir. I am saying thus far we have no drawing authority on anything at this point.

Mr. PASSMAN. You mean in this particular account?

Mr. WILSON. We have, as far as we are aware, sir, no ability to meet any emergency of any size.

Mr. PASSMAN. How did we take care of the Guatemalan emergency then?

Mr. WILSON. That was handled by disaster relief funds initially from AID, and they have asked for additional funds——

Mr. PASSMAN. We did have a way to take care of these emergencies then? If it was to the contrary, you would have been unable to fund these programs? Is that a fair statement?

Mr. WILSON. The type emergency which occurred in Guatemala was one which fell under the existing AID authority. It did not involve refugees. We are advised by our lawyers that where we have a future refugee emergency, in view of the change made in the authorizing legislation, we have no drawing authority on anybody at the present time.

Mr. PASSMAN. Do you foresee at this time any additional emergencies that might crop up during fiscal year 1976 or in the transition period? We are only thinking about a very few months. Why do you have a request in for a supplemental?

Mr. WILSON. This is an emergency fund and we cannot anticipate what sort of contingency is likely to arise. However, we do know of some possible demands.

Mr. PASSMAN. Under the AID program how many different spigots can you draw on for a real emergency?

Mr. WILSON. We are told we have none.

Mr. PASSMAN. Who told you that?

Mr. WILSON. Our lawyers.

Mr. PASSMAN. How do you handle the situation in Guatemala as though it was a different type of emergency; it was an emergency.

Mr. WILSON. As I understand it, Mr. Chairman, it did not involve refugees. It was a natural disaster.

Mr. PASSMAN. In other words, you are saying for the record that prior to fiscal year 1976 you had no special fund, but you could transfer out of other funds up to $10 million; is that correct?

Mr. WILSON. Prior to the enactment of the 1976 authorizing legislation, we had the authority to draw up to $10 million.

Mr. PASSMAN. I believe that was my statement, that you did have authority to draw funds but that has been canceled?

Mr. WILSON. That is correct, that has been canceled.

Mr. PASSMAN. Now you are asking for a $25 million emergency fund; is that correct?

Mr. WILSON. We are asking for funding the emergency fund which was authorized in the 1976——

Mr. PASSMAN. I am afraid I am not getting through to you. You are asking for $25 million rather than the original $10 million?

Mr. WILSON. That is correct, yes, sir.

Mr. PASSMAN. Why does it have to go from $10 million up to $25 million?

Mr. WILSON. The reason for this, sir, is our very strong feeling that in the event of a major emergency we would not be able to——

Mr. PASSMAN. Why did you not anticipate that when you were operating with the right to draw $10 million? What do you foresee now in the future that would justify such a tremendous increase in this fund?

Mr. WILSON. Well, the question which was asked earlier by Mr. Shriver, I believe, was, do we see any such possibility and my answer to that was, for example, a possible necessity to do something for the Christian minority population in Lebanon.

Mr. PASSMAN. Who?

Mr. WILSON. The Christian minority population in Lebanon.

Mr. PASSMAN. Originally you only needed $10 million transfer authority. That was prior to 1976?

Mr. WILSON. As part of our request to the authorizing committee, we asked that our drawing authority be increased from $10 million to $25 million. The authorizing committees agreed with the $25 million, but did not want to handle it by——

Mr. PASSMAN. They wanted a line item in the bill?

Mr. WILSON. Yes, sir.

Mr. PASSMAN. It follows, nevertheless, that previously you were satisfied with $10 million and the $10 million prevailed, and you had no trouble with it. Any emergency you had was met adequately either out of that or out of some other account?

Mr. WILSON. We have come very close to it. As, for example, the Laotian program.

Mr. PASSMAN. You had no use for anything in excess of the $10 million in the past, and it is a matter of guess, whether you need it in the future?

Mr. WILSON. Yes, certainly.

Mr. PASSMAN. We have nickled and dimed the American taxpayers to death with these programs. Mr. Wilson, everything I look at every year goes up, up, up. Every spigot of foreign aid.

Nevertheless, you are asking for $25 million and I believe this is to be the supplemental request.

Mr. WILSON. It was put in, sir, as a supplemental request and I think we probably made a mistake in doing it that way.

Mr. PASSMAN. That is all the answer I want. I am very grateful.

Mr. WILSON. I think we should have asked for an amendment to the 1976 appropriation bill.

Mr. PASSMAN. I am glad to hear you say you have made a mistake. We are very close to starting another fiscal year and I am sure this committee will look at it.

Mr. WILSON. If I may, sir, I would like to go back to this question of the reason for going up from $10 million to $25 million.

If we take as an example the current fiscal year, if no change had been made, we would have a situation in which we would have used up $6.8 million of our $10 million authority on Laos. We would, in addition, have had in all probability requests for Presidential determinations which would have put us right against the $10 million ceiling, which would, in effect, leave absolutely no margin of leeway for the remainder of this fiscal year.

We have not been able to put forward any more Presidential determination requests at this point because we have no authority to ask for them.

We could go as high as $5 million more at this point.

Mr. PASSMAN. If you had all the money that could be made available in case of an emergency, we wouldn't be fooling around with this AID bill. There are more different little pockets from which money can be obtained in case of an emergency, it is unbelievable. You have all kinds of flexibility but you just have to find it.

My point is, every year, every program in AID is up and keeps going up. If we could just find one project anywhere in this AID bill where it is down, I would feel a lot better.

Mr. WILSON. It is the nature of this fund, Mr. Chairman. It seemed to us the chances of our using drawdown authority against this of anything like $25 million in any 1 year are probably quite low; but, on the other hand, what we have in mind is a situation where we might need the whole thing and we need that authority.

Mr. PASSMAN. I follow you 100 percent, but the $10 million has been adequate in the past.

Mr. WILSON. What I am saying is——

Mr. PASSMAN. You should answer my question. I am not trying to quarrel with you.

I said the $10 million transfer authority worked all right in the past. You did not have to exceed it.

Mr. WILSON. It has thus far, yes, sir.

Mr. PASSMAN. That is all I am asking. I don't care how you answer it as long as you answer it in the affirmative that in the past the $10 million you figure was adequate.

Mr. WILSON. For this fiscal year we would have run out of our $10 million authority if we had the $10 million authority to use.

Mr. PASSMAN. At this particular time you don't foresee any immediate requirement for this. If we move it along on a regular basis, let us hope it will serve the purpose.

Mr. WILSON. We have an immediate requirement, sir, for some additional funds in support of the international organizations, as far as the Latin American——

Mr. PASSMAN. For what?

Mr. WILSON. For Latin America for the Chilean program, for Chilean refugees.

We also have the possibility facing us of some funding coming up for the movement of Portugese Angolans from Portugal to Brazil. This is a very urgent requirement with ICEM, which they are working on at this time. It would have to be specially funded.

Mr. PASSMAN. How come you have to take them to Brazil?

Mr. WILSON. This is the plan proposed by ICEM.

Mr. PASSMAN. Who else will be involved in this plan?

Mr. WILSON. This would be ICEM and the Portugese Government, if it works out.

Mr. PASSMAN. If it works out?

Mr. WILSON. That is right. They are in the process of discussing the whole thing right now.

Mr. PASSMAN. That could work out, it may not work out. It may be a long time. We may be well into the next fiscal year before this is finalized.

What will all these contingencies amount to if you put them together?

Mr. WILSON. These could come as high as $5 million.

Mr. PASSMAN. It could be zero?

Mr. WILSON. No, sir.

Mr. PASSMAN. You said that you didn't know, that it hadn't been finalized.

Mr. WILSON. That is correct.

Mr. PASSMAN. This is $5 million and you asked for $25 million. What would your reaction be if the committee would only allow $10 million for this item for the initial appropriation.

Mr. WILSON. If the initail appropriation is $10 million, we would hope that the Congress would appropriate the additional $15 million at the time the fiscal year 1976 supplemental to the President's fiscal year 1977 budget is considered in order that we might be in a position to meet emergencies in the refugee and migration area in the foreseeable future.

Mr. PASSMAN. Could you please tell the committee what would be your estimate of the outlay impact from this item in fiscal year 1976 and the transition period?

Mr. WILSON. Regardless of the amount obligated in fiscal year 1976, outlays this fiscal year are not expected to exceed $3 million. If $5 million were obligated in fiscal year 1976 and $2.5 million in the transition period, our estimate of outlays in the transition period is $2.5 million.

Mr. PASSMAN. I notice that the budget document as transmitted to Congress was not sent through the Office of Management and Budget. Could you please tell the committee why OMB was bypassed in this instance?

Mr. WILSON. The supplemental request to fund the United States Emergency Refugee and Migration Assistance Fund was transmitted in the President's budget for fiscal year 1977 on page 867 under Funds Appropriated to the President. The justification for the appropriation request was transmitted to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate in accordance with Public Law 94–141—Foreign Relations Authorization Act, fiscal year 1976—section 501(a) which amended section 2(c) of the Migration and Refugee Assistance Act of 1962.

Public Law 94–141, Section 501(a)(3) reads as follows:

(3) Whenever the President requests appropriations pursuant to this authorization he shall justify such requests to the Committee on Foreign Relations of the Senate and to the Speaker of the House of Representatives, as well as to the Committees on Appropriations.

Mr. PASSMAN. Mr. Koch?

REFUGEES AND DISPLACED PERSONS IN LEBANON

Mr. KOCH. Thank you, Mr. Chairman. Mr. Wilson, in your statement you indicate that certain multilateral and voluntary organizations, including the Intergovernmental Committee for European Migration, the United Nations High Commissioner for Refugees, and the International Committee for the Red Cross will be aiding refugees and displaced persons caused by the Lebanese civil war.

Does the State Department believe that its current request for U.S. financial support for these organizations will be adequate in view of the increased demands resulting from the Lebanese civil war?

Mr. WILSON. The United Nations has issued an appeal for $50 million for emergency relief aid: UNHCR—$25.5 million; UNICEF—$14 million; WHO—$5 million; UNRWA—$500,000; transportation, and so forth—$5 million.

In addition, the International Committee for the Red Cross has projected an overall program of $4 million for Lebanon for which it has already received contributions of $1 million. It has requested an initial contribution of $200,000 from the U.S. Government.

The world food program has designated $10.2 million for an emergency feeding program for Lebanon.

Thus far U.S. assistance for Lebanon has consisted of about $900,000 worth of medical supplies under the Disaster Relief Authorization of the Agency for International Development.

Mr. KOCH. Should U.S. aid for these international organizations be increased to account for this unforeseen situation?

Mr. WILSON. The United Nations, the International Committee for the Red Cross, and the other concerned international bodies have appealed for substantial contributions from the United States and other governments for their special programs for Lebanon.

In our judgment the only way we can meet these requests is through new congressional funding authority.

Although it is not possible to foresee the full dimension of needs in Lebanon, we believe that the programs of these various international agencies constitute an appropriate initial response to the needs of this area.

Mr. KOCH. Are there any plans to commit resources from the United States Refugee and Migration Assistance Fund for the relief of refugees from Lebanon?

Mr. Wilson. Since the problems in Lebanon are primarily those of displaced persons rather than international refugees, it appears that funding for international assistance programs in Lebanon should come through the Agency for International Development. As stated above, because of the magnitude of the needs, it appears that new congressional funding authority will be required for this purpose.

INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION

MOVEMENTS AND U.S. CONTRIBUTIONS 1974—1976

Mr. KOCH. Turning to the subject of refugees aided by the Intergovernmental Committee for European Migration, can you provide the number of refugees aided, by region or country of origin, for 1974, 1975, and the estimate for 1976, together with the dollar contribution made by the United States for each of those years?

Mr. WILSON. I'll be happy to do so.

[The information follows:]

NUMBER OF REFUGEES MOVED BY INTERGOVERNMENTAL COMMITTEE FOR EUROPEAN MIGRATION AND U.S CONTRIBUTIONS

	Movements		
	1974 actual	1975 actual	1976 estimate
Refugees from—			
Eastern Europe	49,861	27,500	35,400
White Russians from China	36	68	100
Non-Europeans (mostly Chinese)	3,476	2,540	3,000
Asians ex-Ugandan	482		
Chile	6,407	5,386	6,000
Indochina		20,340	10,000
Total refugee movements	60,262	55,834	54,500
National migrants from—Western Europe	7,211	5,300	4,500
Total movements	67,473	61,134	59,000
U.S. contribution:			
Migration and refugee assistance	3,460,000	3,076,000	3,000,000
Transfer from foreign assistance funds by Presidential determination		1,100,000	(1)
Special assistance to refugees from Cambodia and Vietnam		6,300,000	(1)

[1] Not yet determined.

Mr. PASSMAN. Thank you Mr. Koch. Mr. Conte?

PRIVATE FUNDING TO UNHCR AND ICEM

Mr. CONTE. How much of the U.N. High Commissioner for Refugees and the Intergovernmental Committee for European Migration Programs are supported by private funds?

Mr. WILSON. ICEM estimates that in 1976 its receipts from private sources including private employers and sponsors will be $1,127,180. ICEM also expects to receive for the same year $111,100 from the UNHCR and other sources unspecified. The UNHCR anticipates an income of $1,672,980 from nongovernment sources for his 1975–76 programs.

REFUGEE MOVEMENTS—ICEM

Mr. CONTE. How many people were assisted by ICEM last year? How many do you expect this year?

Mr. WILSON. According to ICEM's financial report for 1975, 61,134 persons were transported during that year. An additional number received counseling services and language training. In 1976, ICEM estimates that it will provide transportation assistance to 59,000 refugees and migrants.

SOUTHERN AFRICAN REFUGEE EDUCATION PROGRAM

Mr. CONTE. The justification on page 2 states that the U.S. Refugee Program finances education programs for refugees from "certain Southern African Countries". What countries are these?

Mr. WILSON. The Southern African Refugee Education Program provides scholarships to refugee students from minority-ruled countries such as South Africa, Southern Rhodesia, and South West Africa (Namibia). Scholarships had also been available to refugee students from the former Portuguese territories of Angola and Mozambique. However, due to their recent independence, we have discontinued recuriting new students from these two countries for the SAREP. Angolan and Mozambican students already participating in the program at the time of the decision to discontinue recruiting such students will be allowed to complete their studies.

PERCENTAGE OF U.S. CONTRIBUTION TO MULTILATERAL PROGRAMS

Mr. CONTE. What percentage of the total funding does the U.S. contribute to the multilateral refugee programs?

Mr. WILSON. The percent of U.S. contributions to multilateral refugee programs varies with each program. The following table shows the U.S. contribution as a percentage of total programs.

[The table follows:]

[Dollar amounts in thousands]

	Total program	U.S. contributions	Percentage
United Nations Relief and Works Agency	$127,000	$26,700	21
Intergovernmental Committee for European Migration	16,712	3,000	18
United Nations High Commissioner for Refugees:			
Regular program	13,848	1,471	11
Cyprus	29,929	20,772	69
Guinea-Bissau	4,025	1,000	25
Mozambique	7,150	850	12
Indochina, 1974–75	8,000	2,000	25
Emergency Relief in South Vietnam	14,367	----	----
Indochina, 1975–76	20,000	----	----
Displaced persons outside Indochina (Thailand), 1975–76	[1] 25,000	[2] 5,000	[3]
Displaced Persons outside Indochina (elsewhere), 1975–76	10,200	[2] 500	[3]
Cape Verdeans	2,300	----	----

[1] Royal Thai Government contribution $12,600,000. Other government contributions (administered by the UNHCR) $12,400,000.
[2] 1975 Contribution. Amount of 1976 contribution has not yet been determined.
[3] Percentage unknown since amount of 1976 contribution not determined.

CHILEAN REFUGEES

Mr. CONTE. Where were most of the 6,000 Chilean refugees resettled?

Mr. WILSON. The final figure for 1975 for the movement of Chilean refugees is 5,386. They were resettled to the following countries:

Australia	456
Canada	131
Israel	9
New Zealand	68
United States	34
Belgium	124
Denmark	136
France	425
Norway	49
Sweden	669
Switzerland	38
United Kingdom	774
Other European countries	1,399
Other destinations overseas	36
Argentina	212
Bolivia	6
Brazil	1
Colombia	79
Costa Rica	69
Ecuador	18
Panama	139
Paraguay	1
Peru	13
Venezuela	168
Other countries in Central America and the Caribbean area	332

FUNCTIONS OF UNHCR AND ICEM

Mr. CONTE. Are the functions of UNHCR and ICEM as well as other groups overlapping?

Mr. WILSON. Generally no. Each organization concerned with assistance to refugees has a specific mission. The UNHCR is concerned primarily with the legal protection for refugees including their repatriation. In many refugee situations, particularly in Africa, the UNHCR is concerned with providing emergency relief and assistance in local settlement. ICEM's primary function is to provide transportation assistance and immigration processing services. The U.S. Refugee Program (USRP) operates through a network of American Voluntary Agencies and provides to newly arrived refugees from Communist-dominated countries resettlement counseling, documentation, language training and supplementary care.

INTERNATIONAL COMMITTEE OF THE RED CROSS

Mr. CONTE. What does the International Committee of Red Cross (ICRC) consider its highest priority for the coming year?

Mr. WILSON. The ICRC is giving top attention at the present time to responding to urgent humanitarian needs in Angola, Lebanon, and Spanish Sahara, while at the same time strengthening its financial base to enable it to act decisively and in a timely manner in armed conflict and other crisis situations. Through its delegations in North and South Vietnam, the ICRC is assisting civilians of various nationalities, including Americans, who have remained in Vietnam and wish to depart. For many of these people, the ICRC is the only channel of contact with their home country. In addition, the ICRC is playing a key role in the work of the Diplomatic Conference on the Reaffirmation and Development of International Humanitarian Law Applicable in Armed Conflicts, which reconvenes in Geneva from April 21 to June 11, 1976. This Conference, which results from an ICRC initiative, has the aim of developing a new protocol to the Geneva Conventions of 1949, which will provide strengthened provisions in such areas as accounting for the missing in action, protection of medical transports, and humanitarian rules in non-international conflicts.

RESETTLEMENT OF REFUGEES IN THE UNITED STATES

Mr. CONTE. How many refugees settle in the United States as a consequence of the United States refugee program?

Mr. WILSON. Resettlement of refugees in the United States under the U.S. Refugee Program in 1975 was as follows:

Russians	6,016
Other Eastern Europeans	1,288
Chinese	792
Total	8,096

ADMINISTRATIVE EXPENSES

Mr. CONTE. On the chart on page 16, I see an increase of 16 permanent positions. What types of positions are these?

Mr. WILSON. The 16 referred to on the chart on page 16 of the budget justifications is an increase of $16,000, not an increase of 16 permanent positions. The $16,000 is to fund with-in grade salary increases and overseas wage increases.

MISSING IN ACTION

Mr. CONTE. What efforts is the ICRC making to continue to resolve the MIA accounting problem?

Mr. WILSON. The ICRC is the only international agency that has maintained representation in North and South Vietnam continuously since the withdrawal of U.S. forces from South Vietnam. Before and since the U.S. withdrawal, ICRC delegations in Hanoi and Saigon have made continuing efforts to account for our MIA's and to assist American citizens stranded in Vietnam. Some 50 Americans are believed still in the Saigon area, and for them the ICRC provides the main, and in many cases, the only channel of communication to the exterior. Through its central tracing agency, the ICRC has taken the lead in efforts to locate and exchange information on relatives of refugees who left Vietnam for the United States and other third countries during 1975. The tracing agency has also continued its efforts to obtain information from the Indochina Communist authorities on our MIA's, including those listed as killed for whom no accounting has been received.

FUTURE REFUGEE ASSISTANCE

Mr. CONTE. What countries do you foresee as having increased need of refugee assistance in the next year?

Mr. WILSON. If we consider the situation as it is today, there are a number of trouble spots. The refugee population in Thailand is increasing as more manage to cross over from Laos and Vietnam. The situation in Lebanon is potentially explosive and could conceivably present a refugee problem in the months ahead. We have no precise idea of how many refugees stem from the recent internal events in Angola; however, there has been a recent influx of Angolan refugees into Zaire and Zambia and there are sizeable numbers dislocated within Angola itself. There are also approximately 180,000 displaced persons on Cyprus. We also expect that a number of the Portuguese returnees from Angola will have an opportunity to resettle in Latin America in 1976. Additionally, there is the continuing flow of refugees from the Communist countries of Eastern Europe to the asylum areas of Western Europe, and from the People's Republic of China to Hong Kong and Macao.

Mr. PASSMAN. Are there other questions? Thank you, Mr. Wilson.

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

Mr. PASSMAN. The committee is adjourned.

TUESDAY, MARCH 16, 1976.

INTERNATIONAL FINANCIAL INSTITUTIONS

WITNESSES

JOHN A. BUSHNELL, DEPUTY ASSISTANT SECRETARY FOR DEVELOPING NATIONS FINANCE, DEPARTMENT OF THE TREASURY
CHARLES A. COOPER, U.S. EXECUTIVE DIRECTOR, INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
JOHN M. PORGES, U.S. EXECUTIVE DIRECTOR, INTER-AMERICAN DEVELOPMENT BANK
PAUL H. BOEKER, DEPUTY ASSISTANT SECRETARY FOR INTERNATIONAL FINANCE AND DEVELOPMENT, DEPARTMENT OF STATE

PROGRAM AND FINANCING

[In thousands of dollars]

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Program by activities:				
1. Investment in International Development Association	386,030	375,000	.....	375,000
2. Investment in Inter-American Development Bank	347,859	275,000	.....	.....
3. Investment in Asian Development Bank	50,000	98,254	.....	24,127
Total program costs funded—obligations	783,889	748,254	.....	399,127
Financing:				
Unobligated balance available, start of period:				
Appropriation	−4,037,344	−3,872,582	−3,944,963	−3,944,963
Authority to spend public debt receipts	−5,715,000	−5,715,000	−5,715,000	−5,715,000
Unobligated balance available, end of period:				
Appropriation	3,872,582	3,944,963	3,944,963	4,041,471
Authority to spend public debt receipts	5,715,000	5,715,000	5,715,000	5,715,000
Budget authority:				
Appropriation	619,127	.....	.....	495,635
Appropriation request pending	.....	820,635	.....	.....
Relation of obligations to outlays:				
Obligations incurred, net	783,889	748,254	.....	399,127
Obligated balance, start of period	2,505,530	2,720,180	2,509,834	2,233,934
Obligated balance, end of period	−2,720,180	−2,509,834	−2,233,934	−1,753,161
Outlays	569,239	958,600	275,900	879,900

Mr. PASSMAN. The committee will come to order.

We shall continue our hearings this afternoon on the budget request for assistance to four international financial institutions, namely the Asian Development Bank, the International Development Association, the Inter-American Development Bank the African Development Fund, and the International Finance Corporation.

When I came to Congress the public debt was $259 billion. It is now approaching $600 billion. We are spending money we don't have for things we don't need, trying to be everything to everybody everywhere and borrowing money at the expense of unborn generations.

In the fiscal year 1977 public works program, gentlemen, not one new construction start is provided for in all the 50 States. Why? Because of scarcity of funds.

But here I am chairing a committee which provides funds for new starts all over the world. Let's look at IDA. We go out and we borrow

the money from my constituents and yours to make available to IDA. There are no provisions for any of this money to ever be returned to the U.S. Treasury. We borrow this money at 6 to 6½ percent. We make it available to IDA. They make loans for 50 years at no interest. Only a nominal three-quarters of 1 percent service charge.

It is very difficult to chair the committee and assume the responsibility of taking a bill like this to the floor of the House. We are denying my constituents projects we badly need and yet giving you people money to make available on 50-year terms with no interest.

AID TO INDEX

In bilateral assistance, we have given India $7,800,000,000. Even though someone in the executive branch tried to reduce this amount as a result of a previous $2.2 billion rupee forgiveness, the record remains clear. May I suggest you read House Report 94–857.

To get back to IDA, we find 43 percent of the $8 billion that has gone into IDA has gone to India. If any of you present know of any complimentary statement India has ever made about the United States, I wish you would make it available to me.

FISCAL YEAR 1977 BUDGET REQUEST

As I stated in the beginning, I think officially before the Committee you have a request of $495,635,000 and then a possible additional request for fiscal 1977 of $531,667,000. This is a tremendous amount of money.

We have as witnesses today Hon. John A. Bushnell, Deputy Assistant Secretary for Developing Nations Finance, Department of the Treasury; Hon. Charles A. Cooper, U.S. Executive Director, International Bank for Reconstruction and Development; Hon. John M. Porges, U.S. Executive Director, Inter-American Development Bank and Hon. Paul H. Boeker, Deputy Assistant Secretary for International Finance and Development, Department of State.

General Statements

I would assume each of you have a prepared statement that you would like to present to the committee. The statements will be inserted in the record at this point and we will get into the questioning.

[The statements follow:]

Statement of John A. Bushnell, Deputy Assistant Secretary of the Treasury for Developing Nations Finance

Mr. Chairman, last year the four international development banks made commitments for new loans totaling $8.5 billion for 377 projects in 84 countries. This total is far more than the bilateral economic development program of the United States or any other country. For most developing countries outside the Middle East the programs of the international development banks have become the core of their external financing. Most aid donors from both Europe and the Middle East build their bilateral programs around, and in cooperation with, the banks' programs. The U.S. contribution to this truly mammoth development effort requires appropriations of a little over a billion dollars in fiscal year 1977. About $300 million of this total is for callable capital which is unlikely to result in any outlays ever from the U.S. Treasury. Callable capital is a guarantee facilitating the sale of bonds by the banks in the capital markets of the world.

Mr. Chairman, Treasury has testified each year about these banks and I would presume not to repeat the basic details on their creation and growth which you and committee know so well. I shall try to focus on a few of the key reasons why continued support for the banks at the level requested is in the national interest, despite the many competing domestic demands for funds, and review the current funding situation and recent developments in each bank. Mr. Charles Cooper, the U.S. Executive Director for the World Bank Group, will review the activities of the International Development Association (IDA) and the International Finance Corporation (IFC) for which we are seeking money for the first time in nearly 20 years. Our Executive Director in the Inter-American Bank (IDB), Mr. John Porges, is here to explain the desperate need for early appropriation action for that Bank. Detailed statements on the Asian Development Bank (ADB) and the African Development Fund (AFDF) are annexes to this statement. I shall do my best to answer questions on these institutions as well as on any general issues affecting all the banks. Finally, Deputy Assistant Secretary of State Paul Boeker is here to indicate the importance of the banks to our overall foreign policy objectives.

We believe that the World Bank Group and the three regional banks provide important extra dimensions to development assistance. Economic development is not primarily a matter of external funding. While money is needed, the key factors determining the success of development efforts are the policies and priorities followed by each country. The development banks make important contributions in precisely such areas by encouraging the adoption of sound economic policies, by assisting in institution building, and by supporting successful development efforts made by the countries themselves.

The banks have developed highly competent professional international staffs which help the developing countries with the complex problems of priority setting and institution building. These international staffs bring together outstanding professionals from both developed and developing countries. In both the World Bank and the Inter-American Development Bank there are more Americans than any other nationality, and overall Americans make up about 25 percent of the development bank staffs.

The banks are cost efficient institutions. For example, the combined administrative budgets of the banks in 1975 accounted for only 3 percent of the $8.5 billion lent out that year. Moreover, included in the administrative budgets are expenses for technical assistance, training centers, etc., which are not directly associated with the cost of making loans.

From the U.S. national point of view, these banks encourage development along lines compatible with our own economy. They stress the role of market forces in the effective allocation of resources and the development of outward-looking trading economies. Through contact with the international development banks, developing countries are learning to administer large procurement programs effectively and honestly. These programs will result in increased procurement of goods and services in the United States, expanded future markets for our products, thus increasing employment in our country. Our participation in the international development banks will also provide more assured access to essential raw materials, and a better climate for U.S. private investment in the developing world.

There is clear evidence that in all of the international development banks increasing attention is being given to, and a greater volume of loans are being made for, the direct benefit of the urban and rural poor. Assistance is being directed increasingly to the poorest countries and to low income groups in all borrowing countries.

About 92 percent of IDA credits are made to countries with per capita incomes below $200, and the ADB makes loans on concessional terms only to member countries with per capita incomes of less than $300. About 50 percent of IDB's concessional loans are being made to the nine poorest countries in Latin America, and this percentage is expected to continue rising steadily in the future.

All of the international development banks are increasing their lending for projects which directly assist the rural and urban poor. In recent years the banks have placed greater emphasis on agriculture, and family farm, and cooperatives—an emphasis we have encouraged and supported. The IDB has been the leader, for example, in lending for integrated rural development, cooperatives, farm-to-market roads, and rural water supply. The World Bank and IDA have made several loans for population projects, and for sites and services to improve living conditions for the poorest groups. The IDA, as well as the African Development

Fund, have made loans for the drought-stricken Sahel region of Africa. The ADB is taking the lead in loans involving light and intermediate technology which benefit the poor.

I would emphasize that the change in emphasis toward direct assistance to the poor is slower than some of us would like, and we continue to press within the banks for a greater concentration to reach directly the poorest groups in each borrowing member. We must also not lose sight of the fact that basic infrastructure projects—roads, ports, electric power, and major irrigation—are still necessary to provide the basis for overall growth of the developing country economies.

Because economic development is the primary purpose of the international development banks they become centers for work on development related problems, such as, the development and spread of technology appropriate for the poorer countries. Although most of the technicians in the banks have had their education and experience in developed countries, the fact that they devote their careers to developing countries, spend their time in developing countries, and work on development problems, gives them a good mix of experience to advance the frontier of knowledge in the development of appropriate technology. The experts from developing countries on the staffs of the banks are particularly well equipped to adjust technology to the local conditions, and to help find appropriate technologies where none previously existed. The worldwide work of the IBRD, and the close relations between the IBRD and the regional banks, uniquely establish the development banks as the most effective network for the rapid spread of new appropriate technology to many potential users.

However, there are also pressures against the maximum effectiveness in the use of appropriate technologies in the development banks. Some developing countries insist on emulating the richer countries, and their technology, even when an alternative technology would be more appropriate. In many cases the capital equipment for bank-financed projects must come from developed countries and it is not possible to specify technology different from that already being used on established production lines. In spite of these difficulties the banks have made considerable progress. For example, in the ADB not only has the staff participated in a regional meeting on specific applications of intermediate technology but the Bank has recently included components of appropriate technology in several of its loans. (Specific examples are contained in the ADB Annex to this statement.)

The development banks are part of an international structure in which the developed and developing countries work together to solve problems. The development banks are not debating societies which engage in seemingly endless rhetoric about restructuring of the world economy—they are working institutions that get things done. By cooperating with other developed countries in funding these institutions we improve the effectiveness of our own efforts. Other donor countries strongly support this cooperative approach and multilateral institutions are being used for an increasing share of the total development assistance of other industrial donor countries. The United States is no longer the leader in directing assistance through the development banks; the constraints on our support are a principal limitation on their growth as other countries, in general, are prepared to multilateralize a greater part of their assistance.

Bilateral aid remains, of course, of major importance. There are special aspects of economic assistance that require bilateral programs, especially where we have special techniques or products to impart, where we have special interests in individual projects or programs, or where security considerations are heavily involved. But U.S. support for the multilateral institutions is essential if we are to meet today's and tomorrow's challenges of improving the prospects for the millions in developing countries which our bilateral programs do not reach.

In our contributions to the international development banks, we have been trying to reduce U.S. budgetary outlays by making less available to the soft loan windows of these institutions and relying more on U.S. contributions of callable ordinary capital. Callable capital does not involve budgetary outlays; thus, emphasizing callable capital fits in well with the administration's strong efforts to achieve budgetary constraint. Moreover, since our private capital market is a major source of borrowing by the international development banks, it is appropriate that the United States provide an increased proportion of its overall contributions to these banks in the form of callable capital, while other donors with less well-developed capital markets undertake a greater share of funding for the soft loan windows of the banks. This shift in burden-sharing is illustrated by the recent trends in U.S. contributions to the concessional funds of the banks. Our contribution to the fourth replenishment of IDA is one-third of the total, as compared

with 43 percent in our initial contribution in 1961, 42 percent of the first IDA replenishment, and 40 percent of both IDA II and IDA III. In the case of the new IDB replenishment, our contribution to the Bank's concessional resources would be reduced to $600 million, or 57 percent of the total, as compared with $1 billion, or 67 percent of the total in the 1970 replenishment.

In the IFC, our share in the proposed total capital replenishment for fiscal years 1977–79 would fall to about 25 percent as compared with 32 percent in the initial capitalization. And in the Asian Fund the U.S. share will also decline, although we want to maintain our share of the ordinary ADB capital through full appropriation of the amount requested for fiscal year 1977.

One of the advantages to the United States of burden-sharing in the international development banks is that it provides us with substantial leverage in the use of our foreign assistance funds. Thus our appropriations request of about $1 billion in fiscal year 1977 will be associated with nearly $10 billion of total lending by these banks.

Because of burden-sharing by the other donor countries and their consequent sharing of the role in the decisionmaking process as members of these institutions, we do not—as we do in our bilateral aid programs—have complete control over the activities of the banks. These institutions, as you know, are clearly not part of the U.S. Government. What we have to weigh, therefore, is whether, on balance, the international development banks generally perform in ways which meet U.S. objectives even if, for example, they make some loans or lend to some countries that do not meet with our approval. In this connection most of the total lending by the international development banks is to countries—such as South Korea, the Philippines, Pakistan, Tunisia, Brazil, Egypt and Colombia—where we have strong interests and where we now have or recently have had substantial bilateral aid programs.

APPROPRIATIONS REQUESTS

To provide for continued U.S. support of the international development banks in fiscal year 1977 we are requesting appropriations of $1,060.6 million of which $734.1 million will require Treasury outlays and $296.5 million is callable capital—guarantees unlikely to require expenditures. The Administration is seeking:

$375 million for the second U.S. installment of the fourth replenishment of IDA;

$45 million as the first U.S. installment in the first replenishment in 20 years for the International Finance Corporation;

$240 million for the second installment of the fourth replenishment of IDB ordinary capital ($40 million of paidin capital and $200 million of callable capital);

$200 million for the first installment of the replenishment of the resources of the IDB's soft loan window, the Fund for Special Operations (FSO);

$120.6 million for the third installment of the first capital replenishment of the ADB ($24.1 paidin and $96.5 callable);

$50 million for the initial U.S. contribution to the first replenishment of the resources of the soft loan window of the ADB, the Asian Development Fund (ADF).

These U.S. contributions are part of the multilateral effort in funding the international development banks in which the U.S. contributes only a part—and an increasingly smaller part as can be seen in the table attached to this statement. If other donors are to continue supporting these banks, we must do our part by delivering on the amounts we agree to contribute.

The Administration is not seeking a contribution for the "Third Window" of the World Bank which lends at an interest roughly half way between that of the World Bank and that of IDA because we believe priority should be given to IDA and IFC appropriations.

Our participation in the fourth IDA replenishment was authorized by Public Law 93–373 and our participation in the replenishment of the capital resources of the Asian Development Bank in Public Law 93–537. Authorizing legislation for participation in the replenishment of the IDB passed the House of Representatives as H.R. 9721 on December 9, 1975, and is currently pending in the Senate. Legislation authorizing U.S. participation in the replenishment of the IFC and ADF was transmitted to the Congress in February.

H.R. 9721 provides for the United States to make three contributions of $400 million per year to the replenishment of the capital resources of the IDB beginning in fiscal year 1976 and $450 million (all callable) in fiscal year 1979. The bill also provides for U.S. membership in the African Development Fund with an appropriation in fiscal year 1976. Additional budget authority for fiscal year 1976 will

soon be transmitted to the Congress requesting the appropriation of $240 million for the IDB ($40 million in paid in interregional capital and $200 million in callable ordinary capital) and $15 million for the African Development Fund.

In the IDB a new class of shares, known as interregional capital, will be created to facilitate the entry of nonregional members. We are not requesting appropriation of the callable interregional capital because covenants limiting IDB borrowing to the amount of appropriated U.S. ordinary callable capital would not apply to interregional callable capital. Mr. Porges will explain this complicated issue in more detail.

We signed up for IDA IV in January 1975 without appropriations because we knew that, while other donors had made advanced contributions to allow IDA to continue making commitments, they would contribute no additional funds until the United States formally agreed to the replenishment. Such action by the other donors would have forced IDA to stop lending to the world's poorest countries. By agreeing to contribute one-third of the funds for IDA IV we assured that others would contribute the other two-thirds of the funds and IDA has continued to make commitments for projects and programs in the poorest countries.

The nature of our current arrangements concerning IDA, frankly, give me a great deal of concern. We should be aware of the implications of the procedure under which we are beginning our contributions 1 year late and spreading our contribution to IDA IV over 4 years while IDA commits the funds in 3 years. Under the present schedule IDA will have committed all IDA IV resources 3 months before the end of fiscal year 1977. Yet we shall have half of our contribution pending appropriation in fiscal year 1978 and fiscal year 1979.

On the one hand we do not expect a problem in meeting the actual U.S. share of disbursements. We are behind now, but appropriation of the full $375 million for fiscal year 1976 will meet our share of disbursements through October of this year. The $375 million requested for fiscal year 1977 will meet disbursement requirements during that year. On the other hand, negotiations have already started on the next IDA replenishment. IDA hopes that the fifth replenishment will take effect by July 1977, so that there is no period during which IDA commitments must stop. Some of you have suggested that we provide commitment authority to IDA subject to appropriation. This procedure would mean that in fiscal year 1978 appropriations would be necessary to meet not only the $375 million third payment for IDA IV but also for the first payment of IDA V. Such appropriations would total more than double the current request even if the U.S. share of IDA V is substantially reduced. Although I would welcome your views on this problem, I do not believe we can resolve it this afternoon. However, this situation does emphasize the great importance of full appropriation of the $375 million for fiscal year 1977 if the United States is to continue as an active supporter of IDA's key development role in the poorest countries. The administration believes that for the United States to turn its back on IDA is unthinkable.

The need for funds in the other banks is also urgent. The IDB ran out of commitment authority to make new loans in late 1975 and would have had to cease lending except for a change in its regulations that allowed it to make new commitments against loan reflows and certain reserves on a temporary basis until the new replenishment becomes effective. Even after doing this the IDB had only $73 million in remaining commitment authority from ordinary capital at the end of 1975; these funds have already been allocated for a couple of pending loans. Thus, the IDB is now unable to make new ordinary capital loans. The supplemental fiscal year 1976 appropriations which are obviously urgently needed will be used in part to reverse this temporary accounting change made last year. Thus the Bank will again have exhausted its commitment authority by about the beginning of fiscal year 1977. The FSO will also run out of commitment authority by the beginning of fiscal year 1977 even if the full fiscal year 1976 request is appropriated and earmarking of fiscal year 1975 funds is removed.

The Asian Development Bank has only $41 million of commitment authority remaining for soft funds, and these funds remain only because it reduced its soft lending in calendar year 1975 to $166 million from $173 million in calendar year 1974. The Bank has made no soft loans so far in 1976. During 1975, the United States participated in negotiations on an ADF replenishment but did not commit itself concerning the specific timing or amount of any U.S. contribution. Last December, the ADB governors approved a resolution providing for an $830 million replenishment with a suggested U.S. share of $231 million. The United States abstained on the resolution and no decision has yet been taken on the full amount to be requested for the Congress for a 3-year U.S. contribution. We are, however,

requesting $50 million as the U.S. contribution to ADF for fiscal year 1977 to continue the level of U.S. support of the ADF in recent years.

The pipeline of available funds for concessional lending has been reduced below minimum levels by the delays in U.S. contributions. Soft convertible funds of the regional banks available for commitment declined from $285 million at the beginning of 1975 to only $100 million by the end of the year. The inability to make new commitments not only delays the financing of good projects but also weakens the morale and dedication of the banks' staffs.

The $45 million appropriation request for the IFC is part of a $480 million capital increase for the corporation. The total U.S. share is about $112 million.

The IFC, a member of the World Bank Group, is the only multilateral agency specifically designed to encourage private sector growth in the developing countries. It is unique among international development institutions in that it purchases equity and operates without government guarantees.

Our support for the IFC is based on the recognition that the financial resources necessary for development cannot and should not come entirely from public treasuries; the task is too great and the resources are too scarce. Moreover, the private sector has an immense contribution to make to development. IFC seeks to tap the managerial, technological, and financial resources available in the private sector in order to increase its contribution to economic development.

This capital increase is the first since IFC's founding in 1956. The proposed increase is ambitious—more than guadrupling the IFC's small capital base of $108 million. IFC's small capital base has impeded its equity operations, restricted its ability to borrow IBRD funds for relending, and resulted in IFC becoming a much more junior member of the World Bank than was contemplated when it was established 20 years ago. The capital increase will enable the IFC to play a more substantial role in the development process in association with private capital. The United States, as the largest private enterprise economy in the world, is expected to be the leader in support of the IFC. Frankly, I wonder if we have done justice to our strongly held beliefs in the advantages of private enterprise by delaying a replenishment of the IFC in recent years while giving priority to the organizations lending mainly to governments. It is time to put the IFC at the top of our priority list.

Mr. Chairman, we are in an awkward situation today in discussing fiscal year 1977 appropriations when final action has not yet been taken on fiscal year 1976 appropriations. I have tried to avoid discussion of this other pending business by assuming that fiscal year 1976 appropriations are provided at the level the administration has requested. I recognize that the subcommittee might not agree with that assumption. Thus I should state for the record that it is present administration thinking that we would amend the fiscal year 1977 request to include any amounts for the development banks requested for fiscal year 1976 and not appropriated. This procedure would also apply to the supplemental requests for the IDB and for the African Development Fund.

Before closing I would like to address briefly six additional issues which are of interest to the Congress and the administration. First, let me comment on why it is important for the United States to contribute to four international development banks.

Our past experience with the regional banks leads us to believe that smaller institutions with a predominance of local citizens can do a better job of meeting certain requirements than the much larger World Bank Group. Countries in the regions—Latin America, Africa, and Asia—concur in this belief, since the regional institutions give them more control over the course of their own development. Moreover, the work of these institutions and that of the World Bank Group are complementary. The World Bank concentrates on larger, more complex projects utilizing expertise gained from worldwide operations. The regional banks focus on smaller-scale projects and call upon the first hand knowledge and experience of their staffs to meet problems unique to their areas.

Let me now address the effect of the international development banks on our balance of payments. Excluding short-term funds held by the development banks in U.S. financial markets, the total of all inflows and outflows of dollars resulting from transactions from their inception through December 1975, has resulted in a net deficit of only about $200 million for the U.S. balance of payments. Moreover, the banks maintain substantial investments in U.S. short-term financial assets.

The absolute magnitudes of the various types of flows are of course much larger; the total net outflow of capital (subscriptions paid in plus net sales of bonds, loan participations, et cetera in the United States) totaled almost $11 billion as of

end of 1975, while the development banks' purchases of U.S. goods and services, direct expenditures and long-term investments in the United States totaled over $10 billion.

Because of our overall favorable payments situation in 1975 we opened our capital markets freely to the banks for the first time in several years. As a result they raised $1.8 billion in net long-term capital. Consueqntly the cumulative effect on U.S. international payments was less favorable at the end of 1975 than at the end of 1974. However, at the end of 1975, the banks held about $5 billion in short-term U.S. financial assets, which, if included in the above figure, would make the effect on total inflows and outflows from the United States positive by a large margin.

Let me turn now to procurement. One of the major benefits we derive from our membership in the international development banks is the opportunity it affords U.S. exporters to compete for procurement financed by the banks. The rules of the banks require international competitive bidding and other safeguards which give our exporters a fair chance to compete for business in the developing countries. One of the advantages in joining the African Development Fund is that U.S. companies will become eligible to compete for contracts financed by the AFDF and thus will have a greater incentive to compete for business in Africa, which has not been a traditional market for many U.S. suppliers.

We have increased efforts in the last year to obtain a larger share of procurement in the development banks. A consultant investigated ways to increase U.S. procurement in Asian Bank projects will issue a final report shortly. During the past 9 months Treasury has had on loan from the State Department a senior service officer who has concentrated on improving the U.S. procurement record at the banks. This record, I might add, is not bad at all. Although the U.S. share of world exports of goods and sevrices in recent years has been approximately 17 percent, our share of bank-financed procurement has been running at 25 percent. Every $1 billion of procurement in the United States for bank-financed projects generates 47,500 man-years of employment in this country.

I know congressional members are also interested in the foreign assistance activities of the oil-exporting countries as they relate to the international development banks. The vast increase in oil export earnings of the OPEC countries has made it possible for some of them to take on part of the development financing burden and to borrow substantially less from the international development banks thus permitting more lending to the poorer developing countries.

OPEC countries have provided cofinancing totaling some $1 billion to complement 36 IBRD and IDA projects in 16 countries—most of them over the past year or so. (These projects are listed in a table attached.) A substantial amount of IBRD-IDA resources was freed up for other projects and countries by this OPEC cofinancing.

The pattern of lending by the development banks to OPEC countries has changed as a result of the higher incomes of these countries. Lending of soft funds from IDA, the FSO, and the Asian Development Fund to these countries has been stopped with the exception of limited amounts of FSO funding for Ecuador. These FSO loans to Ecuador have been financed from sources other than the U.S. contribution, including Ecuador's own contribution to the FSO. Lending to the OPEC countries with the highest incomes such as Venezuela and Iran has stopped. However, lending to the poorer countries such as Indonesia and Nigeria has increased, partly as a result of proceeding with loans on which work had already started before the oil price increase. We have urged the banks to concentrate their limited resources on those countries with the greatest need.

Now let me say a word about earmarking. The administration has noted the constructive action recently taken by the House in removing the restrictinos on the $50 million appropriated last year for a U.S. contribution to the Fund for Special Operations of the IDB. As we have indicated, we are strongly opposed to the earmarking of U.S. contributions to the international development banks because such earmarking would constitute a dangerous precedent inimical to U.S. interests. Contributions subject to use for specific purposes or countries are contrary to the charters of these institutions as well as to the multilateral framework within which the banks operate.

We cannot expect to control every dollar we contribute to these banks; some reduction in our control is the cost of ensuring burden-sharing whereby other donor countries contribute their fair share to the international development banks. We must be careful not to take a position which could well inhibit new contributions from others by attaching unilateral conditions to our own contributions.

My final point deals with our procedures to examine the work of these banks. We are continuously working at improving our oversight activities in regard to the banks' lending programs and project implementation. Embassy, AID, and Treasury officials make visits to projects as frequently as possible. At every opportunity we encourage and facilitate project visits by Members of Congress.

The primary mechanism through which the administration sets policy on the international development banks, both on general policy questions and on each individual loan, is the National Advisory Council on International Monetary and Financial Policies (NAC). Every loan and borrowing operation and every substantial technical assistance operation is reviewed in detail by the interested U.S. agencies in the NAC before instructions are given to our executive directors. Through this process we assist these institutions to do an even better development job by bringing the very considerable expertise found in the Federal Government to bear in reviewing their projects. I would especially like to mention the outstanding technical work of the Department of Agriculture and the Department of Transportation in contributing highly useful inputs to these reviews. AID is one of the most active agencies participating in the NAC and contributes its immense development experience as well as its knowledge of current conditions in developing countries. The Department of Commerce and the Export-Import Bank help us to be continually vigilant that American exporters have the fullest opportunity for business. The Federal Reserve provides extremely useful analysis of the monetary and financial situation in the borrowing countries. The State Department contributes its detailed knowledge of conditions in the borrowing countries and provides the key foreign policy element in NAC deliberations. In addition to chairing the NAC, we in Treasury are particularly concerned with general bank policies such as assurance of adequate self-help, avoiding financing of cost-overruns, a consistent approach to maturities and grace periods, and increased efforts to reach the agricultural sector and the poorer people in ways that will increase output. The NAC also reviews such general U.S. concerns as expropriation of U.S. investment and arrears on debts to the United States in connection with each loan.

The annual report of the NAC should be an integral part of the documents you consider in determining appropriations for the development banks. In particular, I would call your attention to chapter IV of the fiscal year 1975 report which reviews developments in the banks and includes tables covering such matters as the sectoral breakdown of lending and membership in the regional banks and appendix C which includes the NAC evaluation of all the loans approved during the year. If this appendix were not so long—a hundred fine-print pages—I would suggest you might include it in your report because it brings out the real life benefits for millions of people around the world made possible through the work of the development banks. The purpose and benefits of each loan are given. Let me quote just one example of the sort of information in the NAC report. For a $15 million loan to Kenya, half from the IBRD and half from IDA, the following is part of the analysis of benefits:

"The major quantifiable benefits stemming from the project are substantial increases in marketed production of wheat, maize, milk, and coffee estimated at $10.1 million per year after full development. The project should also ensure employment—either permanent or seasonal and depending on the number of group owners involved—for about 13,000 group farm owners, and will benefit farm families comprising 80,000 persons. These families are from the lower income levels of Kenya's rural population, most of which would be landless and unemployed if steps were not taken to protect their investments. At full development, the annual income of each family should have gained—in addition to its subsistence income—$84 on the mixed farms, and $420 on the coffee estates. Currently, the average per capita income of the rural family in Kenya, including subsistence produce, is only about $70 per annum."

I know that some of you have felt the United States, especially the Congress, cannot make a sufficient review of the lending operations of the development banks in advance of loan approval. Unlike the situation for the bilateral aid program, we can not present you with a list of specific projects that will be financed with the appropriations before you today. This situation is inherent in the nature of these multilateral institutions where the United States provides only 1 dollar out of every 3, 4, or 5 they lend. It would obviously be infeasible for them to present their programs in advance to the governments and parliaments of all their members, or even to the 20 to 25 donor members. However, these institutions do not make sharp changes in the pattern and nature of their lending from year to

year. Thus a review of last year's lending program will indicate quite accurately the nature and direction of their lending programs this year and next year.

In conclusion Mr. Chairman, I would like to apologize for having dealt so much with figures, procedures and burden-sharing. Underlying all these aspects we must keep in mind that the fundamental purpose of these institutions and of all the funds you appropriate for them is to help the people in developing countries improve their miserable living conditions. Support for the development banks is important in building and maintaining the broad framework of international cooperation that is important to continued U.S. prosperity. But this is an additional benefit. The basic justification for the appropriations has to be that these banks do a good job in using the money to help the developing countries help themselves and that this development reaches the people in these countries in a way that justifies U.S. taxpayer support. I think the examples that others have in their testimony on the individual banks and an examination of the NAC report demonstrate that the job these institutions are doing would receive the support of most Americans if they had the opportunity to examine it carefully.

We have not asked for the amounts of money that these institutions could use to accelerate development worldwide. Given the need for budget stringency, which we in Treasury know is so essential in the United States today, we have asked for the minimum amounts necessary to keep these institutions going in a manner consistent with the highest priority needs of the poor countries and contributions being made by others. The decisions you will make on these appropriations may receive much attention in the capitals of the world. But the practical effects of the appropriations will be spread to the poorest villages, slums, and isolated areas where little is known of the United States, burden-sharing or these institutions, but where improved seed, a well, a visiting health team, availability of credit, or a road to the market can make—at small cost—an immense difference in the quality of life.

ANNEX 1—ASIAN DEVELOPMENT BANK

The Asian Development Bank was created in 1966 to foster economic growth and cooperation in the poorer countries of Asia and the Far East. The Bank has 27 regional members providing 72 percent of its capital and 14 nonregional members, including the United States, Canada, and 12 West European countries providing 28 percent of its capital. The aggregate voting power of the developed member countries, which include all the nonregional members plus Australia, Japan, and New Zealand, represents approximately 54 percent of the total. The U.S. participated actively in the establishment of the Bank and its subscription to the Bank's capital stock currently amounts to $361.9 million or 11 percent of the total.

BANK RESOURCES

The Bank's ordinary capital lending, at interest rates of 8.75 and terms of 15–25 years, is financed from its subscribed capital and the proceeds of its borrowings. As of December 31, 1975 the ADB's subscribed capital stock amounted to $3,201.5 million of which 33 percent was paid in and 67 percent was callable. Callable capital is used exclusively to guarantee borrowings from the international capital markets and represents a potential budgetary outlay only in the unlikely event that the Bank could not meet its obligations to bondholders. Through a bond covenant the ADB is restricted to borrowing an amount not more than approximately 97 percent of its convertible callable capital, currently $1,264.4 million. If the Bank were to limit its new commitments to amounts which could be financed without additional capital, the Bank had resources sufficient to commit only $184 million in new loans as of December 31, 1975. Given the virtual exhaustion of commitment authority, the Bank has already initiated discussions on a capital replenishment. The U.S. has not yet taken any position on the size and timing of such a replenishment, although it is clear that additional funds are needed relatively soon.

The United States subscribed its first of three installments to the first ADB capital replenishment in fiscal year 1975. Most other countries completed their subscriptions to the replenishment during 1973–75. The request for $120.6 million in fiscal year 1977 completes the U.S. contribution to the replenishment and is vital to the lending program of the ADB as the figures mentioned above indicate. The funds are urgently needed to permit continued ADB lending to countries such as the Philippines, South Korea, Indonesia, and Thailand—the major 1975 ADB borrowers. These Asian rim countries have shown strong self-help efforts to achieve economic growth and are of particular importance to the United States.

Of the $120.6 million sought for fiscal year 1977 only $24.1 million are paid-in funds which will entail budgetary outlays. The remaining $96.5 million is callable capita. which is not likely to require any U.S. outlays. In fiscal year 1975 only the $24.1 million of paid-in was appropriated, but on the basis of authorizing legislation the U.S. subscribed the full $120.6 million first installment. However, we subscribed to the callable capital only reluctantly because we believe callable capital for this relatively new bank should be appropriated. The callable capital proportion of the third installment is being requested in fiscal year 1977 for appropriation. Appropriation of this amount does not increase Treasury outlays but it gives financial analysts and the bond market greater confidence in the ADB's bond issues and, thus, with no real cost to the United States, the ADB will be able to borrow at better rates and longer terms than otherwise. Completion of the U.S. subscription to the first replenishment will also allow us to increase our voting power in the Bank, which is now 9.5 percent, to close to the original 16 percent.

In 1975 the ADB borrowed $322.8 million in world capital markets of which $75 million (23 percent) was raised in the United States. This was the first ADB issue in the United States since early 1971 as the Bank has been relying more heavily on the Japanese and West European markets. The U.S. notes, with an 8.5 percent coupon rate, were priced at 99 percent with full maturity in 5 years.

BANK LENDING ACTIVITIES

From its establishment through December 31, 1975 the Bank has approved 150 loans from ordinary capital resources, for projects in 15 member countries, in an aggregate amount of $1.925 billion, of which $684 million has been disbursed. In calendar year 1975 the Bank committed $494 million for new loans. The Bank has become an important institution in Asian development, and being a regional organization, plays a major role in mobilizing self-help resources and bringing local knowledge to Asian development problems.

In response to suggestions by the administration and Congress and by its own borrowers, the ADB has been paying increasing attention to the social impact of its operations. Of particular concern to the Bank are efforts to create employment opportunities and increase rural incomes. Lending for agriculture and agro-industry was over 37 percent of total ADB/ADF lending in 1975 compared with 24.5 percent in 1974. The extent of this change in sector emphasis during the past couple of years is shown by the fact that despite the 1975 lending program cumulative Bank loans to public utilities currently equal $907 million (35.1 percent) compared with agriculture's $589.4 million (22.8 percent).

Recent irrigation and land development projects have been used by the Bank to provide not only infrastructure, but also farmers' credit, seeds, fertilizer, and other inputs as well as improved marketing facilities. Additionally, more attention is being given to the development of extension services and other farmers' institutions. The objective of such integrated projects is to ensure that all the various factors needed to increase productivity are provided in the appropriate balance. An example is the Pulangui River irrigation project in the Philippines approved in 1975 which includes all of the following elements: construction of irrigation canals, drainage system, and roads; establishment of two pilot farms for demonstration of extension services and the introduction of intensive rat control measures; the improvement of the land tenure system; and other farm services such as timely supply of farm credit, fertilizer, and other farm inputs.

The benefits of the project include employment totaling 2.6 million man-days during the construction period and about 477,000 man-days after the construction of the irrigation project and improved income distribution in the area as crop production incomes of nearly 3,000 small farmers increase from $191 at present to $1,572 after 1982 for self-owners and $1,365 for leaseholders.

Many of the same concerns are also being addressed for the first time in other sectors. For example, in 1975 the Bank provided financial and technical assistance for sewerage and slum redevelopment projects. These projects, together with water supply, are a part of the ADB's efforts to increase the direct impact of its operations on lower income groups in urban areas. Under the Bandung urban development and sanitation project a comprehensive study will be conducted for the improvement of housing, roads, footpaths, water supply, sewerage, solid waste disposal, health clinics, and other facilities. The first stage of the subsequent project will improve living conditions of about 34,000 households with average incomes of less than $50 per month.

Another area of expanding Bank interest is the use of intermediate technology in rural development projects and in connection with development bank subloans

to small- and medium-scale industries. In June 1975, the Bank approved a $13.5 million loan to the Philippines to finance, in part, farmer credits for hand tractors, baby threshers, and small driers for rice. An ADF agricultural credit loan in December to Bangladesh will be used to finance small (6–15 horsepower) power tillers. A $1 million loan to a western Samoa development bank will be used for small subloans for nail manufacturing, car repair shops, mechanization of various handicrafts, and other small manufacturing shops.

The Bank has just recently approved funding of a second Asian agricultural survey, patterned after the Bank's successful survey of 1967, which recommended the application of new technologies as a means for accelerated agricultural rural development.

ASIAN DEVELOPMENT FUND

When the Bank was established it was recognized that it would have to provide financing on concessional terms to meet the needs of its poorer developing member countries. Prior to 1973 the ADB's soft-loan special funds were contributed on an unscheduled basis through bilateral arrangements made by the Bank with donor countries.

In 1973, the ADB's Board of Governors, with U.S. support, adopted a resolution creating a new multilateral special fund, the Asian Development Fund, to which all contributions would be made and used on the same terms and conditions. Subsequently, agreement was reached among the Bank's developed country members on an initial resource mobilization for the new ADF of $525 million for the 3-year period ending December 31, 1975. In fiscal year 1972 and fiscal year 1975 the Congress authorized U.S. special funds contributions totaling $150 million, of which $100 million has been appropriated and contributed to the ADF. The final U.S. contribution of $50 million to the initial mobilization is included in the fiscal year 1976 appropriation request.

As of December 31, 1975 the ADF/SF had committed $658.8 million for concessionary loans. This left only $40.9 million remaining for new commitments in 1976, not including the $50 million U.S. contribution requested for fiscal year 1976.

Recognizing the depletion of ADF resources, multilateral negotiations were held in 1975 with a view to replenishing the ADF's resources. During these negotiations the U.S. representative stated that he could give no indication of the amount or timing of a U.S. contribution, in part because the United States had not yet completed its contribution to the initial resource mobilization of the ADF and consultations concerning U.S. participation in a replenishment had not yet been held with Congress. The U.S. representative did indicate that the United States continues to be a strong supporter of the ADB and would, in principle, expect to continue contributing to the ADF.

Recognizing that the United States was unable to commit itself concerning the specific timing or amount of any U.S. contribution, the ADB Board of Governors on December 3, 1975, adopted a resolution providing for the replenishment of ADF resources. The resolution provides for an ADF replenishment in an amount not to exceed $830 million for the 1976–78 period. Most donor countries agreed to contributions equal to approximately 150 percent of their initial contributions. As no decision has yet been made on the total U.S. contribution to be requested for the ADF replenishment, the United States reserved its position on the $231 million proposed in the resolution for the U.S. share while commenting that such an amount seemed large. We formally abstained on the resolution.

Pending final determination of the total 3-year U.S. contribution level, draft legislation authorizing an initial U.S. contribution of $50 million for fiscal year 1977 has been transmitted to Congress. Since contributions by other countries beyond the first year of the replenishment are contingent on U.S. participation, a U.S. commitment of the $50 million in fiscal year 1977 is essential for the successful implementation of the total ADF replenishment package. This amount represents the same level appropriated in fiscal year 1974 and fiscal year 1975 and requested in fiscal year 1976. The administration has not yet determined the level of ADF appropriations to be requested for fiscal year 1978 and fiscal year 1979; in any case the level will be below the suggested $231 million.

SPECIAL FUND OPERATIONS

In 1975 the ADF approved concessionary loans totaling $166 million, which was considerably less than the Bank's expected program of $200 million in part because no loans were approved for South Vietnam, Cambodia, or Laos. The loans

went to the poorest South Asian and Pacific States with Bangladesh, Pakistan, Burma, and Sri Lanka as principal borrowers. Agricultural and agro-industry projects accounted for 65 percent of the total lending and public utilities for 29 percent. Only Asian countries with 1972 per capita incomes of less than $300 are eligible for the loans which carry a service charge of 1 percent with maturities of 40 years including 10 years grace period on repayments.

INDOCHINA

The Asian Development Bank, with strong U.S. support, made loans to South Vietnam, Cambodia, and Laos in previous years when conditions in these countries were quite different from the present situation. In April 1975, the Bank suspended all loan operations in Vietnam and Cambodia. Operations have not resumed and no new loans have been considered or approved. There has been no contact by the ADB with Cambodia since last April. Although the Vietnamese have indicated some interest in the IMF, IBRD, and ADB, our attitude, and that of the ADB, is that benefits are limited to those countries willing to accept and implement the obligations and responsibilities of membership including Bank staff access to national economic data, freedom of staff entry and movement, adherence to conditions stipulated in loan agreements, and international competitive bidding for project procurement. Until the present Governments of South Vietnam and Cambodia agree to follow these procedures we expect no ADB financial assistance to these countries. At this time there is no evidence that these countries are prepared to comply with ADB requirements.

In Laos the ADB is closely monitoring its operations to insure that loan condistions are being met and the projects properly implemented. As indicated below, the actual amount of funds disbursed to suppliers for projects in Vietnam, Cambodia, and Laos as of December 1975, was only $12 million.

ADB/ADF INDOCHINA LOANS

[In millions of U.S. dollars]

	Loans approved	Amounts disbursed	Paid-in [1] convertible currencies
South Vietnam	$44.6	$5.7	$4.5
Cambodia	1.7	.6	1.2
Laos	11.7	5.7	.2

[1] Contributed to ADB by these countries.

CONCLUSION

As Secretary Simon pointed out in his speech at the ADB annual meeting in Manila last year, Asia has a special significance for the United States. He echoed President Ford's promise that the United States would continue to work cooperatively with others in maintaining the security and building the prosperity of the region. In an increasingly interdependent world, the United States, as a Nation of the Pacific as well as the Atlantic, must remain involved. The competence of the Asian Development Bank is a strong asset in assisting our efforts to achieve these goals.

ANNEX 2—AFRICAN DEVELOPMENT FUND

Authorization for United States membership in the African Development Fund (AFDF) is presently pending before Congress. The House of Representatives voted in favor of the authorizing legislation (H.R. 9721) on December 9, 1975. The administration is requesting an amendment to the fiscal year 1976 budget or a supplemental budget to provide $15 million to be made available to the AFDF in three annual installments over the fiscal year 1976–78 period.

AFRICAN DEVELOPMENT BANK

The AFDF is the concessional loan affiliate of the African Development Bank (AFDB). The AFDB was established in the early 1960's to assist in the economic and social development of the newly independent African nations and to promote economic cooperation among them. The Bank's membership is exclusively African, with 41 member countries presently subscribing convertible currencies

to the ordinary paid-in capital of the Bank amounting to $235 million. Through December 31, 1975, the Bank had authorized $317 million for ordinary capital loans for 107 projects in 37 member countries, mainly in the public utilities and transport sectors.

The Bank faces an extremely challenging task because Africa is the world's least developed continent. Over half of the 25 poorest, least developed countries in the world are in Africa; 13 of the world's 18 land-locked developing countries are African; 22 of 33 of the United Nations' "most seriously affected" (MSA) countries are African. About 75 percent of the African population is engaged in subsistence agriculture and in half of the countries per capita income is less than $100 per year. Because of these dramatic problems many of Africa's developing states simply cannot afford to borrow at the 6 percent rate of interest for 8 to 20 years offered by the Bank for many of their high priority development projects. To meet the need for softer terms for these projects, the Bank decided to establish a source of concessional funds.

ESTABLISHMENT OF THE AFRICAN DEVELOPMENT FUND

In 1966, in recognition of these problems and in an effort to increase the involvement of the industrial nations in African development efforts, the Bank undertook discussions with developed countries on establishing a concessional facility associated with the Bank. After 6 years of negotiations, and with U.S. assistance in drafting the charter, the African Development Fund was inaugurated in July 1973. The present members of the Fund are Canada, Brazil, Japan, Saudi Arabia, 12 European donors and the Bank itself representing all of its member countries.

The Fund is legally separate from the Bank and managed by its own board of directors, six of whom are chosen by the Bank and six by the door countries. A 75 percent weighted vote is required for all operational decisions.

The Fund uses the Bank's staff and draws upon its expertise, as do the concessional funds of the other international development lending institutions. All loans bear a three-quarters of 1 percent service charge, with a 40 year maturity plus a 10 year grace period. The Fund directs its loan resources toward social development projects. Although all members of the AFDB are theoretically eligible for concessional loans, only the poorest receive them in practice.

FUND RESOURCES

Since the Fund's establishment, donor nations have pledged about $145 million in concessional loan resources and the Bank has contributed another $7 million. The proposed U.S. appropriation of $15 million for the African Development Fund—which represents about 9 percent of the contributions so far pledged by members would bring the level of total subscriptions to about $167 million. The United States would be the fourth largest contributor, after Canada which has pledged $25 million and Japan and Germany, each of which has pledged $16.7 million.

The AFDB recognizes the importance of concessional lending in a region as poor as Africa and is continuing to seek additional resources for the Fund, through the enlistment of new members, the increase in donor subscriptions, and bilateral loans and grants. The replenishment of the Fund's capital resources for the 1976–78 period was discussed in Paris in November 1975, the fourth in a series of such meetings. The AFDF hopes that the current donor members will contribute twice as much in the next 3 years as in the last 3 years. The proposed U.S. contribution would be paid in over the new replenishment period. Thus, it is likely that the United States share would drop substantially in donor ranking.

FUND OPERATIONS

During the first 2 years of operation (1974 and 1975) the Fund made 40 loans totaling $140 million to finance projects, predominantly in the area of agriculture. Sixteen of these loans, for $60 million, have been for long-term development projects such as village wells, roads, earthen dams, and irrigation in the six drought affected countries comprising the Sahel.

The Fund staff has laid out an ambitious lending program over the next 3 years. Management has estimated that during the 1976–78 period, the Fund will lend between $350 and $385 million. As of October 1975 the Fund's pipeline contained 93 projects, mainly in the agricultural and transport sectors, totaling $304 million.

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During late November 1975, a delegation of Treasury officials, Congressmen, and congressional staff visited four West African countries in order to view at first hand the activities of the World Bank and the African Development Bank and the economic problems of the borrowing countries. In Mali, of one of the world's poorest countries which has suffered from severe drought in recent years, the group visited two projects which had benefited from AFDB/AFDF loans. One, a state-owned textile mill, manufactured printed cloth to be marketed locally from raw cotton produced in Mali. The plant not only provided much needed employment for some 850 Malians, but helped conserve scarce foreign exchange by reducing the need for importing the goods. The group was also shown a demonstration well shaft that had been dug by hand and reinforced with concrete to teach people from outlying bush areas modern well-drilling techniques. The AFDF project uses noncapital intensive or intermediate technology, which can be used in villages and on farms. This "operation wells" program designed by the Government of Mali to meet the water requirements of the rural population and livestock, is a significant example of a development project (to which the AFDF contributed $4.4 million) directly improving the daily lives of the poor.

In Liberia the delegation visited the Liberian Bank for Development and Investment (LBDI) which had received $3 million from the AFDB. The AFDB has made similar loans to national development finance corporations like the LBDI throughout Africa. In visiting a Liberian-owned chicken farm near Monrovia, the group saw an example of how the AFDB line of credit was being used effectively to extend small loans to individual Liberians, for productive purposes.

U.S. MEMBERSHIP IN FUND

Because the United States participated in the drafting of the agreement establishing the Fund, we would have been eligible to be an "original participant" had we contributed to the Fund by December 31, 1974. This would have made our membership in the Fund automatic and entitled us to participate in the election of directors in May 1975. Because we did not meet the December 31 deadline, the terms of our membership are not at this moment defined and our entry into the Fund is subject to unanimous approval by the Board of Governors. We believe that, if the proposed appropriation is approved, we will be able to negotiate membership in the Fund under terms similar to the original charter conditions.

One aspect on which we have already held informal discussions with the Fund Management concerns Article 13 of the Fund's charter which provides for maintenance of value on currency holdings during the period after a member's contribution has been paid and before the funds are lent out or exchanged for another currency. In order to avoid being subject to this limited maintenance of value obligation, we have secured agreement from the Fund management that our contribution would be converted to another currency on receipt. According to Article 13, this procedure will free the United States from any maintenance of value obligation.

IMPORTANCE OF AFRICA TO UNITED STATES

Africa has a growing economic significance for the United States. Total U.S. exports to all Africa rose from $3.7 billion in 1974 to around $5.2 billion in 1975. As a result, Africa's share of U.S. world exports grew from 3.7 percent in 1974 to 4.2 percent in 1975. Under the articles of the Fund, procurement of goods and services for projects financed by the Fund is limited to members only. Until the United States joins the Fund U.S. exporters and contractors will be unable to compete for this potentially substantial source of export earnings represented by Fund projects. Moreover, our export sector and service firms will be at a major disadvantage in terms of followup business and will not have incentives to establish markets in some African countries.

During the 10-year period from 1964 to 1974, U.S. investment in Africa quadrupled. Investment and trade in minerals and petroleum account for the largest share of U.S. economic activity in Africa. Three-quarters of U.S. direct investment in Africa are in these areas. In 1974, Africa petroleum alone accounted for 26 percent of total U.S. imports of crude oil. For the first 9 months of 1975 Africa's share rose to 34 percent. During the same period we obtained the following percentages of our mineral imports from Africa: cobalt—36 percent; manganese—44 percent; antimony—40 percent; platinum—39 percent. In addition to minerals, we obtain 21 percent of our coffee and 48 percent of our cocoa from African exporters.

Despite several problems, U.S. participation in the AFDF is consistent with our national interest. Looking at the African continent from the perspective of the long term, the extent to which we can assist, through the AFDF, in raising the living standards of Africa's poor, is clearly in the U.S. interest.

Following enactment of the authorization the administration hopes that prompt action will be taken on the request for $15 million of appropriations in fiscal year 1976 for the AFDF. Early action is necessary to permit the United States to join the Fund before the annual meeting in early May. At that meeting elections will be held for executive directors, providing what may be the only opportunity during the next 3 years for election of a U.S. executive director. If these appropriations are provided in fiscal year 1976, the administration does not plan to request additional appropriations for the AFDF in fiscal year 1977.

ANNEX 3

TRENDS IN SHARE OF INTERNATIONAL DEVELOPMENT BANK RESOURCES PROVIDED BY THE UNITED STATES

(Percent of Contributed Resources)

			IDB		ADB	
	IBRD	IDA	OC	FSO	OC	SF
Initial contribution	41.4	42.6	43.1	68.5	20.0	28.6
1st replenishment	32.9	41.9	43.1	[1] 68.5	18.2	----
2d replenishment	28.0	40.0	43.1	83.3	----	----
3d replenishment	----	39.9	41.2	75.0	----	----
4th replenishment	----	33.3	32.4	66.7	----	----
5th replenishment	----	----	----	57.4	----	----
Cumulative U.S. share	25.3	37.7	40.4	69.2	18.8	28.6

[1] If the SPTF is included, the United States provides a total of 90.7 percent of IDB concessional resources through the 1st replenishment.

ANNEX 4

INTERNATIONAL DEVELOPMENT BANK LOANS TO OPEC COUNTRIES, FISCAL YEARS 1974–76

[In millions of dollars]

Country	Fiscal year 1974					Fiscal year 1975					Fiscal year 1976[1]					Grand total
	World Bank		ADB/IDB			World Bank		ADB/IDB			World Bank		ADB/IDB			
	Bank	IDA	OC	SF, FSO	Total	Bank	IDA	OC	SF, FSO	Total	Bank	IDA	OC	SF, FSO	Total	
Abu Dhabi															46.0	251.5
Algeria	157.5				157.5	48.0				48.0	46.0			[2]40.7	40.7	187.6
Ecuador	23.2	5.5		55.7	84.4	4.0		35.0	23.5	62.5					134.05	722.67
Indonesia	48.0	84.0	11.78	21.54	165.32	332.0		77.1	14.2	423.3	68.0		66.05			317.5
Iran	265.0				265.0	52.5				52.5						
Iraq																
Kuwait																
Libya																
Nigeria	75.0				75.0	173.0				173.0						248.0
Qatar																
Saudi Arabia																
Venezuela	22.0				22.0											22.0
Total	590.7	89.5	11.78	77.24	769.22	609.5		112.1	37.7	759.3	114.0		106.75		220.75	1,749.27

[1] Through Mar. 1, 1976.

[2] Includes $29,600,000 from Venezuelan Trust Fund.

ANNEX 5

COFINANCING OPERATIONS BETWEEN BANK/IDA AND ARAB DEVELOPMENT BANKS

[In millions of U.S. dollars equivalent]

Country and project	Fiscal year	IBRD loan	IDA credit	Cofinancing institution	Amount lent	Total project cost
Burundi—Coffee improvement	1976		5.2	Kuwait Fund	1.2	7.5
Rwanda—Highways	1970		9.3	Saudi Fund	5.0	25.7
	1976		9.5			
Sudan—Irrigation supplemental	1973		42.0	Kuwait Fund	11.0	96.0
	1975		20.0	do	39.0	148.0
				Arab Fund	14.5	
				Saudi Fund	28.0	
Tanzania—Textiles	1975	15.0		Kuwait Fund	15.0	44.3
Maize	1976		18.0	BADEA [1]	5.0	38.0
Zaire—Mining	1975	100.0		Libyan-Arab Foreign Bank	100.7	435.0
Water supply	1976	21.5		BADEA [1]	10.0	70.4
Ghana—Cocoa	1976	14.0		BADEA [1]	5.0	30.0
Mauritania—Ports	1976		8.0	Kuwait Fund	8.3	27.5
Highways	1975		3.0	do	3.8	13.7
Nepal—Hydroelectric	1976		26.0	do	17.5	68.0
Algeria—Ports	1974	70.0		Arab Fund	20.0	293.2
				Kuwait Investment Co	60.0	
Cement	1976	46.0		Local Algerian banks	89.8	214.4
Egypt—Fertilizer	1974		20.0	Arab Fund	22.1	132.4
				Kuwait Fund	23.8	
				Abu Dhabi Fund	10.2	
				Libyan-Arab Foreign Bank	10.1	
				Qatar	3.4	
Cotton ginning	1974		18.5	Saudi Fund	25.6	40.4
Suez Canal	1975	50.0		Kuwait Fund	34.5	288.0
				Saudi Fund	50.0	
				Abu Dhabi	34.5	
				Qatar	10.0	
Cement	1975	40.0		Arab Fund	23.0	84.0
Railways	1975	37.0		Saudi Fund	65.0	296.3
Telecommunications	1975		30.0	do	23.0	173.4
Jordan—Thermal power	1973		10.2	Kuwait Fund	10.2	25.0
Power	1976		5.0	Arab Fund	13.4	22.0
Syria—Thermal power	1974	25.0		Kuwait Fund	33.0	62.6
	1975	8.6		Abu Dhabi Fund	15.0	
Tunisia:						
Gas pipeline	1971	7.5		Kuwait Fund	2.5	14.3
Phosphate	1973	23.3		do	6.9	64.2
Sewerage	1975	28.0		Saudi Fund	30.0	86.1
Yemen, A. R.:						
Agriculture	1973		10.9	Kuwait Fund	5.9	17.5
Water supply	1974		6.25	Abu Dhabi Fund	1.0	6.8
Agriculture	1975		10.0	do	10.0	23.2
Highways	1975		9.0	Kuwait Fund	5.0	15.7
Water and sewerage	1975		8.1	Arab Fund	21.0	31.2
Yemen, P.D.R.:						
Highways	1975		15.5	Kuwait Fund	15.3	31.8
Ports	1976		3.2	Arab Fund	13.6	17.6
Yugoslavia: Oil pipeline	1976		49.0	Kuwait Fund	125.0	377.0
				Libya	70.0	
Total		485.9	366.65		1,141.8	3,321.2

[1] Arab Bank for Economic Development in Africa.

Statement of Paul H. Boeker, Deputy Assistant Secretary of State for Economic Affairs

Mr. Chairman and members of the subcommittee, I am pleased to have the opportunity to testify today in support of the administration's requests for appropriations for the international development banks. Our support for these institutions is an extremely important element in our relations with developing countries and in the overall north/south dialog. Our relations with these countries in turn are a major element of U.S. foreign policy.

In September 1975, the members of the United Nations met in a special session to consider the global issues of economic development. This Seventh Special Session of the General Assembly was an important turning point in relations between developing countries and the industrial democracies, especially the United States. The dialog of the deaf and the confrontational conclusion of the Sixth Special Session 18 months earlier contrasted sharply with the constructive negotiation of the consensus resolution adopted at the Seventh Special Session.

Following on the heels of the Seventh Special Session, ministers from 27 countries—developed and developing—met in Paris in December to initiate the Conference on International Economic Cooperation.

A major theme of both of these meetings was global economic progress based on cooperation to improve the international economic system. A central element in this process is economic development.

More than 2 billion of the world's poorest people living in over 100 developing countries look to assistance including that from the United States to augment their own efforts to attain an acceptable level of economic progress. The developing nations need our skills and capital resources to help feed their people, assist in training human resources, attain an equitable participation in the benefits of growth, and develop their natural resources. The other side of this issue is the economic and political impact of these developing countries on the United States. The United States, for example, has increasingly close relations with these countries. From them we seek:

Cooperation in finding international solutions to complex world problems—food, energy, population, environment, et cetera.

Opportunities for mutually productive and profitable investment of capital and technology.

Markets for the products of U.S. enterprises—the developing countries now buy nearly a third of U.S. exports and supply two-fifths of U.S. imports—which create jobs for workers on both ends of the trade pattern.

Raw material imports to meet the needs of American industry and American consumers; the United States buys from 50 percent to 100 percent of its requirements of major minerals such as tin, bauxite, and manganese from the less developed world.

The international financial institutions are vital instruments in helping us achieve our political objective of developing a stable international structure. Mr. Bushnell has already referred to the amounts requested for fiscal year 1977 so I will not repeat the figures. I would like to stress one point he made, however, and that is the urgent need for the funds we are requesting. If these institutions are to avoid serious constraints on their ability to foster economic development, the appropriation of the full administration request is essential.

In the process of addressing the problems of the developing world, each development lending institution has a unique role to play. Some problems are global and it takes a global institution to deal with them. Others are regional and a regional institution is more appropriate. The institutional structure of international financial cooperation which has grown up over time is the result of the efforts of developed and developing countries alike to design specific instruments to deal with a unique set of problems not adequately addressed by other institutions.

In his address to the Seventh Special Session, Secretary of State Kissinger highlighted the importance of assisting the developing countries' capital markets as a means of accelerating their economic growth. To help stimulate this process, he proposed a four-fold increase in the capital resources of the International Financial Corporation (IFC). The final resolution of the Seventh Session gave recognition to the importance of capital market access and to a replenishment of the IFC's resources.

U.S. support of the IFC is based on the premise that a vigorous private sector is generally a critical element in the process of economic development. High levels of private investment are a common factor behind the growth experience of three of the most successful developing countries—Brazil, South Korea, and Taiwan.

Within the World Bank Group, the IFC is the institution focused primarily on the private sector and the only institution able to make equity investments and to lend without government guarantees. The IFC needs a substantial capital replenishment, however, if it is to play an appropriate catalytic role in an expanded effort at private-sector development.

Another area where increased IFC involvement will be possible only with increased capital is in the minerals sector. Tight supply problems and soaring prices for a large number of critical industrial raw materials during 1973 and 1974, the example set by the oil cartel, the imposition of unilateral export controls on selected commodities, have caused every government to focus on commodity issues. Adequate and sustained investment is a key element in assuring reasonable prices, smoothly functioning commodity trade, national economic development and, in general, a diffusion of the gorwing politicization which more than ever characterizes resource issues. With an increased capital base, the IFC can use its technical managerial and financial expertise to bring together foreign private investors and host governments in this important sector.

Because IFC is an international entity with a reputation for competence and impartiality, it can play in many cases the role of neutral intermediary in enterprises in which it has invested when sensitive issues arise between the host country and large international corporations.

Another problem of global dimensions is that of the poorest developing countries. In the past few years the plight of the poorest has worsened due to recent events. The rising prices of imported petroleum, fertilizer and cereals; the slackened demand for their exports to developed countries and the erosion by inflation of the real value of development assistance, all have dealt severe blows to the growth aspirations of the poorest nations. These nations, with a population of 1 billion and incomes averaging less than $200 per capita, on the most likely set of assumptions will suffer an actual decline in their per capita incomes over the next few years. The effect of this on the already marginal condition of life of the poorest 40 percent within these countries is an appalling prospect.

No coherent foreign policy can ignore the over 900 million people living on the edges of our modern society with incomes under $75 a year. This is a problem that transcends regional differences and which calls for the combined efforts of all concerned countries. The poorest developing countries desperately need additional assistance on concessionary terms.

The institution designed, at U.S. initiative, to deal with the problems of the poorest is the International Development Association. IDA is our principal instrument for channeling assistance to the poorest segments of the world's population and as such it serves an important foreign policy interest.

During the negotiation of this fourth replenishment, the U.S. share was reduced from 40 percent to 33 percent of the total. Given this reduction in our share, it is vitally important that the Congress appropriate the funds requested so that we can participate in this institution in a manner consistent with our foreign policy objectives.

As I noted before, the IFC and IDA are global institutions designed to deal with a particular set of global problems of considerable foreign policy interest to us. A number of our concerns are regional in nature, however, and require foreign policy responses especially tailored to meet the unique requirements of the region. Because of their local character, the regional development banks are focused on separate and distinct foreign policy interests.

This hearing offers the first opportunity to testify on the new replenishment of the Inter-American Development Bank. We are certainly pleased that the House passed the bill this year and we hope the Senate will approve it shortly.

Latin America and the United States long have had special ties and interests. These links were underlined in Secretary of State Kissinger's trip to Latin America last month.

Our common heritage was forged by our struggle for independence. We shared the similar challenges of developing the resources of bountiful and undeveloped continents. Together we have led the world in building international organizations to serve in cooperative endeavors for both collective security and economic progress.

Many Latin American countries are becoming important participants in world affairs. Nations like Brazil, Venezuela, and Mexico exercise influence in councils dealing with commodities, minerals, and energy products. We welcome the entry of Latin America into the global arena, while recognizing a continuing special hemispheric relationship of great importance.

The economic ties between the United States and Latin America are a common bond. Nearly a fifth of our imports and exports take place with Latin American and Caribbean countries. Of basic commodities we obtain from abroad, we look to this area for 34 percent of the petroleum, 68 percent of the coffee, 57 percent of the sugar, 47 percent of the copper, 35 percent of the iron ore, and 96 percent of the bauxite. Last year we exported over $17 billion worth of U.S.-made good to the region; much of it paid for by the long-term improvements in Latin American foreign exchange earnings; some of it through loans obtained from sources such as the IDB. Official borrowing remains important in view of the area's enormous need for capital goods, supplies, and the like.

The United States, in addition, has more than $17 billion worth of direct private investment in this part of the hemisphere, Bermuda excluded. A prospering Latin America can benefit the United States. A stagnant Latin America would damage substantially our interests.

As Latin America advances and develops greater global interests, the importance of hemispheric cooperation actually becomes more essential. A keystone to that cooperation is the Inter-American Development Bank. The IDB today is the

single most important source of official development capital for the nations of this hemisphere. Our participation in the IDB is a litmus test of our sincerity in proclaiming our interest in Latin American economic development. I should also note that the legislation passed by the House and currently before the Senate provides for the expansion of the IDB's membership to include a number of nonregional donor countries. We welcome this development which provides for increased burden sharing in this important institution.

Just as the Inter-American Bank symbolizes our concern for economic progress and justice in Latin America, so the Asian Development Bank has become an increasingly important aspect of our relations with Asia.

The United States is a Pacific power and our history has been inextricably linked to Asia. President Ford underlined the importance of Asia to U.S. foreign policy interests on his visit there late last year.

The security interests of the great world powers intersect in Asia. Japan, China, the Soviet Union, Western Europe, and the United States have important status in the region. All would be affected by any major conflict there. It is an area vast in population, rich in culture, and abundant in resources. The United States has been involved in three long and costly Asian wars in the past generations. We have learned at painful cost that equilibrium in Asia is essential to our own peace and safety and that no stable order in that region can be maintained without our active participation.

Today more than ever the continent of Asia has become an important element in the economic strength and progress of our own country. Several East Asian countries have become major trading partners of the United States. U.S. investment in the region has grown rapidly in the past decade and has further potential. Asia is also an important and stable supplier of our raw materials, providing nearly all of our natural rubber, tin, and coconut oil, and has become a stable, alternative source of a portion—8 percent—of our petroleum imports.

In order to maintain our political and economic interests in this important part of the world, a fundamental U.S. foreign policy objective over the years has been to support the establishment of a stable political equilibrium. Essential to that equilibrium, however, is an element of peace and stability among the developing nations of the area: some of these nations comprise a very large proportion of the poorest population in the world; they have also been most seriously affected by the energy crisis and the recent worldwide recession. Some continue to face external threats and externally fueled insurgency and subversion. In this atmosphere a key to the political stability we deem essential for continued peace is sustained economic growth and progress to ameliorate the domestic conditions that promote dissidence itself.

Providing assistance through the ADB contributes to the dual U.S. objective of helping the neediest people to help themselves and to maintain peace and stability in the region through economic and social progress. But beyond that, the fullest possible support of the ADB represents an important signal of American commitment to continued political and economic presence in an eara of the world of long standing importance to us. Such support of the ADB is clearly in accord with the principles of our policy in the Pacific enunciated by President Ford in his Honolulu speech and will be an effective demonstration and confirmation of the shared interest between the United States and the nations of Asia.

The newest of the three concessional development funds is in Africa. We are extremely pleased that the House has acted favorably on our request for authorizing legislation which would enable the United States to join the African Development Fund and we hope the Senate will follow suit shortly.

Our relations with Africa have become an increasingly important aspect of our overall foreign policy. Twenty years ago there were only three independent African states. Today African countries comprise more than one-third of the membership of the United Nations. Africa's numbers and resources and the energies of its peoples have given Africa a strong and important role in world affairs.

Africa faces enormous political and economic problems. In Africa, the Portuguese African colonial empire has come to an abrupt end. The effects of that are now being strongly felt in Rhodesia, South Africa, Namibia, and other areas of Southern Africa. To the north the future of the Spanish Sahara has created another source of political instability.

Africa faces severe economic problems as well. The effects of the recent world recession, exacerbated by the rises in the price of oil, have limited the progress of African nations in achieving their own development goals. In Africa the job of nationbuilding and regional political stability are inseparable, and must be facilitated with all appropriate means.

In this regard the importance of the legislation to support the African Development Fund cannot be overemphasized. Our primary purpose in seeking to join the African Development Fund is to take our place with other donors in providing the financial resources required by an institution already proven effective in the African development effort.

In conclusion, Mr. Chairman, I would like to emphasize the importance of our relations with the many countries of the developing world as part of our broader foreign policy and the essential role our contributions to the international financial institutions play in helping us achieve our objectives.

STATEMENT OF JOHN M. PORGES, UNITED STATES EXECUTIVE DIRECTOR OF THE INTER-AMERICAN DEVELOPMENT BANK

Mr. Chairman, I am pleased to testify today in support of the administration's request for funding of U.S. participation in replenishment of resources and expansion of membership for the Inter-American Development Bank. This participation is part of two international agreements which will increase IDB resources by more than $7 billion. Authorizing legislation has already passed the House and is now pending in the Senate. I hope for rapid approval of the authorizing measure in the Senate and urge prompt funding of our appropriations request which is indispensable to continued operations of the Bank.

This year is a critical time in the life of the IDB because we have now committed all available resources from both the ordinary capital and the Fund for Special Operations.

The most urgent need is for a 1976 supplemental appropriation of $240 million. Of this amount, $40 million is paid-in interregional capital and $200 million is callable ordinary capital. We are not requesting appropriation of $160 million which is being authorized for our contribution to interregional callable capital. The callable capital portion is a contingent liability of the U.S. Government. It would constitute an actual budgetary outlay only if called to meet funded debt payments of the Bank. No call of this kind has ever been made in the past and the possibility is highly unlikely in the future.

For fiscal year 1977, we are requesting a second tranche of $240 million for ordinary and interregional capital, of which $40 million is paid in and $200 million is callable. We are also requesting $200 million for the first installment of our participation in the replenishment of FSO resources for concessional lending.

At this point, I would like to explain why we are asking for U.S. subscriptions to both ordinary capital and interregional capital. The interregional capital was specifically created for the nonregionals and to avoid constraint of a borrowing limitation in the covenants of bond issues previously made by the Bank. These covenants restrict ordinary capital borrowings to an amount not more than the callable capital contribution of the United States. Although these convenants are no longer being made, the effect of the older covenants runs to 1995, the final maturity date for some of the bonds.

Thus, a new class of interregional capital was necessary to permit the Bank to fully utilize the capital contributions of members other than the United States by borrowings against their callable capital portions. Any member country can subscribe in whole or in part to either ordinary capital or inter regional capital. For this replenishment period (1976–78) the United States is making one-half of its subscription to interregional capital. Canada, Venezuela, and the nonregional countries are making 100 percent of their subscriptions to this new class of capital.

There is absolutely no difference between the two classes of capital in terms of voting power or preemptive rights. In fact, a merging of the two is expected when the restrictive covenants are no longer outstanding.

I have said that approval of this request is urgently needed if operations of the Bank are to continue. The regular limits of ordinary capital commitment authority were reached in September 1975. Only a temporary change in regulations has permitted further commitments against loan reflows and certain categories of reserves and this temporary authority is now completely committed or allocated for pending loans. In point of fact, the IDB has suspended Board approval of ordinary capital loans. The full amount of our supplemental request for ordinary capital in fiscal year 1976 is, therefore, needed as rapidly as possible for resumption of lending as well as for a return to our regular accounting practice.

Meaningful planning of this year's lending program has become extremely difficult. Processing of individual loan applications within the staff is only being done on the assumption that the funds we are now requesting will be approved.

Until we effectively subscribe to our share of the first installment of ordinary and interregional capital, the subscriptions of the other member countries cannot

become effective and thus cannot be used for lending operations. In addition, prospective nonregional members have counted on timely action by us as they go forward with their own subscriptions. So far as the Fund for Special Operations is concerned, the 1976 program can proceed with final congressional approval of the remaining $275 million due under terms of the 1970 replenishment agreement. Accordingly, we have not asked for appropriation of FSO funds under the 1975 agreement until fiscal year 1977.

Having spoken of our need for funds, let me turn now to consideration of burden sharing. A more equitable distribution of the burden of providing international economic assistance has been a continuing objective of the United States. In fact, during negotiation of previous replenishments we called on Latin American countries to consider expanded membership of the Inter-American Development Bank as one way of meeting this objective. The 1975 replenishment and its concurrent expansion of membership are the successful conclusions to these first steps.

During 1976, 12 nonregional members will join the Bank and contribute an additional $745 million to its resources. Of this amount, $440 million will be in cash for conventional and FSO lending. The remaining $305 million will be in callable form to serve as backing for Bank borrowing. In return, the nonregionals may hold up to 8 percent of the voting stock. The regional countries of the Bank, aside from Canada and the United States, will also take up a special increase of $440 million in capital stock in order to maintain at least 53.5 percent of the voting power. As a result of these measures, the U.S. voting share will decline to 34.5 percent from the current 40 percent. This is still sufficient, however, to maintain a U.S. veto of FSO lending proposals.

There is, however, a second and regional aspect to the issue of burden sharing. Several of the relatively more advanced developing countries of the hemisphere now have donor status with respect to the Fund for Special Operations. Argentina, Brazil, Mexico, Venezuela, and Trinidad and Tobago are prepared to make convertible all or part of their contributions to the Fund. They have further agreed not to borrow in convertible currencies from the Fund. These actions have the effect, of course, of directing more concessional funds toward the least developed countries of the hemisphere, which is another one of our long-sought objectives. In addition, I should also mention the establishment of a Venezuelan Trust Fund of $500 million and the agreement by Venezuela to make convertible an additional $100 million in FSO funds already in the Bank for concessional lending.

To sum up these points, Mr. Chairman, let me say that the share of the United States in the provision of new resources has declined to 30 percent of the total. For purposes of comparison, the corresponding percentage figure for the 1970 replenishment was 48 percent. In terms of absolute amounts, the U.S. share of the total replenishment and membership expansion package is $2.25 billion. A substantial amount of callable capital, however, reduces the actual budgetary outlay figure to $720 million. Again, for purposes of comparison, the corresponding budgetary outlay figure for the 1970 replenishment was $1.15 billion. What we have achieved, therefore, are very substantial reductions in the U.S. share in both percentage terms and absolute amounts.

Heavy use of callable capital and reliance on borrowing operations to raise private capital have provided needed leverage and reduced U.S. budgetary outlays, clearly very desirable results. Last year, the Inter-American Development Bank began what I consider a very promising major new effort to raise additional private funds for economic development projects.

A new "complementary financing" program permits commercial banks and other organizations to take up without recourse the earlier maturities of specific loans. In turn, the IDB agrees to perform the necessary technical analysis and act as collection agent for a fee. The interest rates charged by the commercial banks vary at a given spread above a reference rate. (Either the prime rate in the United States or the Libro in London.)

This new procedure makes possible direct participation by private banks in the development process at appropriate maturities and interest rates and at reduced risk. Thus far the IDB has utilized $30 million of complementary financing. For this calendar, we are hopeful of mobilizing an additional $100 million. The procedure also helps to introduce some IDB borrowers to the private capital markets. As their credit worthiness reputation develops, they will be able to borrow more in this area and eventually require less lending by the IDB.

In yet another exercise to expand usable resources, the Bank and its member countries are looking for ways to improve the "four currency agreement" in which local currency of one developing member country may be used to finance

projects in another. I, myself, have recently asked Bank management for a further study of how we can derive maximum benefit from the local currency contributions of our member countries.

At this point, Mr. Chairman, I would like to report to the subcommittee on the most recent development of lending policies within the Bank. Emphasis continues on channeling assistance to the poorest and least developed member countries. In calendar year 1975, for example, $306 million of FSO resources went to category D borrowers which are the least-developed members of the Bank, including such countries as Haiti, Paraguay, Bolivia and Central America, exclusive of Costa Rica.

Emphasis is also being placed on helping the poorest elements of the population within these countries. For some time, the IDB has led the way in financing of potable water, rural electricity, and health and education projects. We have also tried to reach poor farmers with agricultural credit programs. In this particular respect, I can report that during calendar year 1975, the Bank approved loans totaling $138.7 million to cooperatives and similar organizations. Of this total, $53.67 million came from FSO resources and $9 million was supplied from the Social Progress Trust Fund. Bank management estimated that more than 1.6 million individuals will benefit from the work to be undertaken by the cooperative enterprises.

In January of this year, we also approved additional loans involving $12.1 million for cooperatives in programs which should benefit 110,000 more people. In the same month, we also approved expenditures of $48 million over 3 years to assist the Inter-American Foundation in its programs. The Administration of the Bank is now preparing a proposal to provide between $10 and $20 million to the Inter-American Savings and Loan Bank. In this program, concessional funds from the Social Progress Trust Fund would be used for the benefit of lesser income participants of S and L's in Latin America.

In its legislation appropriating funds for the IDB for fiscal year 1975, the Congress included language which earmarked $50 million for cooperatives, credit unions, and savings and loan associations. The examples I have just cited show that the Bank is doing a great deal in these areas. In my opinion, the earmarking is not necessary. The Bank has said it cannot accept such funds because of charter limitations and that it would create a precedent for earmarking by other countries for other purposes. For all these reasons, I welcome the fact that the House bill for fiscal year 1976 does not contain the same provision. From an equity or welfare viewpoint, the Bank is already making a very significant contribution to economic and social development in its member countries.

At the same time, the Bank also is concerned with efficiency. Last year, we took the lead in establishing a new Hemispheric Committee to help promote greater agricultural production. Its membership consists of representatives from AID, the World Bank and other international organizations interested in agriculture. The objective of this group is innovative and constructive change, not only in the projects we and others finance, but also in the government policies which ultimately determine how successful these individual projects will be. Greater participation by private business and application of modern method is certainly one avenue to be followed.

Another extremely important prospect is the application of intermediate technology. The use of idle labor with new methods and simple or less sophisticated tools needs much greater emphasis as a factor for more effective utilization of scarce foreign capital. Within the Bank, we have made particular efforts in this respect in agriculture in Brazil, Colombia, the Dominican Republic and Mexico.

A recent loan to Mexico for integrated rural development offers especially interesting possibilities for application of intermediate technology. It was approved by the Bank's Board of Directors in October of 1975. It is designed to provide permanent employment and raise income levels of 1.3 million people in 15 regions of Mexico. Directly productive investments under the loan include establishment of small orchards and development of quarries and industries including brick-making, garden produce processing plants, and sewing shops. Naturally, the leading objective of employment generation calls for use of the most appropriate technologies and this aspect of the program will be closely supervised.

As a necessary correlative to these direct investment projects in Mexico there are such infrastructural investments such as water supply systems, home schools and health centers. Completion of the entire program is expected to double or triple annual family income in the 15 regions and to increase the total value of production by $35 million per year.

Another recently-approved loan which I can bring to the subcommittee's attention involves rural health services in Haiti. It presents an excellent example of how the Bank's work in a critically important field is affecting poor people in rural areas. The loan amounts to $6.3 million from FSO resources and is designed to build and equip 36 dispensaries, 23 health centers and 1 new health and training center. Bank management has estimated that it will benefit 1.9 million people in both the northern and southern regions of the country.

I have cited these two specific examples to show how the Bank is responsive to the concerns expressed by the Congress. During my tenure in the Bank, I have personally visited several dozen urban and rural projects and have been very impressed with how needs of underprivileged people have been addressed by the Bank's work. Last spring, for example, I was in the Dominican Republic and inspected an integrated rural development project, similar to the one which is just starting in Mexico. In one subproject, the herds of cattle of smaller participants had been increased from 10 to 30 head. In another subproject, technical support and training were being provided for better extension services to complement the flow of credit.

In my opinion, a great deal has been accomplished in reorienting Bank lending, especially FSO, toward the least developed countries and the poorest elements of their populations. So far as intermediate technology is concerned, our activity in this area is much more recent, and because of this the actual progress is both less apparent and less satisfactory. Personally, however, I am very much convinced of the advantages of this approach—especially the resource-stretching aspects. I think the results of the Mexican operation will be watched carefully and other opportunities will be sought for specific application of this concept.

Before concluding, I would like to comment briefly on the economic situation and prospects for Latin America. Overall, it has been a story of success. Gross national product for the region as a whole has grown in real terms at almost 7 percent per annum. Before oil prices increased, Brazil and the Dominican Republic were increasing their production by 10 percent per annum. Value added in manufacturing and the installed electrical capacity in Latin America have both more than tripled.

In social terms, primary school enrollments tripled; adult literacy grew from 52 percent in 1950 to 73 percent in 1970. The number of rural families with access to potable water also tripled. Of course, the IDB has played an important part in all of these achievements.

Serious problems remain, however, and have worsened with the oil price increases. Some countries have severe balance of payments difficulties. Others experience debilitating rates of inflation. Much remains to be done in meeting basic nutritional requirements; giving more children primary educational opportunities, and reducing infant mortalities.

It is with these thoughts in mind, Mr. Chairman, that I request rapid approval of the IDB appropriations request for fiscal years 1976 and 1977. The development possibilities for the hemisphere have been much enhanced by our replenishment of resources and expansion of membership. I hope the United States will do its fair part in continuing the process of economic and social development in a region which is so vital to our own national interests.

STATEMENT BY MR. CHARLES A. COOPER, UNITED STATES EXECUTIVE DIRECTOR AT THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Mr. Chairman, I am pleased to appear before this subcommittee today to support the Administration's fiscal year 1977 request for $375 million for the International Development Association (IDA) and $45 million to initiate U.S. participation in the first capital increase for the International Finance Corporation since its founding 20 years ago.

The request for IDA represents the second instalment of the U.S. share of the IDA fourth replenishment, which was authorized by the Congress in July 1974. The IDA is the arm of the World Bank which provides concessional lending to support projects in the world's poorest countries which cannot afford to borrow at the near commercial rates which apply to standard World Bank loans. It is the largest multilateral source of assistance of this type. It follows the same rigorous standards, and enjoys the same high reputation throughout the world, as does the World Bank itself.

Sixty-six countries of Asia, Africa, and Latin America with annual per capita incomes below $375 have received IDA credits. Currently, most credits go to countries with per capita incomes of less than $200. In fiscal year 1975–76,

92 percent of IDA credits were to these poorest countries. The greatest concentration of projects is in Asia and Africa, reflecting the fact that the bulk of the world's poorest people are living in these regions. About 60 percent of IDA credits go to South Asia—where 61 percent of the population of all countries with per capita incomes below $200 live.

The appropriation request before you is for the second instalment of IDA's ongoing fourth replenishment. This replenishment was negotiated with 24 other donor countries after consultation with congressional committees. In that negotiation, we sought, and achieved, broader sharing of the burden by reducing the U.S. share. The U.S. share of the $4.5 billion IDA IV is 33 percent, or $1.5 billion, down from earlier U.S. participation levels which had averaged 41 percent since the inception of the association in 1960.

While the IDA IV resource replenishment will support new lending commitments over the period fiscal years 1975–77, it gives donors the option of deferring their initial contribution to fiscal year 1976 and paying in four annual installments. The United States is planning to follow this course. Most other donors are making their contribution to IDA IV in three equal annual installments over the 3-year replenishment period. As a result, most donors have already made two-thirds of their contributions to IDA IV while the United States has not yet paid its first installment.

By the end of October 1976, all of the first U.S. installment of $375 million requested for fiscal year 1976 will be needed to cover the U.S. one-third share of disbursements on approved credits. Subsequently, calls will be made requiring the fiscal year 1977 appropriations under discussions today. Full U.S. contributions to IDA IV are essential to insure the continued participation of the other donor countries and the continued operation of IDA at the lending levels contemplated under the IDA IV agreement. Unfortunately worldwide price inflation since the negotiation of IDA IV has reduced the real value of IDA pledges substantially below what was contemplated at the time international agreement was reached—this makes it all the more important to provide the full amount of funding requested. Such continued financial assistance from IDA is vitally necessary if the momentum of development in the poorest countries of the world is to be maintained at anything approaching adequate levels.

I would emphasize that the purpose of IDA lending is not relief or make work. It is rather to expand productivity, for only in this way can lasting improvement in the lives of the poor be achieved. Toward this end all IDA projects are appraised against strict rate of return standards, in exactly the same manner as projects supported by World Bank loans on harder terms.

IDA credits are extended on highly concessional terms: repayment is over 50 years at three-fourths of 1 percent. This is consistent with the fundamental purpose of IDA, which is to provide badly needed assistance to the borrower rather than yield a commercial rate of return to the lender. Most of the countries which borrow from IDA lack the capacity to service external debt on conventional terms, and even if they could, repayment on conventional terms would mean a lower rate of return for the borrowing country itself, and thus a smaller contribution to improved living standards and rising domestic savings and investment capacities.

IDA's focus, particularly in the IDA IV period, is on assistance to the poorest developing countries, and within these countries emphasis is given to projects benefiting the poorest groups of people. In fiscal years 1974–75, about 40 percent of IDA lending was for agriculture and a further 25–30 percent for basic infrastructure—transportation, communications, power and water supply. A complete list of IDA projects in fiscal year 1975 and so far in fiscal year 1976 is attached to this statement.

The increased emphasis on agriculture reflects IDA's growing role in helping these countries meet their food production goals. Solving the world food problem has to be achieved by increasing food output in the food deficit countries themselves—India, Pakistan, Bangladesh, and a number of countries in Africa.

An example of a recent agricultural project is a $27 million IDA credit to Ethiopia for the development of its vast rangelands region which was hit by a severe drought during the years 1970–73. Before this drought, Ethiopia's livestock resources were the largest of any country in Africa. The true dimensions of the losses attributable to the drought are not yet certain. However, it is estimated that about 15 percent of the national herd was lost, largely in the rangelands areas.

The project will consist of three separate subprojects, each with its own organizational structure. Each of the subprojects—the Southern Rangelands, Jijigga and the Northeast Rangelands Development projects—will provide an integrated program of range management and veterinary services along with improved roads

and water facilities. They will help lay the foundation for a sound future development of the livestock economy in the range areas.

At full development the project is expected to result in an increased market production from the ranges of 100,000 head of cattle, 48,500 sheep and goats, and 3,000 camels annually. The project would also result in an increase in milk production of about 7.8 million liters annually. Incremental crop production from water development in the northeast rangelands area would total about 1.1 million kg of cotton, 320,000 kg of sorghum or maize, and 120,000 kg of groundnuts annually. The total annual value of incremental production attributable to the project would be about $11 million. Overall, the project is estimated to affect 100,000 families in the rangeland areas, raising their average per capita income significantly above its present bare subsistence level.

A number of IDA projects are also directly aimed at increasing the availability of the inputs vitally necessary to expanded food production—seeds, extension services, fertilizer, etc. A project recently approved for India is a notable example.

In recent years, consumption of fertilizers has increased in India. But it still remains very low relative to usage in other countries. In 1974–75, consumption stood at 2.74 million nutrient tons. Although domestic production of fertilizer has grown at an average annual rate of 16 percent since 1953–54, it supplies less than 60 percent of consumption. The level of capacity utilization is low, reaching only some 60 percent of the installed capacity of 2.6 million tons. The IDA credit of $105 million will allow production in existing facilities to be raised from the present industrywide average of about 60 percent of capacity to 85 percent by 1979. The credit will assist 10 fertilizer plants in removing production bottlenecks, improving pollution control and increasing the production of industrial chemicals. The project will help to increase fertilizer production by 253,000 tons per year of nutrients.

IDA infrastructure projects typically provide key elements in the borrowing countries' national development efforts. An example is a $14 million credit to Guinea for a highway project which will help to link widely dispersed population centers and productive areas to the port of Conakry. The project, designed to enhance government efforts to revitalize the agricultural sector, will include (a) rehabilitation of approximately 2,500 kilometers of high priority roads and initiation of proper maintenance operations on these roads; (b) repair of existing equipment and plant and rehabilitation of workshops; (c) purchase of needed equipment, spare parts, and training materials; and (d) technical assistance to the Ministry of Public Works, Mining and Geology in implementing the projects and strengthening its managerial capabilities. The project is expected to insure greater transport reliability, expand the seasonal use of the most important unpaved roads and reduce transport costs.

Another example of a basic infrastructure project recently done by IDA is a $26 million credit to Nepal to help finance a $68 million hydroelectric power project. Nepal has a very large undeveloped hydroelectric power potential of over 80,000 Megawatts (MW). Total installed capacity is some 54 NW, of which only 33 MW is hydroelectric power. Electricity at present reaches only about 3 percent of the population. But demand for electrical energy has been growing at the rate of 22 percent a year, and existing generating capacity is insufficient to meet the demand.

The project is located about 30 kilometers southwest of Kathmandu, the nation's capital. It includes the construction of a 107-meter high rockfill dam, a powerhouse with two 30 MW generating units and associated transmission and substation facilities. When fully utilized, the project will replace use of energy equivalent to about 65,000 tons of oil per annum, saving approximately $8 million per year in foreign exchange.

IDA lending operations have also focussed increasingly on equipping the populations of the poorest countries with the skills essential to economic progress. For example, an $11.6 million credit to Malawi was made in support of a government investment program giving priority to the growth of primary education, the improvement of secondary schools in the rural areas, and the strengthening of various nonformal education programs. The IDA project consists of the construction and equipping of 22 new model primary schools which can be easily duplicated in the rural areas, 22 rural education centers, one teacher training college including a demonstration school, and additional laboratories, workshops, dormitories and staff quarters for seven existing sceondary schools.

The project will provide facilities to expand and strengthen ongoing education programs and help meet the rapidly increasing demand for basic skills. It will also reduce socio-economic disparities by increasing the enrollment of girls in

secondary schools and by teaching adults, through rural development centers, the basic skills they require for productive employment.

Within these overall sector priorities, IDA's lending activities have reflected increased emphasis on projects which contribute to economic development by directly increasing the employment, productivity, and incomes of the rural and urban poor. Strategies to accomplish these objectives cut across virtually all lending sectors. In the interest of maximizing employment opportunity and widening the impact of income increasing efforts, project costs are held to a minimum and technology is adapted to local conditions and needs.

In this fiscal year IDA has approved several rural development projects embodying an integrated approach to the poverty problem. An example is a $10.7-million project for rural development in Niger. The project includes the provision of extension services, applied research, and credit aimed at the improvement of groundnut, millet, and cowpeas production in 15 selected areas; strengthening of cooperatives; expansion of education and training programs, including a functional literacy program, a training school for extension workers, and the provision of training scholarships for project personnel; a study of means for developing the nation's irrigation potential; construction of 80 kilometers of feeder roads; planting of 500 hectares of trees in fuel wood plantations: and improvement of livestock services and provision of credit for the purchase of livestock by pastoralists who lost their herds during the Sahelian drought.

It is estimated that increased production from the project will result in higher incomes for some 37,500 farm families and 14,000 pastoral families. After full development in 1982, it is expected that average yields in the project area will be close to those previously obtained only in years of most favorable rainfall. Yield increases are estimated to result in increments in annual production amounting to 18,100 tons of millet, 19,800 tons of groundnuts, and 600 tons of cowpeas. In addition, new production of 500 tons of seed cotton, 900 tons of sorghum, and 5,000 tons of tomatoes and other vegetables is expected to result from new irrigation facilities. An increase of about 3,000 tons per year in annual livestock production is also anticipated.

Every week the Board of Directors of the World Bank, in which voting power is weighted according to financial contribution to IDA, reviews and approves IDA credits proposed by the institution's professional management. All such projects are first subjected to rigorous technical and economic appraisal. Firm cost estimates are made; required technical and managerial assistance is provided for; and institutional reforms essential to project success are made a condition of credit disbursement.

IDA draws upon a pool of skilled personnel, established policies, procedures, and a wealth of experience on making effective use of its resources. The managerial and technical excellence of the World Bank is widely recognized throughout the world. Of the joint IBRD/IDA professional staff, roughly 27 percent comes from the United States. The remainder comes from 110 other nations.

Once a project is approved by the Board, IDA closely watches its subsequent execution. Careful supervision is exercised at the procurement stage to assure compliance with fair international competitive bidding and the award of contracts to the lowest evaluated bidder. Disbursements are only made when satisfactory documents evidencing progress of the project, in conformity with the credit and project agreements, have been received and reviewed by IDA staff. Reports on project implementation are regularly received and frequent onsite inspections by IDA officials are made. As each new credit is submitted for approval of the Board of Directors, a status report is presented on all ongoing projects in the country to enable the Board to assess the country's capabilities for taking on further work.

Effective internal auditing and evaluation functions are also well established. The evaluation department, established a few years ago at U.S. urging, has continued to grow in stature and effectiveness. It evaluates all projects within 1 year after loan or credit funds have been fully disbursed with a view to strengthening future operations. It also undertakes broad country and sector program evaluation. The evaluation unit reports directly to the Board of Directors.

A number of countries which once received IDA credit have now advadced economically to the point where it is no longer necessary. Three developing countries are making contributlns to IDA IV. They are Spain, Israel, and Yugoslavia.

Among the oil exporting countries, only Kuwait, which has contributed to IDA since 1960, is contributing to IDA IV, the negotiation of which preceded the dramatic increase in oil prices. The World Bank, however, is in close contact with

the oil exporting countries to solicit their cooperation and efforts to assist the developing countries. The Bank is urging several of them to participate in the Fifth Replenishment of IDA as contributing members, and expects that they will. The United States strongly supports this goal and in the preliminary international meetings on this subject has stressed the importance of such OPEC participation. In the meantime, a number of Arab oil exporting countries, have alined with the Bank and IDA in co-financing projects. To date, these countries have contributed financing of $1 billion to 35 IBRD/IDA projects. These additional resources enable the Bank and IDA to significantly expand the scope of their activities.

The Administration firmly believes that IDA has been, and continues to be, an effective and valuable instrument for the advancement of vital interests whlch the United States shares with other nations of the world. The President, as well as the Secretaries of State and Treasury, have all underscored IDA's continued priority importance to U.S. foreign interests, both political and economic.

The appropriation requested today will enable the United States to carry out its share of the IDA IV agreement negotiated among 25 governments to attack the problem of world poverty which is of direct concern and relevance to all nations. I urge the committee to act favorably and promptly on it. Other nations are fulfilling their promised participation and expect the United States to do the same.

As noted by Mr. Bushnell in his general statement, the Administration is requesting $112 million as part of a $480 million capital increase in the International Finance Corporation. International negotiations concerning this capital increase have not yet been completed although this proposal has received widespread support from both developed and developing countries, and we anticipate formal agreement in the very near future. Incidentally, the proposal would result in a substantial reduction—from 33 to 25 percent—in the U.S. share of IFC capital.

As the committee has not had occasion to deal with IFC for many years, I would like to review briefly the role and the activities of IFC before going into the specifics of the capital increase.

ROLE

The IFC was established in 1956 to promote private investment in the developing countries. While it is organizationally and financially separate from the World Bank, it is affiliated to it by a common board of directors and president and its 104 country members must be shareholders of the World Bank in order to join.

The corporation's interest lies in stimulating and supporting private sector activites in developing countries and its principal function is to stimulate the flow of private capital into productive investments by bringing together investment opportunities, domestic and foreign private capital and, experienced management. Among international development institutions, it is unique in its ability to operate without a government guarantee on its loans, or on its participation in equity investments.

The corporation's policy is to make an investment only where sufficient private capital could not be obtained on reasonable terms and where the project will contribute to development and have the prospect of being profitable. Where it invests in private stock, it remains a minority partner without management control. It basically supports its private enterprises although under certain conditions, IFC will participate in enterprises in which there is some government ownership provided they are managed on a business-like basis. IFC loans are made at near commercial interest rates with 7- to 12-year maturity. Where it buys stock, it expects to receive reasonable dividends.

ACTIVITIES

Considering its small initial capital base of $100 million, the corporation has had a significant impact upon development because of its success in averaging its own funds: it has generated more than $4 of private investment for every $1 of its own in projects. Since its inception, the corporation has been associated with about $6.4 billion of investments and has assisted in financing some 250 enterprises in 57 developing countries. Most of these enterprises have been medium-sized firms, controlled by local groups with local management.

After a slow beginning, IFC's commitments have grown rapidly in recent years from $51 million in 1968 to $212 million in 1975. IFC's cumulative gross commitments of $1.3 billion, as of December 31, 1975, are more than four times the 1968 level.

SOME EXAMPLES OF IFC PRRJECTS

IFC, in its projects, serves a number of purposes and activities. In the area of large mineral projects, IFC's key function is not the provision of capital, which large international companies can provide, but to act as the neutral intermediary between the companies who fear nationalization, and the governments of developing countries, which want to be assured that such projects will be in their long-term economic and social interests. A good example of IFC's involvement in a $620 million copper venture in Peru, a country whose relations with multinational corporations has been difficult. IFC's investment was small—$15 million; but its presence, which has been approved by the Government of Peru, serves as an assurance of fair treatment on both sides. The project will develop the copper deposits of Cuajone in southern Peru, with reserves estimated at 468 million tons in accordance with an agreement between the Government of Peru and the Southern Peru Copper Corporation, a consortium of four U.S. firms. It will produce 2,500 jobs and earn Peru about $150 million annually by 1982 in foreign exchange. In accordance with national legislation, the employees and workers will eventually own half of the project.

Another example, Kenya, a country of less than $200 annual per capita income, illustrates IFC's role in the transfer of technology. The project is the first integrated pulp and paper mill in East Africa, will introduce a technology new to the area and provide training to local workers. IFC is investing $17 million of a total cost of $50 million. Its role in developing project feasibility and arranging financing was crucial. With the associated tree replanting, the project will result in 2,300 jobs, and produce 45,000 tons of paper annually saving Kenya $8 million per year in foreign exchange.

Another example, the Maria Cristina Chemical Industries, Inc. in the Philippines—approximately $2 million was invested in this company to help finance a $4.7 million electric arc furnace that will double productive capacity by producing some 21,000 metric tons of ferroalloys a year. The project, located in a depressed area on the island of Mindanao, will be supplied by more than 2,000 new backyard charcoal makers who are expected to earn well over twice the average annual family income in the region. It also will use other locally available raw materials and hydroelectric power, thus permitting production for world markets at competitive costs. Prospective annual net foreign exchange benefits were estimated at $5 million, partly through exports and partly through import substitution. In addition, ownership of the company is being broadened by including greater employee participation in the equity. A list of IFC projects in fiscal year 1975 and so far in fiscal year 1976 is attached to this statement.

CAPITAL INCREASE

The corporation needs a capital increase now in order to maintain its growth rate of the past 5 years. Without the assurance of an increase, it would have to begin to restrict planned commitments beginning in fiscal 1977 and new equity investments would essentially cease by the following year.

The U.S. strongly supports such a capital increase for several reasons. We believe that international support for the private sector will make a notable contribution to evaluating the pace of development and is very much in accord with U.S. interests and our own confidence in the free enterprise and private sector.

Second: While IFC has done an excellent job in spreading its small initial funds thin, after 20 years, in which the World Bank's capital has tripled, it seems reasonable that IFC has some catching up to do if it is to remain a significant international institution.

Third: The present capital base has become so small that it inhibits the corporation from undertaking somewhat riskier ventures for smaller business and in poorer countries for fear of unacceptable losses.

Fourth: The scale of significant investment projects has increased enormously since the 1950's and the IFC should be in a position to support reasonably large projects as well as small ones. We would, for example, like to see IFC take more of the role than it has already played as a intermediary in the minerals field facilitating arrangements between large private corporations and the governments of developing countries.

The U.S. share of the $480 million increase in issued capital stock is $112 million, or about 23 percent compared to our 33 percent share of current capital. This proportion reflects more accurately our current position in the World Bank than the present share which is based on our position in the late 1950's. Germany, Japan, and the OPEC countries will have larger shares.

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The resolution governing the capital increase requires that if a country is not in a position to make a binding commitment to pay for all its subscribed shares it must be in a position to do so for at least 40 percent of its quota. We interpret this to mean that if the authorization bill is approved by the Congress, then we will need an appropriation for 40 percent of our subscribed shares in order to make an initial commitment to IFC. As a result we are requesting a $45 million appropriation. This figure differs from the figure in the budget of $41.7 million because negotiations were not fully defined when the budget submission was made. We would expect to ask for appropriations for two additional installments in fiscal year 1978 and 1979.

I am also submitting for the record an annex to this statement which will provide greater detail about IFC's activity, its sources of financing, and the capital increase.

In conclusion, Mr. Chairman, I would like to stress my personal conviction that the World Bank group is in its activities making the kind of contribution to the world economy which is very much in the U.S. national interest to support. It is also my conviction that U.S. interests in the policies and operations of the Bank and its affiliates are substantial, and that our own voice and our influence on such international financial institutions can only be as strong and compelling as our basic support for these. Consequently I urge prompt and favorable action on the appropriations requests for IDA and the IFC which are before you for fiscal year 1977.

GEOGRAPHICAL DISTRIBUTION OF LOANS AND EQUITY INVESTMENTS

The table below indicates the geographical distribution of IFC activity. Latin America is the regional leader followed by Asia. The southern Europe designation is mainly Turkey and Yugoslavia, as well as loans to Greece and Spain.

TABLE 1.—GEOGRAPHICAL DISTRIBUTION OF IFC ACTIVITIES (AS OF DEC. 31, 1975)

[Dollar amounts in millions]

	Number of enterprises	Amount	Percent
I. Regional:			
Latin America	100	$545.1	41
Asia	63	317.0	24
Southern Europe	37	288.6	22
Africa	37	122.3	9
Middle East	14	58.2	4
Total	251	1,331.2	100
II. Leading countries:			
Brazil	21	262.9	20
Yugoslavia	9	128.5	10
Turkey	12	118.1	9
Philippines	13	76.1	6
Mexico	13	69.9	5
Indonesia	9	58.4	4
Argentina	8	53.2	4
India	11	51.8	4
Korea	8	44.1	3
Iran	7	42.5	3

SOURCE OF IFC FINANCING

The two tables below illustrate, (a) IFC's dependence on borrowing from the private sector via loan participation, and from the IBRD, and the diminishing importance of capital as a source of financing and of equity as a form of investment.

For loan operations resources, IFC relies primarily on borrowings from the World Bank. It is limited in the amounts of its borrowings by its Articles which prohibit total debt from exceeding four times IFC's net worth (unimpaired subscribed capital and surplus), so long as IFC is indebted to the Bank. As of June 30, 1975, IFC's net worth was $178 million, placing the limit upon IFC borrowings at $712 million. As of the same date, IFC had already borrowed $448 million and would reach the ceiling in early fiscal year 1979 at presently projected rate of operations.

Because World Bank loans cannot be used to purchase stock, IFC's equity investments may not exceed its unrestricted mainly capital and accumulated reserves resources. As of June 30, 1975, these resources totalled $183 million, compared to existing investments of $127 million.

TABLE 2.—SOURCES OF IFC FUNDS

[Dollar amounts in thousands]

	Actual (fiscal years 1975–75)	
	Amount	Percent
Income	$42	7
Capital subscriptions and loan repayments	78	13
IBRD and Netherlands loans	272	46
Portfolio sales	25	4
Calls on participants	166	29
Total	583	100

TABLE 3.—IFC FINANCING TRENDS

[In percent]

	June 30, 1970	June 30, 1975
(a) Financed by:		
(1) Capital and reserves	90	40
(2) Borrowing	10	60
(b) IFC debt outstanding as percent of its disbursed loans	18	78
(c) Equity investment as percent of portfolio	30	22

FACTUAL SUMMARY OF CAPITAL INCREASE

[In millions of dollars]

	Amount	Proposed increase	After increase
1. Authorized capital (Dec. 31, 1975)	110.0	540	650.0
2. Issued capital stock (Dec. 31, 1975)	107.6	480	587.6
3. Unallocated shares	2.4	60	62.4

4. Form of Commitment:

(*a*) subscribe to shares allocated, and (*b*) make a binding commitment to pay. Exceptional procedure where a commitment to pay must be qualified because of legislative procedures: commitment for payment for a minimum of 40 percent must be unqualified, and, appropriate legislative action allowing an unqualified commitment to pay for the remaining 60 percent should be obtained as quickly as practicable. Since our commitment to pay is subject both to authorization and appropriation legislation, this is the procedure the United States will follow.

5. Payment schedule:

(*a*) August 1, 1977: 20 percent, U.S. share of 22.5; 20 percent unqualified commitment for additional share of 22.5; (*b*) August 1, 1978: Unqualified commitment above is due; (*c*) August 1, 1979: 20 percent, U.S. share of 22.5; (*d*) August 1, 1980: 20 percent, U.S. share of 22.5; (*e*) August 1, 1981: 20 percent, U.S. share of 22.5.

6. SCHEDULE FOR U.S. LEGISLATION ON IFC

[Dollar amounts in millions]

	Date of submission	Amount
Authorization bill	March 1976	$112
Fiscal year:		
1977 appropriation	March 1976	45
1978 appropriation	January 1977	33
1979 appropriation	January 1978	33

(1) Resolution approving increase will become effective on December 31, 1976, or such later date as the Directors may determine.
(2) Shares related to the increase will not be issued before August 1, 1977.
(3) Shares will be issued only when paid for in U.S. dollars.
(4) Each share has a par value of $1,000 and is issued at par.

IDA CREDITS APPROVED, BY AREA, COUNTRY AND PURPOSE, JULY 1, 1974 TO JUNE 30, 1975

[Millions of dollars equivalents]

Area, country/purpose	Amount
Total	1,576.15
Total, Africa	511.55
Cameroon:	
Rubber estate	16.0
Highway	[1] 1.0
Education	1.2
Dahomey: Education	4.0
Egypt:	
Agriculture program loan	[2] 35.0
Telecommunications	30.0
Ethiopia:	
Agriculture development	9.5
Roads	32.0
Telecommunications	16.0
Education	23.0
Ghana: Oil palm	13.6
Guinea: Pineapple development	7.0
Kenya:	
Group farming	[3] 7.5
Urban development	[4] 8.0
Forestry	[5] 10.0
Lesotho: Education	4.0
Malagasy Republic:	
Rural development	9.6
Forestry	[6] 6.75
Malawi:	
Highways	10.0
Rural development	8.5
Mali:	
Livestock	13.3
Rice	2.6
Highway	8.3
Mauritania: Highway	3.0
Mauritius: Education	[7] 3.5
Morocco: Agriculture	14.0
Rwanda: Education	8.0
Senegal:	
Education	15.0
Irrigation	1.0
Agriculture development	[8] 7.0
Sierra Leone: Rural development	[9] 5.0
Somalia: Education	8.0
Sudan:	
Education	10.0
Power	23.0
Irrigation	20.0
Swaziland: Education	5.0
Tanzania:	
Sites and services	8.5
Rural development	10.0
Highways	10.2
Sugar	[10] 9.0
Togo: Cocoa/coffee	6.0
Upper Volta:	
Livestock	9.0
Rural roads	7.5
Zaire:	
Highways	26.0
Railway and river	26.0
Total, Asia	1,016.10
Afghanistan:	
Agriculture	13.0
Water supply and sewerage	9.0
Bangladesh:	
Industrial imports	75.0
Fertilizer	33.0
Population	15.0
Irrigation	27.0
Burma:	
Forestry	24.0
Telecommunications	21.0
India:	
Canal-Rajasthan	83.0
Fertilizer	91.0
Dairy	27.7
Dairy	16.4
Drought	35.0
Industrial imports	200.0
Irrigation	45.0
Agriculture refining corporation	75.0
Rural development	34.0
Chambal command	24.0
Jordan:	
Irrigation	7.5
Education	6.0
Potash engineering	1.0
Power	5.0
Pakistan:	
Telecommunications	36.0
Development finance company	30.0
Sri Lanka:	
Dairy	9.0
Program loan	15.0
Development finance company	4.5
Western Samoa: Highways	4.4

IDA CREDITS APPROVED, BY AREA, COUNTRY AND PURPOSE, JULY 1, 1975 TO JAN. 31, 1976

[In millions of dollars]

Country and purpose	Amount
Total, all areas	915.4
Total, Africa	196.1
Burundi: Coffee improvement	5.2
Cameroon: SMEI	3.0
Chad: Polders	5.0
Ethiopia: Rangelands	27.0
Gambia: Tourism	4.0
Ghana: Highway	10.0
Guinea: Highway	14.0
Liberia: Rural Development	6.0
Madagascar: Highway	5.6
Malawi: Education	11.6
Mali: Highway	10.0
Mauritania: Port	8.0
Niger: Rural development	10.7
Rwanda: Highway	9.5
Senegal: Terres Neuves	2.0
Sierra Leone: Education	7.3
Somalia: Mogadiscio Port	5.2
Sudan: Development Finance Co	7.0
Tanzania:	
Dairy development	10.0
Technical assistance	6.0
Education	11.0
Maize development	18.0
Total, Asia	677.1
Bangladesh:	
Water transport	4.6
Imports	100.0
Irrigation	22.0
Burma: Livestock	7.5
India:	
Rural electrification	57.0
Water supply and sewerage	40.0
Railway	110.0
Fertilizer	105.0
Forestry	4.0
Power	150.0
Cotton development	18.0
Nepal: Power	26.0
Pakistan: Tarbela Dam	8.0
Sri Lanka: Agricultural development	25.0
Total, Europe, Middle East, and North Africa	38.2
Afghanistan: Irrigation	10.0
Egypt: Development Finance Co	25.0
Yemen, POR: Aden Port	3.2
Total, Latin America	4.0
Paraguay: Preinvestment	4.0

IFC INVESTMENT COMMITMENTS JULY 1, 1974 TO JUNE 30, 1975

[In millions of dollars]

Country	Total	Loan	Equity	Purpose
Total	211.61	190.6	21.01	
Argentina	14.0	14.0		Steel.
Brazil	10.0	10.0		Chemicals.
	8.0	8.0		Cement.
	7.2	6.2	1.0	Chemicals.
Cameroon	.5		.5	Manufacturing.
Colombia	3.6	3.6		Cement.
	.14		.14	Capital markets.
Ecuador	.03		.03	DFC.
Greece	1.2	1.0	.2	Food processing.
India	9.5	9.5		Steel.
Jordan	3.2		3.2	Fertilizers.
Korea	17.3	16.0	1.3	Manufacturing.
	9.0	6.9	2.1	Textiles.
	5.6	5.0	.6	Capital markets.
	3.5	2.8	.7	Tourism.
Lebanon	3.9	3.9		Textiles.
	1.2		1.2	Capitals.
Mexico	15.6	12.0	3.6	Steel.
Nepal	3.5	2.8	.7	Tourism.
Pakistan	.04		.04	DFC.
Paraguay	5.4	4.4	1.0	Manufacturing.
Peru	15.0	15.0		Mining.
Phillippines	7.0	7.0		Textiles.
Tunisia	3.2	2.5	.7	Tourism.
Turkey	25.0	25.0		DFC.
	15.0	15.0		Chemicals.
	10.6	10.6		Cement.
	8.9	7.5	1.4	Steel.
	1.5		1.5	DFC.
	1.3	1.3		Textiles.
Venezuela	.7		.7	Capital markets.
	.3		.3	Do.
Zambia	1.0	.7	.3	Manufacturing.

Source: International Finance Corporation.

IFC INVESTMENT COMMITMENTS, JULY 1, 1975 TO JAN. 31, 1976

[In millions of dollars]

Country	Amount	Purpose
Total	88.97	
Philippines	2.8	Edible oils.
Israel	7.0	Chemicals.
Kenya	9.13	Textiles.
Korea	.4	KIFC.
Do	5.53	Paper.
Pakistan	1.8	Do.
Rwanda	.53	Tea.
Thailand	10.0	Cement.
Turkey	1.6	Nasas.
Yugoslavia	50.0	Zenica.
Africa—Regional	.18	Sifida.

Mr. PASSMAN. Thank you, gentlemen. We will insert certain justification materials at this point.

[The information follows:]

INTERNATIONAL DEVELOPMENT ASSOCIATION

FUNDS APPROPRIATED TO THE PRESIDENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
(DOLLARS IN THOUSANDS)

Authorizations	Total, U.S. Participation Authorized
Public Law 86-565:	
Initial Subscription	320,290
	320,290
Public Law 88-310:	
Increase in Resources	312,000
	312,000
Public Law 91-14:	
Second Replenishment of Resources	480,000
	480,000
Public Law 92-247:	
Third Replenishment of Resources	960,000
	960,000
Public Law 93-373:	
Fourth Replenishment of Resources	1,500,000
	1,500,000

Appropriations	Amount
First Supplemental, 1961	73,666
Foreign Assistance and Related Agencies Appropriation Act, 1962	61,656
Foreign Aid and Related Agencies Appropriation Act, 1963	61,656
Foreign Aid and Related Agencies Appropriation Act, 1964	61,656
Foreign Aid and Related Agencies Appropriation Act, 1965	61,656
	320,290
Foreign Assistance and Related Agencies Appropriation Act, 1966	104,000
Foreign Assistance and Related Agencies Appropriation Act, 1967	104,000
Foreign Assistance and Related Agencies Appropriation Act, 1968	104,000
	312,000
Second Supplemental Appropriation Act, 1969	160,000
Foreign Assistance and Related Agencies Appropriation Act, 1970	160,000
Foreign Assistance and Related Agencies Appropriation Act, 1971	160,000
	480,000
Joint Resolution making Continuing Appropriations, 1973	320,000
Foreign Assistance & Related Agencies Appropriations Act, 1974	320,000
Foreign Assistance & Related Agencies Appropriations Act, 1975	320,000
	960,000
1976 Budget Estimate	375,000
1977 Budget Estimate	375,000

INTERNATIONAL DEVELOPMENT ASSOCIATION

Statement of Condition

DECEMBER 31, 1975 AND DECEMBER 31, 1974

EXPRESSED IN UNITED STATES DOLLARS (IN THOUSANDS) — *See Notes to Financial Statements, Appendix F*

ASSETS

		1975	1974
DUE FROM BANKS			
Unrestricted currencies (including interest-bearing demand deposits $ 23,817 - 1975, *$ 44,818 - 1974*)	$ 401,788		*$ 396,706*
Currencies subject to restrictions - *Note B*	61,234		*62,128*
		$ 463,022	*458,834*
INVESTMENTS - *Note C*			
Obligations of governments and their instrumentalities (at cost or amortized cost; face amount $ 177,171 - 1975, *$ 168,987 - 1974*)	$ 174,308		*162,706*
Certificates of deposit and other time deposits	97,012		*133,242*
		271,320	*295,948*
RECEIVABLE ON ACCOUNT OF SUBSCRIPTIONS AND SUPPLEMENTARY RESOURCES - *Note B*			
Non-negotiable, non-interest-bearing demand obligations			
Unrestricted	$ 2,194,397		*2,038,313*
Subject to restrictions	158,466		*170,013*
Amounts due on additional subscriptions and supplementary resources	18,043		*401,196*
Amounts required to maintain value of currency holdings - *Note D*	15,966		*40,794*
		2,386,872	*2,640,317*
RECEIVABLES - OTHER			
International Bank for Reconstruction and Development	$ 562,859		*466,374*
Purchasers, on account of effective development credits agreed to be sold	9,950		*9,000*
Accrued service charges on development credits - *Note F*	12,565		*9,369*
Accrued interest on investments	2,956		*8,751*
Non-Member	-		*1,311*
		588,330	*494,805*
DEVELOPMENT CREDITS *(See Appendix D)* - *Note F*	$ 9,496,629		*7,781,121*
Less - Development credits approved but not yet effective	470,200		*446,750*
Effective development credits (including undisbursed balance $ 3,529,134 - 1975, *$ 2,933,070 - 1974*)		9,026,429	*7,334,371*
OTHER ASSETS			
Translation adjustments on subscriptions and supplementary resources - *Notes B and D*	$ 98,819		*49,650*
Miscellaneous	4,686		*3,519*
		103,505	*53,169*
		$ 12,839,478	*$ 11,866,474*

INTERNATIONAL DEVELOPMENT ASSOCIATION

Statement of Condition

DECEMBER 31, 1975 AND DECEMBER 31, 1974

EXPRESSED IN UNITED STATES DOLLARS (IN THOUSANDS) — *See Notes to Financial Statements, Appendix I*

LIABILITIES, SUBSCRIPTIONS, SUPPLEMENTARY RESOURCES, TRANSFERS AND ACCUMULATED NET INCOME

		1975	1974
LIABILITIES			
Amounts required to maintain value of currency holdings - *Note D*		$ 2,622	$ 2,560
Accounts payable and other liabilities		22	47
Undisbursed balance of effective development credits *(See Appendix D)*			
Held by Association	$ 3,529,134		3,888,079
Agreed to be sold	14,228		11,401
		3,543,362	3,913,480
BORROWINGS FROM SWISS CONFEDERATION - *Note E*		69,466	71,838
SUBSCRIPTIONS AND SUPPLEMENTARY RESOURCES *(See Appendix B)* - *Note G*		8,117,304	7,381,547
Payments on account of pending subscriptions		66	66
TRANSFERS FROM INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT *(See Appendix B)*		1,016,275	909,470
CONTRIBUTION FROM NON-MEMBER			6,333
ACCUMULATED NET INCOME			
Beginning of fiscal year	$ 89,801		81,781
Fiscal year to date *(See Appendix B)*	560		(574)
		90,361	81,207
		$ 12,839,478	$ 11,388,474

INTERNATIONAL DEVELOPMENT ASSOCIATION

Statement of Income and Expenses

FOR THE SIX MONTHS ENDED DECEMBER 31, 1975 AND DECEMBER 31, 1974

EXPRESSED IN UNITED STATES DOLLARS (In THOUSANDS) — See Notes to Financial Statements, Appendix F

	Six months ended December 31	
	1975	1974
INCOME		
Income from development credits	$ 19,614	$ 16,601
Income from investments	11,813	17,063
Exchange adjustments	225	84
Total Income	$ 31,651	$ 33,838
EXPENSES		
Management Fee to International Bank for Reconstruction and Development	$ 32,493	$ 33,000
NET OPERATING (LOSS) INCOME	$ (842)	$ 838
Translation adjustments as a result of currency devaluations and revaluations	1,402	(10,303)
NET INCOME (LOSS)	$ 560	$ (174)

Statement of Transfers from International Bank for Reconstruction and Development

FOR THE SIX MONTHS ENDED DECEMBER 31, 1975 AND DECEMBER 31, 1974

EXPRESSED IN UNITED STATES DOLLARS (In THOUSANDS) — See Notes to Financial Statements, Appendix F

	Six months ended December 31	
	1975	1974
Balances at beginning of period, consisting of:		
Available for general purposes of the Association	$ 904,295	$ 808,080
Available for grants for agricultural research and for control of onchocerciasis	3,235	2,800
	$ 907,530	$ 810,880
Transfers from the International Bank for Reconstruction and Development during period:		
For general purposes of the Association	102,200	98,460
For research grants for agricultural research and for control of onchocerciasis	7,800	5,560
Disbursed to approved grant recipients	(1,255)	(1,360)
Balances at end of period, consisting of: (1)		
Available for general purposes of the Association	$1,008,475	$ 904,280
Available for grants for agricultural research and for control of onchocerciasis	7,800	5,280
Totals	$1,016,275	$ 909,470

(1) The total accumulated transfers by way of grants from the International Bank for Reconstruction and Development aggregated $1,025,000,000 ($911,000,000 - 1974) of which an aggregate amount of $16,525,000 ($10,705,000 - 1974) may be used by the Association or had been disbursed for research grants. During the periods covered by this statement $1,980,000 ($880,000 - 1974) previously allocated for such grants had reverted to the Association for its general purposes.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Statement of Changes in Resources Available for Commitment

FOR THE SIX MONTHS ENDED DECEMBER 31, 1975 AND DECEMBER 31, 1974

EXPRESSED IN UNITED STATES DOLLARS (IN THOUSANDS) — See Notes to Financial Statements, Appendix F

	Six months ended December 31	
	1975	1974
RESOURCES PROVIDED		
Net income (loss) (*See Appendix B*)	$ 560	$ (174)
(Less) Add - Certain translation adjustments as a result of currency devaluations and revaluations	(3,262)	10,283
(Decrease) Increase in resources provided by operations	$ (2,702)	$ 9,588
From Members:		
Subscriptions, unrestricted	1,479	8,188
Supplementary resources	-	831,000
Adjustment of resources provided in prior fiscal years as a result of currency devaluations and revaluations	(184,337)	(3,111)
(Decrease) Increase in resources provided by members	$ (182,858)	$ 836,077
Transfers from International Bank for Reconstruction and Development	104,180	80,274
Repayments of development credits	9,196	4,881
Grant participations in development credits	5,350	13,200
Cancellations and refundings	1,914	8,587
Total (Decrease) Increase in Resources Provided	$ (67,920)	$ 732,218
RESOURCES USED		
Development credit agreements approved	$ 715,350	$ 668,050
NET (DECREASE) INCREASE IN RESOURCES AVAILABLE FOR COMMITMENT	$ (783,270)	$ 180,168
RESOURCES AVAILABLE FOR COMMITMENT		
Beginning of period	2,776,891	189,688
End of period	$ 1,993,621	$ 369,093

COMPOSITION OF RESOURCES AVAILABLE FOR COMMITMENT

Unrestricted currencies	$ 401,788	$ 266,734
Investments	271,320	281,965
Unrestricted receivables on account of subscriptions and supplementary resources	2,121,666	2,467,054
Receivables - Other	580,850	479,838
Other assets	61,028	33,288
Subscriptions and supplementary resources not yet due	2,472,352	88,661
Less - Undisbursed development credits (including development credits not yet effective) and accounts payable	(4,916,383)	(3,948,801)
Totals	$ 1,993,621	$ 369,093

INTERNATIONAL DEVELOPMENT ASSOCIATION

Summary Statement of Development Credits

DECEMBER 31, 1975 AND DECEMBER 31, 1974

EXPRESSED IN UNITED STATES DOLLARS (IN THOUSANDS) — See Notes to Financial Statements, Appendix F

Members in whose territories development credits have been made (1)	December 31, 1975				
	Effective development credits held by Association			Development credits approved but not yet effective (4)	Percent of total effective and non-effective development credits
	Undisbursed portion (3)	Undisbursed portion (3)	Total		
Afghanistan	$ 11,809	$ 11,025	$ 22,834	$ -	.66
Bangladesh	204,775	288,349	583,124	4,600	6.19
Benin	18,879	8,537	27,507	4,000	.55
Bolivia	49,484	15,524	64,818	-	.68
Botswana	12,452	3,564	15,996	-	.17
Burma	17,785	77,215	95,000	7,100	1.58
Burundi	5,192	4,782	9,294	1,200	.14
Cameroon	40,698	38,514	88,212	3,000	.95
Central African Republic	9,702	5,675	15,377	-	.14
Chad	11,813	12,874	24,687	5,000	.51
Chile	21,909	-	21,909	-	.23
China	15,187	-	15,187	-	.16
Colombia	22,486	-	22,486	-	.24
Congo, People's Republic of	13,715	8,179	21,894	-	.23
Costa Rica	5,247	-	5,247	-	.06
Dominican Republic	7,647	14,435	22,082	-	.23
Ecuador	28,404	10,131	38,535	-	.41
Egypt, Arab Republic of	84,130	131,806	215,936	25,000	3.54
El Salvador	16,613	5,048	21,661	-	.23
Equatorial Guinea	-	2,000	2,000	-	.02
Ethiopia	73,317	192,585	265,742	27,000	3.08
Gambia, The	4,621	1,292	5,913	4,000	.10
Ghana	43,317	32,240	75,757	23,600	1.03
Guinea	-	7,000	7,000	14,000	.22
Guyana	4,579	9,067	13,645	-	.14
Haiti	10,720	19,688	30,408	-	.32
Honduras	28,686	6,941	35,631	-	.37
India	2,682,365	1,156,963	3,838,263	140,000	41.97
Indonesia	318,063	255,459	573,522	-	9.04
Ivory Coast	1,333	6,187	7,520	-	.08
Jordan	52,686	28,266	80,950	1,000	.85
Kenya	81,165	72,431	153,596	-	1.62
Korea	92,723	22,492	115,215	-	1.23
Lesotho	8,090	6,456	14,546	-	.15
Liberia	4,722	6,278	11,000	6,000	.18
Malagasy Republic	54,198	32,337	86,535	5,600	.97
Malawi	61,603	29,528	91,222	11,600	1.09
Mali	41,000	45,027	86,027	10,000	1.01
Mauritania	14,048	8,954	23,063	11,000	.36
Mauritius	8,030	12,389	20,419	-	.23
Morocco	30,806	21,812	52,618	-	.55
Nepal	5,492	27,302	32,794	26,000	.62
Nicaragua	13,430	10,059	23,489	-	.25
Niger	18,171	5,624	23,797	10,700	.38
Nigeria	38,437	1,815	38,452	-	.42
Pakistan	491,438	110,410	601,848	-	6.31
Papua New Guinea	21,121	5,731	26,853	-	.28
Paraguay	26,291	15,130	41,421	4,000	.48
Philippines	16,689	15,527	32,216	-	.34
Rwanda	12,764	17,803	30,569	9,500	.42
Senegal	43,271	42,313	85,784	1,000	.91
Sierra Leone	10,464	12,820	23,284	-	.24
Somalia	30,092	24,095	54,187	3,200	.62
Sri Lanka	58,611	16,936	75,547	25,000	.83
Sudan	33,756	135,629	169,385	7,000	1.91
Swaziland	5,281	4,963	8,244	-	.09
Syrian Arab Republic	10,960	37,628	48,488	-	.51
Tanzania	80,780	86,250	140,030	35,000	2.26
Thailand	4,122	27,878	32,000	-	.34
Togo	6,201	12,814	19,015	-	.20
Tunisia	55,309	15,355	70,664	-	.74
Turkey	145,522	51,747	195,269	-	2.06
Uganda	30,531	8,496	40,031	-	.51
Upper Volta	11,314	20,551	30,905	7,500	.30
Western Samoa	1,590	3,010	4,490	-	.06
Yemen Arab Republic	9,167	27,085	46,210	10,000	.68
Yemen, People's Democratic Republic of	2,848	25,843	27,691	3,200	.33
Zaire	37,798	87,719	125,505	-	1.32
Totals December 31, 1975	$5,497,285	$3,528,154	$9,026,429	$470,200	100.00
Totals December 31, 1974	$4,425,888	$3,892,978	$7,334,871	$660,740	

(1) All development credits had been made to member governments or to the government of a territory of a member.

(2) The disbursed portions at December 31, 1975 and December 31, 1974 included adjustments to reflect the devaluations of the United States dollar in 1972 and in 1973.

(3) These amounts do not include $14,228,000 ($13,601,000 - 1974) grant participations. Of the undisbursed balance at December 31, 1975 the Association had entered into irrevocable commitments to disburse $18,433,000 ($14,690,000 - 1974).

(4) As at December 31, 1975, agreements in the amount of $116,700,000 providing for these development credits had been approved but not signed. In addition, agreements for development credits in the amount of $353,500,000 had been signed, but the development credits do not become effective and disbursements thereunder do not start until the borrower takes certain action and furnishes certain documents to the Association.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Statement of Voting Power, and Subscriptions and Supplementary Resources

DECEMBER 31, 1975

EXPRESSED IN THOUSANDS OF UNITS OF CURRENCY—*See Notes to Financial Statements, Appendix F*

Members (1)	Voting power		Amounts of subscriptions and supplementary resources through the third replenishment (2)		Amounts of subscriptions and supplementary resources under the fourth replenishment (3)	Total subscriptions and supplementary resources (4)	
			Expressed in United States dollars of the weight and fineness in effect on January 1, 1960	Expressed in current United States dollars	Expressed in current United States dollars	Expressed in current United States dollars (5)	
	Number of votes	Percent of total					Percent of total
Part I Members							
Australia	40,550	1.57	$ 111,980	$ 135,087	$ 70,646	$ 211,733	2.00
Austria	16,842	.65	54,560	41,691	29,806	71,497	.68
Belgium	32,052	1.24	77,700	93,733	71,768	165,501	1.56
Canada	105,286	4.08	304,530	367,569	271,364	638,733	6.03
Denmark	27,257	1.06	70,840	85,458	50,440	135,898	1.28
Finland	13,701	.53	22,448	27,080	24,239	51,319	.48
France	112,817	4.37	362,032	436,737	238,154	675,891	6.38
Germany, Federal Republic of	174,725	6.76	476,560	574,897	476,599	1,051,496	9.93
Iceland	5,931	.23	550	664	663	1,327	.01
Ireland	8,080	.31	7,030	8,480	6,302	14,782	.14
Italy	21,239	.82	185,240	223,115	-	223,115	2.20
Japan	136,039	5.27	285,320	344,196	432,268	776,464	7.33
Kuwait	14,031	.54	22,920	27,650	26,777	54,427	.51
Luxembourg	6,427	.25	1,550	3,076	2,163	5,239	.05
Netherlands	52,693	2.04	141,080	170,192	126,110	296,302	2.80
New Zealand	8,410	.33	-	-	15,140	15,140	.14
Norway	22,463	.87	49,520	59,497	49,337	108,834	1.03
South Africa	10,725	.42	20,080	24,223	7,017	31,240	.29
Sweden	72,225	2.80	206,221	248,779	173,429	422,208	3.99
United Kingdom	213,176	8.25	694,300	837,568	421,766	1,259,334	11.89
United States	628,654	24.36	2,072,290	2,499,904	1,500,000	3,999,904	37.77
TOTALS	1,721,525	66.64	$5,135,555	$6,219,396	$4,000,988	$10,220,384	96.49
Part II Members							
Afghanistan	7,771	.30	$ 1,049	$ 1,265	$ 38	$ 1,303	.01
Algeria	14,335	.55	4,186	5,050	137	5,187	.05
Argentina	14,677	.57	19,720	23,789	-	23,789	.25
Bangladesh	17,274	.67	5,589	6,742	106	6,848	.06
Benin	600	.02	500	603	-	603	.01
Bolivia	2,473	.10	1,101	1,328	-	1,328	.01
Botswana	1,858	.07	166	200	-	200	(4)
Brazil	46,526	1.80	19,720	23,789	684	24,473	.23
Burma	9,896	.39	2,099	2,532	56	2,588	.02
Burundi	2,273	.09	790	953	-	953	.01
Cambodia	7,826	.30	1,060	1,279	5	1,284	.01
Cameroon	702	.03	1,010	1,218	-	1,218	.01
Central African Republic	600	.02	500	603	-	603	.01
Chad	2,093	.08	519	627	-	627	.01
Chile	1,106	.05	3,330	4,258	-	4,258	.04
China	71,247	2.76	31,436	37,923	1,122	39,045	.37
Colombia	13,289	.51	3,717	4,483	170	4,653	.04
Congo, People's Republic of	6,685	.26	519	627	17	644	.01
Costa Rica	6,023	.23	208	251	7	258	(4)
Cyprus	7,246	.28	790	953	25	978	.01
Dominican Republic	6,485	.25	435	525	60	585	.01
Ecuador	2,200	.09	676	815	-	815	.01
Egypt, Arab Republic of	10,620	.64	5,277	6,366	192	6,558	.06
El Salvador	6,244	.24	331	399	11	410	(4)
Equatorial Guinea	1,967	.08	332	401	-	401	(4)
Ethiopia	6,687	.26	539	650	19	669	.01
Fiji	2,130	.08	581	701	-	701	.01
Gabon	2,093	.08	519	627	-	627	.01
Gambia, The	6,182	.24	277	334	9	343	(4)
Ghana	10,711	.41	2,452	2,958	66	3,024	.03
Greece	3,480	.13	2,618	3,158	-	3,158	.03
Grenada	5,782	.22	94	113	3	116	(4)
Guatemala	9,474	.25	415	501	15	516	(4)
Guinea	2,457	.09	1,049	1,265	-	1,265	.01
Guyana	7,361	.29	842	1,015	26	1,041	.01
Haiti	7,246	.28	790	953	28	981	.01
Honduras	6,242	.24	311	376	13	389	(4)
India	93,187	3.61	41,919	50,569	1,296	51,865	.49
Indonesia	29,692	1.15	11,531	13,911	412	14,323	.14
Iran	15,455	.60	4,717	5,690	164	5,854	.06

continued

INTERNATIONAL DEVELOPMENT ASSOCIATION

Statement of Voting Power, and Subscriptions and Supplementary Resources (continued)

DECEMBER 31, 1975

EXPRESSED IN THOUSANDS OF UNITS OF CURRENCY—See Notes to Financial Statements, Appendix F

Members (1)	Voting power: Number of votes	Voting power: Percent of total	Amounts of subscriptions and supplementary resources through the third replenishment (2): Expressed in United States dollars of the weight and fineness in effect on January 1, 1960	Amounts of subscriptions and supplementary resources through the third replenishment (2): Expressed in current United States dollars	Amounts of subscriptions and supplementary resources under the fourth replenishment (3): Expressed in current United States dollars	Total subscriptions and supplementary resources (2): Expressed in current United States dollars (2)	Total subscriptions and supplementary resources (2): Percent of total
Part II Members (cont'd.)							
Iraq	7,246	.28	$ 790	$ 953	$ 28	$ 981	.01
Israel	9,386	.36	1,745	2,106	609	2,715	.03
Ivory Coast	7,771	.30	1,049	1,265	35	1,300	.01
Jordan	6,242	.24	511	376	11	387	(4)
Kenya	9,240	.36	1,745	2,106	52	2,158	.02
Korea	8,350	.32	1,500	1,579	39	1,618	.02
Laos	6,685	.26	519	627	15	642	.01
Lebanon	100	.02	450	543	-	543	.01
Lesotho	5,850	.23	166	200	5	205	(4)
Liberia	2,273	.09	790	953	-	953	.01
Libyan Arab Republic	7,771	.30	1,049	1,265	37	1,302	.01
Malagasy Republic	702	.03	1,010	1,218	-	1,218	.01
Malawi	7,246	.28	790	953	26	979	.01
Malaysia	11,059	.43	2,618	3,158	83	3,241	.03
Mali	2,346	.09	904	1,090	-	1,090	.01
Mauritania	2,095	.08	519	627	-	627	.01
Mauritius	7,480	.29	924	1,114	27	1,141	.01
Mexico	2,248	.09	8,740	10,543	-	10,543	.10
Morocco	13,271	.51	3,667	4,424	132	4,556	.04
Nepal	6,685	.26	519	627	15	642	.01
Nicaragua	6,242	.24	311	376	11	387	(4)
Niger	600	.02	500	603	-	603	.01
Nigeria	4,057	.16	3,491	4,211	-	4,211	.04
Oman	6,244	.24	331	399	11	410	(4)
Pakistan	27,531	1.07	10,582	12,765	376	13,141	.12
Panama	504	.02	20	24	-	24	(4)
Papua New Guinea	7,476	.29	894	1,077	27	1,104	.01
Paraguay	1,951	.08	311	376	-	376	(4)
Peru	854	.03	1,770	2,135	-	2,135	.02
Philippines	16,581	.64	5,296	6,388	275	6,663	.06
Rwanda	2,273	.09	790	953	-	953	.01
Saudi Arabia	1,240	.05	3,700	4,463	-	4,463	.04
Senegal	9,240	.36	1,745	2,106	58	2,164	.02
Sierra Leone	7,246	.28	790	953	23	976	.01
Somalia	7,246	.28	790	953	28	981	.01
South Viet-Nam	8,880	.34	1,569	1,893	58	1,951	.02
Spain	29,746	1.15	12,590	15,188	12,707	27,895	.26
Sri Lanka	12,166	.47	3,148	3,797	94	3,891	.04
Sudan	7,771	.30	1,049	1,265	33	1,298	.01
Swaziland	6,299	.24	532	401	9	410	(4)
Syrian Arab Republic	7,651	.30	987	1,190	36	1,226	.01
Tanzania	2,904	.11	1,745	2,106	-	2,106	.02
Thailand	12,166	.47	3,148	3,797	111	3,908	.04
Togo	1,273	.05	790	953	-	953	.01
Trinidad and Tobago	770	.03	1,350	1,629	-	1,629	.02
Tunisia	2,795	.11	1,569	1,893	-	1,893	.02
Turkey	18,229	.71	6,086	7,341	309	7,650	.07
Uganda	9,240	.36	1,745	2,106	52	2,158	.02
Upper Volta	6,685	.26	519	627	17	644	.01
Western Samoa	1,812	.07	94	113	-	113	(4)
Yemen Arab Republic	6,555	.25	446	539	16	555	.01
Yemen, People's Dem. Rep. of	8,175	.32	1,226	1,479	44	1,523	.01
Yugoslavia	15,575	.60	8,080	9,747	4,184	13,931	.13
Zaire	3,823	.15	3,138	3,785	-	3,785	.04
Zambia	1,038	.04	2,600	3,245	-	3,245	.03
TOTALS	861,833	33.36	$ 287,150	$ 346,483	$ 24,234	$ 370,637	3.51
GRAND TOTALS	2,583,156	100.00	$5,442,705	$6,560,799	$4,025,222	$10,591,021	100.00

(1) See Note B, Appendix F, for an explanation of the two categories of members.

(2) See Note A, Appendix F, for details regarding translation into current United States dollars of subscriptions and supplementary resources provided by members.

(3) Includes amounts aggregating $2,681,760,000 equivalent in current United States dollars receivable from members, of which $18,043,000 equivalent was past due at December 31, 1975 and the balance, $2,473,717,000 equivalent, was not yet due.

(4) Less than .005 percent.

INTERNATIONAL FINANCE CORPORATION

FINANCIAL OPERATIONS OF THE CORPORATION

EXPRESSED IN MILLIONS OF UNITED STATES DOLLARS

	For the Six Months Ended December 31 1975	1974
Commitments for the Period	$ 70.8	$ 86.5
Sales of Loan and Equity Investments		
Participations in Commitments of Current Period	46.0	38.7
Participations in Commitments of Prior Periods	-	-
Portfolio Sales	3.2	0.5
Increase in Investments Held for the Corporation		
Loan	6.0	36.9
Equity	(1.2)	4.8
Disbursements		
For the Corporation's Account	61.2	51.6
For the Participants' Account	48.2	28.1

INTERNATIONAL FINANCE CORPORATION

Balance Sheet

DECEMBER 31, 1975 AND DECEMBER 31, 1974

EXPRESSED IN UNITED STATES DOLLARS — *See Notes to Financial Statements, Exhibit F*

		1975	1974
ASSETS			
DUE FROM BANKS - *Note B*		$ 1,012,646	$ 803,288
INVESTMENTS			
Short-term obligations of governments (At cost or amortized cost, which approximates market)	$ 923,031		1,156,719
Accrued interest	-		6,466
		923,031	1,163,185
LOAN AND EQUITY INVESTMENTS (At cost) - *Note A (See Exhibits D)*			
Investments held for the Corporation	$663,743,508		587,097,018
Less - Undisbursed investments	158,220,925		180,898,287
Disbursed and outstanding	$505,522,583		406,198,731
Less - Reserve against losses - *Note A*	27,500,000		23,299,869
		478,022,583	382,899,862
ACCRUED INCOME ON LOANS - *Note A*		10,110,162	7,471,774
RECEIVABLE FROM PURCHASERS OF LOAN AND EQUITY INVESTMENTS SOLD OR AGREED TO BE SOLD	$ 74,229,488		94,630,830
Less - Undisbursed investments sold or agreed to be sold	72,113,514		93,963,969
		2,115,974	1,667,861
OTHER ASSETS		375,569	484,364
TOTAL		$492,559,965	$394,160,294
LIABILITIES, CAPITAL AND SURPLUS			
LIABILITIES			
Accrued charges on borrowings	$ 5,694,076		$ 4,018,694
Accounts payable and other liabilities	1,036,112		833,794
		$ 6,730,188	4,852,808
BORROWINGS - *Note C*			
Loans from the International Bank for Reconstruction and Development	$436,631,886		297,852,376
Less - Undrawn	140,749,000		102,868,200
Withdrawn and outstanding	$295,882,886		210,984,176
Loan from the State of the Netherlands	5,000,000		5,000,000
		300,882,886	215,984,176
CAPITAL AND SURPLUS			
Capital stock			
Authorized 110,000 shares of $1,000 par value each			
Subscribed 107,611 shares-1975, 107,321 shares-1974	$107,611,000		107,321,000
Payment on account of pending subscriptions	-		56,000
General reserve - *Note A*	77,335,891		66,957,811
		184,946,891	174,243,811
TOTAL		$492,559,965	$394,160,294

EXHIBIT B

INTERNATIONAL FINANCE CORPORATION

Statement of Income

FOR THE SIX MONTHS ENDED DECEMBER 31, 1975 AND DECEMBER 31, 1974

EXPRESSED IN UNITED STATES DOLLARS — *See Notes to Financial Statements, Exhibit F*

		1975	1974
OPERATING INCOME			
Income from obligations of governments		$ 95,012	$ 107,658
Income from loan and equity investments and standby and underwriting commitments:			
Interest	$ 16,945,377		11,870,581
Dividends and profit participations	3,470,901		3,981,301
Commitment charges	768,824		868,118
Commissions	432,606		78,077
		21,617,708	16,796,081
Other operating income		908	(22,882)
		$ 21,713,628	$ 16,880,857
OPERATING EXPENSES			
Charges on borrowings	$ 10,429,824		$ 7,364,714
Administrative expenses (1)	5,430,594		4,841,864
		15,860,418	12,196,597
INCOME FROM OPERATIONS		$ 5,853,210	$ 4,673,260
REALIZED GAIN ON SALES OF LOAN AND EQUITY INVESTMENTS		3,763,807	261,684
PROVISION FOR LOSSES - *Note A*		(3,000,000)	(3,300,000)
NET INCOME - Transferred to General Reserve - *Note A*		$ 6,617,017	$ 1,633,944

(1) The International Bank for Reconstruction and Development is charging the Corporation an annual "Service and Support Fee" which for the year ending June 30, 1976 has been fixed at $1,485,000 ($1,455,000-1975).

INTERNATIONAL FINANCE CORPORATION

Statement of Changes in Financial Position

FOR THE SIX MONTHS ENDED DECEMBER 31, 1975 AND DECEMBER 31, 1974

EXPRESSED IN UNITED STATES DOLLARS — *See Notes to Financial Statements, Exhibit F*

	1975	1974
FUNDS PROVIDED		
Net income	$ 6,617,017	$ 1,638,945
Items not requiring current outlay of funds:		
Provision for losses on investments	3,000,000	2,300,000
Changes in accrued income and expenses	(620,533)	(458,529)
Other	(4,233)	3,030
Funds provided from operations	$ 8,992,251	$ 3,478,446
Capital subscriptions	280,000	111,000
Loans from the International Bank for Reconstruction and Development	34,762,936	40,541,073
Repayment of loans	12,341,526	9,375,157
Sales and participations	50,874,123	28,937,903
Other	-	67,380
TOTAL FUNDS PROVIDED	$107,250,836	$ 82,500,959
FUNDS USED		
Disbursements on loan and equity investments	$109,403,033	$ 79,670,152
Repayments on loans from the International Bank for Reconstruction and Development	4,692,073	3,795,651
Other	277,890	198,497
TOTAL FUNDS USED	$114,372,996	$ 83,664,300
DECREASE IN CASH AND SHORT-TERM OBLIGATIONS OF GOVERNMENTS	$ 7,122,160	$ 1,163,341

FUNDS APPROPRIATED TO THE PRESIDENT
INTER-AMERICAN DEVELOPMENT BANK
(DOLLARS IN THOUSANDS)

Authorizations	Total U.S. Participation Authorized
Public Law 86-147:	
Initial Contributions:	
Paid-in Capital Stock	150,000
Callable Capital Stock	200,000
Fund for Special Operations	100,000
	450,000
Public Law 88-259:	
Fund for Special Operations	50,000
Callable Capital Stock	411,760
Public Law 89-6:	
Increase in quota for Fund for Special Operations	750,000
	1,211,760
Public Law 90-88:	
Increases in resources Fund for Special Operations	900,000
Public Law 90-325:	
Increase in Callable Capital	411,760
	1,311,760
Public Law 91-599:	
Increase in Paid-in Capital Stock	150,000
Increase in Callable Capital Stock	673,520
Increase in Fund for Special Operations	100,000
Public Law 92-246:	
Increase in Fund for Special Operations	900,000
	1,823,520

Appropriations	Amount
First Supplemental Appro. Act, 1960	
Paid-in Capital	30,000
Callable Capital	200,000
Fund for Special Operations	50,000
Foreign Assistance and Related Agencies Appro. Act, 1962: Paid-in Capital	60,000
Fund for Special Operations	50,000
Foreign Aid and Related Agencies Appro. Act, 1963: Paid-in Capital	60,000
	450,000
Foreign Aid and Related Agencies Appro. Act, 1964: Fund for Special Operations	50,000
Foreign Aid and Related Agencies Appro. Act, 1965: Callable Capital	205,880
Second Supplemental Appro. Act, 1965: Fund for Special Operations	250,000
Foreign Assistance and Related Agencies Appro. Act, 1966: Callable Capital	205,880
Fund for Special Operations	250,000
Foreign Assistance and Related Agencies Appro. Act, 1967: Fund for Special Operations	250,000
	1,211,760
Foreign Assistance and Related Agencies Appro. Act, 1968: Fund for Special Operations	300,000
Foreign Assistance and Related Agencies Appro. Act, 1969: Callable Capital	205,880
Fund for Special Operations	300,000
1970: Callable Capital	205,880
Fund for Special Operations	300,000
	1,311,760
Second Supplemental Appropriation Act, 1971:	
Paid-in capital	25,000
Callable capital	200,000
Fund for Special Operations	50,000
Foreign Assistance & Related Programs Appropriation Act, 1972:	
Paid-in capital	75,000
Callable capital	136,760
Joint Resolution Making Continuing Appropriations, 1973:	
Paid-in Capital	25,000
Callable Capital	168,380
Fund for Special Operations	225,000
Foreign Assistance & Related Programs Appropriation Act, 1974:	
Paid-in Capital	25,000
Callable Capital	168,380
Fund for Special Operations	225,000
Foreign Assistance & Related Programs Appropriation Act, 1975:	
Fund for Special Operations	225,000
1976 Budget Amendment:	
Fund for Special Operations	275,000
	1,823,520

Authorizations	Total, U. S. Participation Authorized
Proposed for later transmittal, proposed legislation:	
Inter-regional paid-in capital	120,000
Inter-regional callable capital	930,000
Fund for Special Operations	600,000
Callable Ordinary Capital	600,000
	2,250,000

Appropriations	Amount
Proposed for later transmittal proposed legislation:	
1976 Budget Estimate:	
Inter-regional paid-in	40,000
Callable Ordinary Capital	200,000
1977 Budget Estimate:	
Inter-regional paid-in	40,000
Callable Ordinary Capital	200,000
Fund for Special Operations	200,000

INTER-AMERICAN DEVELOPMENT BANK - ORDINARY CAPITAL
BALANCE SHEET - SEPTEMBER 30, 1975
(Expressed in thousands of United States dollars)

ASSETS

Cash		
Unrestricted - member currencies	$ 107,911	
- non-member currencies	3,410	
Restricted - member currencies	19,690	$ 131,011
Investments		
Obligations issued or guaranteed by Governments or issued by U.S. Agencies, at amortized cost (face amount $ 59,339)	58,819	
Time deposits - member currencies	744,433	
- non-member currencies	80,163	883,415
Loans outstanding held by Bank		
Total loans approved, less cancellations	3,524,515	
Less principal collected by Bank	(581,474)	
Less loans sold or agreed to be sold	(67,123)	
Less undisbursed balance of loans held by Bank 1/	(1,464,188)	1,411,730
Accrued interest and other charges		
Investments	22,251	
Loans	28,237	50,488
Due from members		
Capital subscriptions - U.S. dollars	333	
- Other member currencies	333	
Non-negotiable, non-interest-bearing demand obligations - U.S. dollars	238,724	
- Other member currencies	88,100	
Amounts required to maintain value of currency holdings - U.S. dollars	-	
- Other member currencies	19,142	346,632
Land, building and improvements, at cost	14,039	
Less accumulated depreciation and amortization	(2,074)	11,965
Unamortized funded debt issue costs		11,215
Other assets		9,900
Special Reserve assets		
Cash	2,277	
Investments - U.S. Government and U.S. Agencies obligations at amortized cost (face amount $ 13,700)	13,478	
- Time deposits	52,300	
Accrued loan commissions	3,741	
Due from members - non-negotiable, non-interest-bearing demand obligations in U. S. dollars	8,187	
- amounts required to maintain value of currency holdings	*	79,983
Total assets		$2,936,339

* Under five hundred dollars.

INTER-AMERICAN DEVELOPMENT BANK - ORDINARY CAPITAL
BALANCE SHEET - SEPTEMBER 30, 1975
(Expressed in thousands of United States dollars)

LIABILITIES, SPECIAL RESERVE AND CAPITAL

Liabilities		
Funded Debt	$1,558,367	
Less unamortized debt discount	(7,702)	$1,550,665
Other liabilities and credits		
Accrued interest on borrowings	28,447	
Accounts payable and accrued expenses	4,077	
Mortgage	2,955	
Deferred credits	5,636	41,115
Special Reserve		79,983
Capital		
Capital Stock		
Authorized 515,000 shares of $10,000 par value each in terms of 1959 U.S. dollars		
Subscribed 494,466 shares	5,964,957	
Less callable portion	(4,981,920)	
	983,037	
General Reserve	281,539	1,264,576
Total liabilities, special reserve and capital ...		$2,936,339

1/ The Bank has entered into irrevocable commitments to disburse $37,342.

INTER-AMERICAN DEVELOPMENT BANK - ORDINARY CAPITAL
STATEMENT OF INCOME AND GENERAL RESERVE
(Expressed in thousands of United States dollars)

	January 1 to September 30,			
	1975		1974	
Income				
From loans - Interest	$ 67,907		$ 51,971	
- Credit commissions	10,851		7,998	
- Special commissions	10,265		8,118	
- Supervision and inspection	2,336	$ 91,359	1,761	$ 69,848
From investments		59,667		54,189
From other sources		3,279		2,355
Gross income		154,305		126,392
Less commissions allocated to Special Reserve		(10,265)		(8,118)
Gross income less allocation to reserve		144,040		118,274
Expenses				
Funded debt expense - interest	78,830		62,241	
- amortization of discount and expenses	1,978	80,808	1,914	64,155
Exchange adjustments		2,172		1,397
Administrative expenses				
Salaries	8,817		7,543	
Other compensation and benefits	3,335		2,602	
Office occupancy	1,440		1,202	
Other	4,003		3,309	
	17,595		14,656	
Less administrative charges to Social Progress and Venezuelan Trust Funds	(287)	17,308	(143)	14,513
Total expenses		100,288		80,065
Net income		43,752		38,209
General Reserve, January 1		237,787		182,691
General Reserve, September 30		$281,539		$220,900

INTER-AMERICAN DEVELOPMENT BANK - FUND FOR SPECIAL OPERATIONS
BALANCE SHEET - SEPTEMBER 30, 1975
(Expressed in thousands of United States dollars)

ASSETS

Cash		
Unrestricted member currencies	$ 475,269	
Restricted member currencies	69,215	$ 544,484
Investments		
Obligations of governments, at amortized cost (face amount $ 2,599)	2,564	
Time deposits in U.S. and Canadian dollars	107,383	109,947
Loans outstanding held by Bank		
Total loans approved less cancellations	3,723,747	
Less principal collected by Bank	(290,608)	
Less loans sold or agreed to be sold 2/	(237,608)	
Less undisbursed balance of loans held by Bank 1/	(1,552,238)	1,643,293
Accrued interest and other charges		
Investments	2,983	
Loans	19,011	21,994
Due from members		
Contribution quotas - U.S. dollars	325,000	
- Other member currencies	-	
Non-negotiable, non-interest-bearing demand obligations - U.S. dollars (including $1,290,403 restricted)	1,342,235	
- Other member currencies	370,230	
Amounts required to maintain value of currency holdings - U.S. dollars	36,526	
- Other member currencies	52,682	
- Currency to be determined by loan collections	123,869	2,250,542
Other assets		343
Total assets		$4,570,603

LIABILITIES, SPECIAL FUNDS AND FUND BALANCE

Liabilities		
Special letters of credit	$ 3,919	
Other liabilities	4,557	$ 8,476
Special Funds		
Funds held in trust		1,044
Fund balance		
Contribution quotas authorized and subscribed	4,394,406	
General Reserve	166,677	4,561,083
Total liabilities, special funds and fund balance		$4,570,603

1/ The Bank has entered into irrevocable commitments to disburse $27,045.
2/ Includes participation commitments by the Social Progress Trust Fund in the equivalent of $24,000 in Venezuelan bolivars.

INTER-AMERICAN DEVELOPMENT BANK - FUND FOR SPECIAL OPERATIONS
STATEMENT OF INCOME AND GENERAL RESERVE
(Expressed in thousands of United States dollars)

	January 1 to September 30,			
	1975		1974	
Income				
From loans - Interest	$ 32,958		$ 29,258	
- Credit commissions	5,202		5,254	
- Service charges	7,054		6,133	
- Supervision and inspection	2,441	$ 47,655	2,456	$ 43,101
From investments		6,790		5,093
From other sources		198		181
Gross income		54,643		48,375
Expenses				
Administrative expenses				
Salaries	9,943		9,599	
Other compensation and benefits	3,761		3,312	
Office occupancy	1,579		1,530	
Other	4,230		3,997	
	19,513		18,438	
Less administrative charges to Social Progress and Venezuelan Trust Funds	(323)		(182)	
Total administrative expenses		19,190		18,256
Technical cooperation expenses		2,356		1,513
Total expenses		21,546		19,769
Net income		33,097		28,606
General Reserve, January 1		133,580		95,087
General Reserve, September 30		$166,677		$123,693

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK
BALANCE SHEET - SEPTEMBER 30, 1975
(Expressed in thousands of United States dollars)

ASSETS

Cash		
United States dollars	$ 27	
Other currencies	32,054	$ 32,111
Investments		
United States Government and Agencies obligations, at amortized cost (face amount $8,760)		8,643
Loans outstanding		
Total loans approved, less cancellations	494,191	
Less principal collected	(181,567)	312,624
Participations in loans made from Fund for Special Operations 1/		196,358
Accrued interest and other charges		
Investments	39	
Loans and participations	3,913	3,952
Available from United States Government		18,130
Other assets		*
Total assets		$ 571,818

LIABILITIES AND FUND BALANCE

Liabilities		
Accrued expenses and accounts payable		$ 1,150
Fund balance		
Fund established by United States Government	$ 525,000	
Accumulated earnings	45,668	570,668
Total liabilities and fund balance		$ 571,818

1/ The Bank, as Administrator, has committed the equivalent of $24,000 in Venezuelan bolivars to purchase additional participations in loans of the Fund for Special Operations

* Under five hundred dollars.

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK
STATEMENT OF INCOME AND ACCUMULATED EARNINGS
(Expressed in thousands of United States dollars)

	January 1 to September 30, 1975		January 1 to September 30, 1974	
Income				
From loans - Interest	$ 4,198		$ 4,503	
- Service charges	1,802	$ 6,000	1,940	$ 6,443
From participations		3,639		3,260
From investments		474		439
Gross income		10,113		10,142
Administrative expenses				
Salaries	220		145	
Other	9		14	
Administrative charges by				
Ordinary Capital	233		143	
Fund for Special Operations	262	724	182	484
Income before technical cooperation and other		9,389		9,658
Technical cooperation expenses	(10,965)		(5,116)	
Adjustments of the United States dollar equivalents of the Latin American currencies	(942)	(11,907)	-	(5,116)
Net income (loss)		(2,518)		4,542
Accumulated earnings, January 1		48,186		46,228
Accumulated earnings, September 30		$ 45,668		$ 50,770

VENEZUELAN TRUST FUND
ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK
BALANCE SHEET - SEPTEMBER 30, 1975
(Expressed in thousands of United States dollars)

ASSETS		
Cash		$ 10,003
Temporary investments		
Government obligations, at amortized cost (face amount $160)	$ 158	
Time deposits - U.S. dollars	39,900	40,058
Accrued income receivable		
Temporary investments		666
Loans outstanding		
Total loans approved, less cancellations	20,600	
Less undisbursed balance	(20,600)	-
Total assets		$ 50,727
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued expenses		$ 36
Fund balance		
Fund established by Venezuelan Investment Fund	$500,000	
Less: Amounts not yet received	450,000	
	50,000	
Net income	691	50,691
Total liabilities and fund balance		$ 50,727

VENEZUELAN TRUST FUND
ADMINISTERED BY INTER-AMERICAN DEVELOPMENT BANK
STATEMENT OF INCOME
INCEPTION TO SEPTEMBER 30, 1975
(Expressed in thousands of United States dollars)

Income		
From temporary investments		$ 862
Administrative expenses reimbursable to Inter-American Development Bank		
Direct		
Salaries	55	
Travel expenses	1	
Indirect	115	
Total expenses		171
Net income		$ 691

ASIAN DEVELOPMENT BANK

TREASURY DEPARTMENT

FUNDS APPROPRIATED TO THE PRESIDENT
ASIAN DEVELOPMENT BANK
(DOLLARS IN THOUSANDS)

Authorizations	Total, U.S. Participation Authorized	Appropriations	Amount
Public Law 89-369		Second Supplemental Appropriation Act, 1966:	
Callable Capital	100,000	Callable Capital Stock	100,000
Paid-in Capital	100,000	Paid-in Capital	40,000
		Foreign Assistance and Related Agencies Appropriation Act, 1969	20,000
		Foreign Assistance and Related Agencies Appropriation Act, 1970	20,000
		Foreign Assistance and Related Agencies Appropriation Act, 1971	20,000
	200,000		200,000
Public Law 92-245:			
Contribution to Consolidated Special Funds	100,000	Foreign Assistance & Related Agencies Appropriations Act, 1974:	
	100,000	Consolidated Special Funds	50,000
Public Law 93-537, Participation in Asian Development Bank:		Foreign Assistance & Related Agencies Appropriations Act, 1975:	
Paid-in Capital	72,381	Consolidated Special Funds	50,000
Callable Capital	289,524		100,000
	361,905		
Special Funds	50,000	Paid-in Capital	24,127
	411,905	1976 Budget Estimate:	
		Paid-in Capital	24,127
		Callable Capital	96,508
		Special Funds	50,000
		1977 Budget Estimate:	
		Paid-in Capital	24,127
		Callable Capital	96,508
Proposed for later transmittal, proposed legislation:			
Special Funds	50,000	Proposed for later transmittal, proposed legislation:	
		Special Funds	50,000

Confidential
Appendix I

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
BALANCE SHEET
30 September 1975 and 30 September 1974
Expressed in United States Dollars (Note A)

ASSETS	1975		1974	
CASH IN BANKS (See Appendix (IV) (Note B)		40,236,712		31,131,968
INVESTMENTS (Note B)				
Government and government guaranteed obligations - amortized cost which approximate market (Face amounts $133,123,992 - 1975, $100,060,134 - 1974)	129,053,436		96,835,659	
Time deposits and certificates of deposit	374,331,724	503,385,160	272,618,345	369,454,004
LOANS (See Appendix V) (Note A)				
Loans approved - $1,625,043,000 - 1975, $1,329,345,000 - 1974				
Effective loans				
Held by Bank	1,418,199,031		1,117,346,365	
Agreed to be sold	875,000	1,419,074,031	5,786,700	1,123,133,065
ACCRUED INCOME				
On investments	17,422,799		17,429,741	
On loans	9,503,870	26,926,669	5,500,213	22,929,954
AMOUNTS RECEIVABLE FROM MEMBERS				
Non-negotiable, non-interest-bearing demand obligations (See Appendix IV) (Notes B and C)	316,712,067		302,213,418	
Amounts required to maintain value of currency holdings (Note D)	27,143,842		22,904,859	
Subscription installments (Note C)	253,334	344,109,243		325,118,277
OTHER ASSETS				
Administration Charge receivable from Special Funds (Note I)	8,602,403		11,870,655	
Unamortized issuance costs of borrowing (Note A)	3,882,331		2,680,336	
Miscellaneous	1,625,978	14,110,712	885,514	15,436,505
SPECIAL RESERVE FUND ASSETS (Note E)		9,485,012		5,298,414
TOTAL		$2,357,327,539		$1,892,502,187

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES
BALANCE SHEET
30 September 1975 and 30 September 1974
Expressed in United States Dollars (Note 2)

	Technical Assistance Special Fund (Note 3)		Multi-Purpose Special Fund (Note 4)		Consolidated	
	1975	1974	1975	1974	1975	1974
A S S E T S						
CASH IN BANKS	$ 609,220	$ 664,976	$ 7,453,671	$ 6,937,783	$ 8,062,891	$ 7,602,759
INVESTMENTS						
Government and government guaranteed obligations - amortized cost which approximates market (Face amounts - $27,592,469 - 1975; $23,640,465 - 1974)	6,436,365	6,283,405	19,897,270	16,844,094	26,331,635	23,127,499
Time deposits and certificates of deposit	-	-	34,627,716	60,901,464	34,627,716	60,901,464
LOANS (See Appendix B) (Note 2(d))						
Loans approved $329,263,000 - 1975, $329,263,000 - 1974	-	-	305,435,705	314,086,280	305,435,705	314,086,280
Effective loans held by Bank						
ACCRUED INCOME						
On investments	-	-	1,460,277	2,057,779	1,460,277	2,057,779
On loans	-	-	837,557	428,361	837,557	428,361
NOTES OF CONTRIBUTORS						
Non-negotiable, non-interest-bearing notes	-	-	98,259,378	138,496,673	98,259,378	138,496,673
RESOURCES AVAILABLE						
Contributed Resources (See Appendix E)	1,578,264	1,268,093	27,234,525	38,559,342	28,812,789	39,827,435
Resources available for drawing						
OTHER ASSETS	298,738	17,366	1,603,428	3,070,949	1,902,166	3,088,315
T O T A L	$ 8,920,587	$ 8,228,840	$ 498,809,527	$ 581,384,725	$ 507,730,114	$ 589,613,565
LIABILITIES, UNEXPENDED BALANCES AND CAPITAL						
UNDISBURSED BALANCE OF EFFECTIVE LOANS (See Appendix B)	$ -	$ -	$ 182,818,236	$ 258,557,655	$ 182,818,236	$ 258,557,655
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES (Note 6)	-	-	4,350,220	11,870,655	4,350,220	11,870,655
ACCOUNTS PAYABLE	1,510,069	456,256	271	99	1,510,340	456,355
UNEXPENDED BALANCES AND CAPITAL						
Contributed Resources (See Appendix E)						
Amounts made available	16,839,709	14,005,883	248,001,803	256,015,111	264,841,512	270,020,914
Set-Aside Resources (See Appendix F) (Note 4(b))						
Capital set aside and transferred	-	-	57,433,902	57,433,902	57,433,902	57,433,902
Credit arising from transfer to the Asian Development Fund of Administration Charge Payable (Note 6)	-	-	1,362,408	-	1,362,408	-
Accumulated net income (expense) (See Appendix B)	-	-	-	-	(9,429,191)	(6,233,219)
Contributed Resources	(9,429,191)	(6,233,219)	2,882,687	(2,492,697)	2,882,687	(2,492,697)
Accrued Resources (Note 4(c))	-	-				
T O T A L	$ 8,920,587	$ 8,228,840	$ 498,809,527	$ 581,384,725	$ 507,730,114	$ 589,613,565

The accompanying notes to financial statements (Appendix E) are an integral part of this statement.

Controller's Department

BIOGRAPHY

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

[The biography follows:]

BIOGRAPHICAL SKETCH OF JOHN A. BUSHNELL

Born Glen Cove, N.Y., July 1933; lived in Winsted, Conn., 1940; Yale University—BA Economics, 1955; Fulbright Scholar—University of Melbourne, 1955–57; USAF officer—1957–59; Department of State Foreign Service Officer, 1959; Intelligence and Research Bureau, 1960–61; Policy Planning Bureau, 1961–62; Bogota, Colombia, 1962–64; Santo Domingo, Dominican Republic, 1964–65; San Jose, Costa Rica, 1965–68; Geneva, Switzerland, 1969–71—(U.S. Representative UNCTAD); National Security Council Staff, 1971–July 1974; Department of the Treasury, Office of the Assistant Secretary for International Affairs; current title: Deputy Assistant Secretary for Developing Nations Finance; married—Ann Morel; three sons.

Mr. PASSMAN. As we look at the budget request for the Asian Development Bank, ordinary capital, you are requesting $120,635,000.

Mr. BUSHNELL. That is correct.

Mr. PASSMAN. There is a possibility that at some subsequent date, that you will be submitting a budget amendment for an additional $50 million?

Mr. BUSHNELL. That is correct. We have submitted to the Congress an authorization bill for $50 million which would be the first contribution to the replenishment of the soft funds in the Asian Bank.

TREASURY ROLE

Mr. PASSMAN. As it applies to the Asian Bank, do you have anything to do with administering the program or are you just testifying for the funds?

Mr. BUSHNELL. My responsibility in Treasury is to oversee the U.S. Government role in all of the development banks including, of course, the Asian Development Bank.

Mr. PASSMAN. But you don't administer it. You are the overseer in the Secretary of Treasury's office?

Mr. BUSHNELL. That is correct in the sense that the management of the bank is an international secretariat.

Mr. PASSMAN. That is what I have been trying to find out. We have been told that those who administer the Bank cannot testify because it is an international organization.

Mr. BUSHNELL. That is correct.

Mr. PASSMAN. So they have to borrow somebody from downtown to justify the administration's request. I understand we cannot have a detailed audit by the GAO.

Mr. BUSHNELL. That is correct.

TOTAL ASSISTANCE TO ADB

Mr. PASSMAN. Gentlemen, I will tell you, this is really not a can of worms. It is a barrel of worms.

How much have we provided the Asian Development Bank since its inception' I think you have two different windows, do you not?

Mr. BUSHNELL. Yes, sir. We contribute to the capital of the bank and we contribute to the special funds.

Mr. PASSMAN. The special fund is a fancy name. It simply means a cash contribution, correct?

Mr. BUSHNELL. That is correct.

Mr. PASSMAN. How much is that?

Mr. BUSHNELL. The U.S. subscribed capital thus far has been $361.9 million. Our contributions to the soft window to date total $100 million.

Mr. PASSMAN. By "soft window" you mean we give them U.S. dollars and they make loans on a concessionary basis?

Mr. BUSHNELL. That is correct.

Mr. PASSMAN. We want to describe it where people who read the hearings will know what we are talking about.

Mr. BUSHNELL. That is $100 million, sir.

STATUS OF VIETNAM, CAMBODIA, AND LAOS

Mr. PASSMAN. I believe under the charter of the Asian Development Bank that Vietnam, Cambodia, and Loas were eligible for loans?

Mr. BUSHNELL. Those three countries have been members of the Bank.

Mr. PASSMAN. They have been eligible for the loans?

Mr. BUSHNELL. Yes.

Mr. PASSMAN. Are they still members of the Asian Development Bank?

Mr. BUSHNELL. Laos is a fully active member of the Bank. Cambodia and South Vietnam are not currently represented on the Board of Executive Directors of the Bank, although they still have loans outstanding and they still have shares in the Bank, at least of predecessor governments.

Mr. PASSMAN. And they can still make applications to the Bank for loans?

Mr. BUSHNELL. They would have to comply with a number of requirements before making an application.

Mr. PASSMAN. I understand. I think that is true in everything we do. But they are privileged to make applications to the Asian Development Bank for loans?

Mr. BUSHNELL. If they were to bring their accounts current and comply with other conditions, then they could.

Mr. PASSMAN. Again, I think that is understood. You are supposed to comply with the laws and rules and regulations. I am trying to find out if they are eligible, in the general sense speaking, to apply for loans from the Asian Development Bank.

Mr. BUSHNELL. As developing members of the Bank they are eligible.

Mr. PASSMAN. Who is president of the Asian Development Bank?

Mr. BUSHNELL. Mr. Shiro Inoue.

Mr. PASSMAN. Does the ADB have a program whereby the president may approve loans for employees of the Bank?

LOANS TO EMPLOYEES

Mr. BUSHNELL. There is a program for new employees of the Bank.

Mr. PASSMAN. Did not the U.S. representative of the ADB at one time ask for a list of such loans? Was he not refused?

Do you recall that?

Mr. COOPER. I remember hearing about it.

Mr. PASSMAN. Do you read the hearings?

Mr. COOPER. Yes, sir.

Mr. PASSMAN. The question was answered verbatim, "Yes, that is true." You remember that. Please cooperate, gentlemen. This is serious business. There is no reason to be evasive. We know it is true. Does it still exist?

Mr. BUSHNELL. Yes.

Mr. PASSMAN. Do you have the same president?

Mr. BUSHNELL. There is a new president.

Mr. PASSMAN. But the conditions still exist?

Mr. BUSHNELL. The conditions still exist. There is a program and if we were to ask for a detailed list, it would not be given.

Mr. PASSMAN. I want to commend you for being forthright. I know you intend to be that way. What nations are currently charged with outstanding loans from the Asian Development Bank?

OUTSTANDING LOANS

Mr. BUSHNELL. There are outstanding loans at the moment for 21 member countries.

Mr. PASSMAN. Would you place in the record at this point the countries and the number of loans and the amount they owe to the Asian Development Bank?

[The information follows:]

ASIAN DEVELOPMENT BANK LOANS AS OF DEC. 31, 1975

[In millions of U.S. dollars]

Borrowing country	Number of loans	Amount committed	Amount outstanding (disbursements minus repayments)
Afghanistan	3	$34.0	$3.0
Bangladesh	14	136.8	22.9
Burma	8	66.8	3.1
Cambodia	1	1.7	.6
China	12	100.4	74.8
Fiji	2	6.7	4.5
Hong Kong	2	41.5	18.0
Indonesia	34	267.2	52.5
Korea	28	438.2	196.6
Laos	4	11.7	5.7
Malaysia	25	251.9	47.6
Nepal	13	57.5	13.9
Pakistan	23	335.2	101.6
Papua New Guinea	2	14.3	2.2
Philippines	25	348.0	84.2
Singapore	10	104.4	55.9
Sri Lanka	13	70.8	21.3
Thailand	16	241.3	63.5
Tonga	1	1.3	.1
Vietnam, Republic	11	44.6	5.6
Western Samoa	7	10.6	4.3
Total	254	2,584.9	782.0

DELINQUENT LOANS

Mr. PASSMAN. Now, could you tell the committee how many of the loans are delinquent and for what period?

Mr. BUSHNELL. Aside from the Indo China countries——

Mr. PASSMAN. When you say Indo-China countries, that is a good part of it. Let's put them all in. They are eligible, as you previously stated, to make applications for loans. How many of them are delinquent?

Mr. BUSHNELL. Cambodia and South Vietnam are the only delinquent countries.

Mr. PASSMAN. How about Laos?

Mr. BUSHNELL. Laos has been paying the service on its debt regularly as scheduled. It is not delinquent.

Mr. PASSMAN. Has it ever been necessary to "roll over" any loans because of delinquency?

"ROLLOVERS"

Mr. BUSHNELL. There has never been such a situation. There have been very few delinquencies so the situation has not come up very often. There is no intention I know of to roll over any of these loans. As I said before, before these two countries we mentioned, could consider reactivating their loans, they would have to pay the debts due.

Mr. PASSMAN. There is nothing sinful about bringing the loans up-to-date under mutual agreement. If you collect interest due. If you have nations who are eligible for new loans, there may be reasons sometimes possibly to renegotiate the payout date.

So I don't want to imply that I am opposed to it.

Mr. BUSHNELL. I think it is the situation in all the development banks that they have strongly opposed any change in the original terms of the loans and they have been very successful in doing this. The developing countries have given a very high priority to paying on time the interest and principal due, not just to the Asian bank, but to all of these banks.

Mr. PASSMAN. Mr. Secretary, could you understand how I really would be upset about foreign aid? I think if we look at the record, the most prosperous period in America or any nation on the face of the Earth has been during the past 30 years. The amount of revenue accruing to the Federal Government has been simply fantastic, hasn't it?

Mr. BUSHNELL. It certainly has, yes.

Mr. PASSMAN. So here we are. I think if you go back to 1946 we had a public debt of $259 billion. During this most prosperous period in the history of America we find that we have run that public debt up now to almost $600 billion, haven't we?

Mr. BUSHNELL. That is correct.

Mr. PASSMAN. It just frightens me. That is not the way to run a show. I don't know of any way that I can make contribution.

Let me yield to Mr. Koch.

ACCESS TO ADB INFORMATION

Mr. KOCH. I have a set of questions I would like to go into concerning Nicaragua. Before I do that, I would like to go back to one of the chairman's questions.

Do you know of any banking institution where a director of the banking institution would not be privy to all the information that the president might be privy to if the director asked for that information?

Do you know any institution that would allow that to occur?

Mr. BUSHNELL. I don't think that would be normal in a commercial bank in this country. But we have to remember that these institutions are multinational institutions. The executive directors, two of whom are here with me today, do not serve on the boards as private individuals. They serve as representatives of the U.S. Government.

Mr. KOCH. When they ask for the information, they are asking not as a private party. They are asking as representatives of the U.S. Government, is that not true?

Mr. BUSHNELL. That is correct.

Mr. KOCH. When a representative of the United States who is a director on that bank says to the president, who happens to be a representative of Japan—isn't he?

Mr. BUSHNELL. No. He is not a representative of Japan. He is an employee of the bank.

Mr. KOCH. When a representative of the U.S. Government and a director of the bank asks an employee of the bank for any information that that employee has, that employee is allowed to say no. Is that the position that this employee takes?

Mr. BUSHNELL. I think we should distinguish here between requesting the information for his own private use to check on whether the rules and procedures of the bank have been followed and requesting it in a way that would become public knowledge.

Mr. KOCH. Has he asked for it privately?

Mr. BUSHNELL. I am not familiar personally with this case. It was some years ago. But I am familiar with a similar case which we have had during the last year in which we chose not to ask for it privately because we had no information that would indicate that there were any violations of the rules of the bank in question.

Mr. KOCH. But if the chairman of this committee said this committee wanted that information, would you obtain that information for this committee?

Mr. BUSHNELL. The dilemma we face on this sort of information is that these international institutions, which employ people from all over the world, feel it would be very embarrassing if here today on the public record we would read into the record what these citizens received as personal loans.

Mr. KOCH. Why? Why is it embarrassing if the United States is supplying funds—what percentage is it?

Mr. BUSHNELL. In the Asian Bank we have provided about 10 percent of the capital and we have contributed about one-fourth of the special funds.

Mr. KOCH. What would be wrong with your providing this information on a confidential basis? Is there anything wrong with that? You are saying to the committee that you will provide it if we do not release it publicly. Would you provide it to the committee then if the chairman asked you for it?

Mr. BUSHNELL. I can't say I would provide it because I don't have it. On a confidential basis I would be prepared to ask for it.

Mr. PASSMAN. There would be no assurance that you could get it?

Mr. BUSHNELL. We have no assurance that we could get that sort of personal information.

Mr. KOCH. Supposing the bank authorization legislation contained a provision that every director would be entitled to all information

at his request that any employee of the bank had access to it. Do you think it would be unreasonable for the Congress to pass such legislation?

Mr. BUSHNELL. The place where such a provision would have to be placed, of course, is in the charter of the bank. That is where the rules of the bank are made and that has been approved by the Congress.

Mr. KOCH. I will go to my own questions in a moment, but let me indicate what I am driving at.

I was intrigued by the chairman's incisive inquiry. To me it is an absolute outrage that a representative of the U.S. Government, in his capacity as a director, can ask an employee of the bank to turn over information which the employee has and the employee can say no. To me that is an incredible situation.

LOANS TO NICARAGUA

Now I would like to go to my own questions if I may. I am interested in Nicaragua. I understand the Bank is making a loan?

Mr. BUSHNELL. I think that is the Inter-American Development Bank that would be doing that.

Mr. KOCH. Would you tell us a little bit about that?

Mr. PORGES. The loan proposal is in a preliminary stage of processing and the board of directors has not yet seen it. I understand that an application has been received for a road loan which is a circumferential road around the Capital City of Nicaragua. Normally, the process is for the staff of the Bank to analyze it.

Mr. KOCH. Has the analysis been made?

Mr. PORGES. As far as I know it has not been completed. A rapid analysis has been made, but it has not gone to the midlevel review committee or to the loan committees of the Bank. These are two necessary stages before it gets to the board of directors for its consideration.

However, I understand there are problems with it. According to the Bank's regulations, and this applies to every loan, there has to be legislation or other legal provision for a betterment tax on the increase in the value of the land which benefits from the loan project. So far as I know this has not been done in this case.

Mr. KOCH. I understand there must be a tax on the increased value of the land.

Mr. BUSHNELL. Maybe I can clarify this. The betterment tax is not on the land on which the road is built, but on the adjacent property.

Mr. KOCH. I am familiar with that.

Mr. PORGES. I understand that Bank management has communicated this requirement to the Nicaraguan Government. That is where the matter now stands.

Mr. KOCH. Would it be fair to say that Nicaragua is one of the poorest countries economically in all of Latin America?

Mr. PORGES. Yes.

Mr. KOCH. Would it be fair to say that it has one of the lowest literacy rates in Latin America?

Mr. PORGES. It has a low literacy rate.

Mr. KOCH. Would it be fair to say it has one of the lowest life expectancy rates?

Mr. PORGES. I am not familiar with that particular statistic.

Mr. KOCH. Do you know what the per capita income is?

Mr. COOPER. Perhaps I can help. The World Bank atlas shows the per capita income of Nicaragua in 1973 as $540.

Mr. KOCH. Am I correct if I state that while the per capita income is approximately that figure, that half the population has a per capita income of $120 annually reflecting an extreme maldistribution of the wealth? The figure you give is an average figure not taking into consideration the differentials at both ends of the pole, is that right?

Mr. COOPER. That is correct.

Mr. KOCH. Do you dispute my figure of $120?

Mr. PORGES. I don't know the exact figure but I assume in a country such as Nicaragua, and in other underdeveloped countries, there is this type of maldistribution.

Mr. KOCH. The Financial Times of London on October 1, 1975, reported the following: Much of the disaster relief and development aid money to Nicaragua has been channeled into the multimillion dollar Somoza business empire which already dominates most sectors of private as well as public life. Certainly the only visible government expenditure has been on roadbuilding, using cement blocks made by the family's Mayco firm with cement bought from the Cementera Nacional Company.

What I am driving at is that you are now contemplating making a loan of about $28 million, isn't that the figure?

Mr. PORGES. The figure I heard was $24 million.

Mr. KOCH. To build a road that will avoid the capital, right?

Mr. PORGES. Right.

Mr. KOCH. There is so much going on in Nicaragua that you have to avoid the capital?

Mr. PORGES. The center of the city has been totally destroyed by an earthquake. In the last 4 or 5 years, because of fear or rebuilding in that center, a series of satellite villages has grown up in the periphery around the old devastated center. I understand that the rationale for this road has something to do with linking these satellite areas.

Mr. KOCH. Just one other comment.

I am really appreciative that you have not yet made a decision on this loan. What bothers me is that the Bank would consider providing General Somoza $24 million to build a beltway around Managua when Nicaragua has such terrible problems in health, literacy, and the distribution of wealth. As I understand it, General Somoza not only dominates the country but owns the land which will most accrete in value because of the road. He owns the company which manufactures the cement for the road. He owns the company that makes the cement blocks.

Isn't there something incredible about the Bank being used to enrich the already enriched—you would not dispute it if I used the word dictator of Nicaragua, would you?

Mr. PORGES. I am not disputing that he is the ruler of Nicaragua.

Mr. KOCH. Isn't there something wrong with the Bank putting that kind of chunk of money into the coffers of the dictator of Nicaragua? Don't you think there is something wrong with that?

Mr. PORGES. I think there are two elements to be considered here, Mr. Koch. One is the goals of the government itself. In other words, where does it want development to take place. The earthquake devastated the capital city of Managua.

Mr. KOCH. They want Nicaragua developed where General Somoza has his property.

Mr. PORGES. I cannot speak with great authority about this loan because it is in a preliminary stage of consideration. I understand this road would link the satellite areas which have become the commercial and industrial centers for the country.

Now, of course, I know from previous cases that the Bank looks very, very carefully at who is going to benefit from its loan. This is all part of the presentation of the Bank staff and the board looks at it very, very carefully. If and when the time comes we will look at that aspect of this loan proposal very carefully.

Mr. KOCH. I would like to place in the record some correspondence I have had concerning Nicaragua. Also on the previous matter, I'd like to make a request of the appropriate officials that the loans made to employees of the ADB be provided to this committee.

[The information follows:]

WHY ARE WE ASSISTING NICARAGUA?

(Mr. Koch asked and was given permission to extend his remarks at this point in the Record and to include extraneous matter.)

Mr. KOCH. Mr. Speaker, as a member of the Foreign Operations Subcommittee of the Appropriations Committee, I am exploring several areas of our foreign aid program. Our military and economic aid to Nicaragua is a concern of mine, and I have had correspondence with the State Department on this subject. I am appending that correspondence for the information and consideration of my colleagues:

HOUSE OF REPRESENTATIVES,
Washington, D.C., January 19, 1976.

DAVID LAZAR,
Director of Central American Affairs,
Department of State, Washington, D.C.

DEAR MR. LAZAR: As a member of the Foreign Operations Subcommittee of the Appropriations Committee, I am asked to approve requests for funding for foreign aid, both military and economic. I have been advised of certain facts concerning the situation in Nicaragua, which I would appreciate having either verified or refuted.

It is alleged that the Somoza family has almost total economic, political, and military control of Nicaragua. Some of the allegations are as follows:

1. The Somoza family owns half the private property in the country and has extensive holdings in every industry.
2. The Somoza family has exclusive rights to the nation's television stations and television industry.
3. General Somoza raises $4 million a year from forced donations by government employees.
4. The Government's development agency, INFONAC, is used to direct foreign aid to family enterprises.
5. The National Guard, which includes both the army and the nation's police force, is under the personal direction of General Somoza.

I am interested as to how the allegations relate to the pattern of American foreign aid in that country, and would appreciate having answered the following questions:

1. What is the rationale for our providing military aid to Nicaragua? What strategic interests do we have there? I understand that the United States has terminated the Bryan-Chamorro Treaty of 1914 and terminated the lease of the Corn Islands, thus ending our claim on an alternate canal route.
2. Why has military aid increased substantially in the last few years? I am informed that military aid has increased from $2.1 million in 1974, to $5.6 million in 1975, to an estimated $7.1 million in 1976.
3. I would appreciate learning what part of our economic development aid goes into the holdings of the Somoza family, if that information is at all available. Could that information be obtained from INFONAC?

4. Could you indicate what degree of opposition there is to the Somoza regime? There appears to be disagreement on this issue of Somoza's popularity. Would our close association of the U.S. presence with Somoza be detrimental to U.S. interests should a different regime come to power?

Thank you for consideration of these matters.

Sincerely,

EWARD I. KOCH.

DEPARTMENT OF STATE,
Washington, D.C., February 13, 1976.

Hon. EDWARD I. KOCH,
House of Representatives,
Washington, D.C.

DEAR MR. KOCH: Thank you for your letter of January 19, addressed to Mr. David Lazar, requesting certain information concerning Nicaragua and our programs of bilateral military and economic assistance to that country.

Regarding five allegations which you cited concerning the extent to which the Somoza family controls Nicaraguan affairs, let me reply to these in order:

1. It is widely recognized that the Somoza family, collectively, is among the wealthiest, if it is not the wealthiest, in Nicaragua. Enterprises in which members of the family have a substantial or controlling interest are active in virtually every significant sector of the Nicaraguan economy. However, the State Department does not possess detailed information which would permit us to confirm or deny definitively the assertion that the family owns half of all private property in Nicaragua. However, as a general proposition, the charge appears to be an exaggeration, given the presence of a number of other extremely important private interests in the Nicaraguan economy.

2. One of the two television stations operating in Nicaragua is owned by President Somoza. The second station is owned and operated by the Sacasa family, many of whose members are active in political opposition to Somoza.

3. It is widely reported that deductions are made automatically from the pay of all Nicaraguan government employees to support the activities of the National Liberal Party, which is headed by President Somoza. Reportedly, the deductions normally are 5 percent, and the total revenue gathered in this fashion probably exceeds $4 million because of recent pay raises to government employees.

4. INFONAC is one of several Nicaraguan government agencies involved in the field of economic development. It was formed in 1953 to promote industrial development and diversification through the relending of Nicaraguan and foreign public and private capital. In this capacity, it has handled only a portion of the total foreign public capital assistance received by Nicaragua during the past 23 years. Because of the ubiquity of private concerns with Somoza family involvment, a certain portion of the subloans made by INFONAC have benefited Somoza business interests. However, according to our A.I.D. mission in Managua, the majority of INFONAC subloans have gone to firms controlled by other interests. I should also point out that most of INFONAC's capital is derived from contributions made by the Government of Nicaragua out of its own resources.

5. President Somoza does exercise close personal control of the National Guard, which is responsible for both national defense and internal civil police functions. This arrangement is embodied in the Nicaraguan Constitution, which stipulates that the Preisdent shall be the "Supreme Chief" (*Jefe Supremo*) of the Guard. Effective control of the Guard has been retained by President Somoza's father and himself since 1933.

You also posed four questions regarding our assistance programs in Nicaragua and the present political situation there. I have attempted to respond to these below:

(1) With respect to military assistance, our program in Nicaragua has been a relatively modest one, with modest objectives. We do not consider that the United States has any major strategic interests in Nicaragua. In this connection, you were correct in stating that both the Bryan-Chamorro Treaty and our lease of Corn Island have been terminated, reflecting our lack of interest in an alternative canal through Nicaragua. I should also note that the President's Inter-Oceanic Canal Commission, in its final 1970 report, concluded that none of the proposed canal routes through Nicaragua were worthy of further study, on economic and technical grounds.

The Department does consider, however, that our military assistance program assists us in sustaining a cooperative relationship with the Nicaraguan Govern-

ment which has been mutually beneficial. Military assistance funds have been utilized primarily for the acquisition of logistical vehicles, construction equipment, transport aircraft, communications gear, other supplies, and spare parts. No modern weapon systems have been involved. This has permitted the National Guard to maintain, and in some instances to upgrade its equipment. It has also contributed to the establishment of an engineering battalion, which has had major responsibilities in the reconstruction of Managua and other civic action projects. Our training programs have been designed to promote a greater competence and professionalism in the Guard.

(2) No substantial increase in military assistance to Nicaragua has been programed which would account for the trend cited in your letter. The following table indicates the amounts budgeted for our military assistance program in Nicaragua during the last three years:

U.S. MILITARY ASSISTANCE TO NICARAGUA, FISCAL YEARS 1974-76

[In millions of dollars]

	1974	1975	1976
FMS credit		3.0	2.5
Grant material assistance	0.9	1.2	.2
Training	.4	.7	.8
Excess defense articles (EDA)	1.6	.2	[1].3
Total	2.9	5.0	3.8

[1] Projected.

With respect to the figures in your letter, I should point out that the original Defense Department projections for this fiscal year included an Excess Defense Article (EDA) total of $3.0 million, which would have made the 1976 total figure $6.5 million. That item has now been reduced because it was determined that the Nicaraguan Government could not pay for transportation of that amount of surplus equipment. I should also point out that the EDA figures represent original acquisition cost of surplus Defense Department items, not their present value, which is no more than 20 to 30 percent of acquisition cost. As for future periods, no grant materiel assistance is contemplated after this fiscal year. Training assistance will drop to $600,000 per year, and no increase is anticipated in the $2.5 million annual total for FMS credit authorizations.

(3) Referring to our economic development assistance, none of this aid goes directly to President Somoza or his family. The Somozas, as I indicated above, do have extensive business interests in Nacaragua, and a number of these enterprises have undoubtedly benefited from the procurement made possible by A.I.D. loans for the reconstruction of Managua after the disastrous 1972 earthquake and for other activities. We have no way of quantifying the extent of this procurement. Every effort has been made, however, to insure that all A.I.D.-financed procurement is carried out according to customary U.S. Government procurement regulations, which insure that goods and services are procured on the basis of least cost consistent with acceptable quality. In this regard, when our assistance program expanded after the earthquake, the A.I.D. staff in Nicaragua was increased to include additional legal, procurement, engineering, and loan specialists to strengthen the mission's ability to review and monitor our assistance program. In addition, a resident audit staff was set up in Nicaragua in 1973, and all A.I.D. programs have been subjected to continuous audit and evaluation to insure conformity to U.S. regulations. The A.I.D. Auditor General reported in 1975 that this auditing effort had uncovered no significant misuse of official U.S. assistance funds. There are presently no outstanding claims against the Government of Nicaragua resulting from any adverse audit findings.

In regard to INFONAC, this agency received two loans from A.I.D. In 1964 and 1967 totaling $9.0 million. Some 84 subloans were made with these A.I.D. funds, of which an undetermined number went to firms in which the Somoza family was known to have an interest. A.I.D. determined that it would be impractical to exclude Somoza enterprises from this program, and that our purposes would be better served by trying to insure that all loan proposals were handled according to uniform, established lending criteria. Periodic audits and evaluations of the INFONAC program have revealed only one instance of a subloan that appears

to have been made on the basis of irregular criteria. This case is under investigation by our staff in Managua, and remedial action will be taken if appropriate when the facts have been fully established.

(4) With regard to the present political popularity of President Somoza, it difficult to gauge the strength of the political opposition in Nicaragua with any precision. President Somoza won the September 1974 elections with 92 percent of the officially reported vote, but this may have been part the function of an ineffectual campaign by the Conservative Party. It has been the judgment of most knowledgeable political observers that President Somoza, as the candidate of a highly efficient Liberal Party, would probably win any open political contest.

In this same connection, I believe your reference to "our close association of the U.S. presence with Somoza" reflects a mioscnception, albeit a widely-held one, concerning official U.S. policy toward Nicaragua. Many Nicaraguans conceive of the United States as the final arbiter of political developments in that country. This is one of the less-fortunate heritages of our intervention in Nicaragua during the 1920's and 1930's. That era is long past, and our relations with the Government of Nicaragua are conducted today, as a matter of explicit policy, on the basis of government-to-government dealings, rather than personalities. This policy may have been subject to misunderstandings in the recent past, but the Department of State has made every effort to establish clearly and publicly that our programs in Nicaragus are not meant to serve narrow partisan purposes.

I hope you will find this response helpful.

Sincerely,

ROBERT J. MCCLOSKEY,
Assistant Secretary for Congressional Relations.

LOANS TO ADB EMPLOYEES

Given the limited credit market in Manila, the ADB provides loans to new staff joining the Bank and to all staff for compassionate reasons. For new staff members facing the expenses of establishing a new residence, the Bank will provide a loan equal to 3 months salary to be repaid over 18 months at 5 percent interest. It will also permit new staff (less than 1 year service) to borrow $2,000 at 6 percent and another $2,000 at its ordinary capital lending rate, currently 8.75 percent. The ADB will lend to old as well as new staff members for "compassionate" reasons in emergency situations. As of December 31, 1975 outstanding loan balances were as follows:

Newcomer salary advance	$254, 205. 10
Special salary advance on compassionate grounds	160, 736. 21
Total	414, 941. 31

The number of peopie who have outstanding advances:

Directors/alternates	12
Professional staff	65
Supporting staff	224
Total	301
Average loan outstanding	$1, 378. 54

The outstanding salary advances to American citizens follow: (neither the Bank nor the U.S. Government believe it would be appropriate to publish the names of citizens of other countries receiving these loans)

1. Richard Burcroff II	$1, 153. 70
2. Jay B. Carter	6, 634. 26
3. John Chang	800. 00
4. Frank H. Denton	5, 861. 80
5. Ernest Ettlinger	2, 506. 14
6. William Hopper	4, 341. 24
7. James Kohnen	4, 881. 59
8. Richard Schatz	184. 04
9. Leonard Schiffman	447. 04
10. Donald Sherk	1, 000. 08
11. Peter Sullivan	1, 499. 95
12. Jan Van Der Veen	1, 684. 22
13. Richard Wada	4, 520. 40
14. Stephen Whitmer	210. 64
Total	35, 725. 10

AID TO NICARAGUA

Mr. PASSMAN. It occurs to me that Nicaragua is the one country that fits the perfect AID formula, that is, we take money from the poor people in rich countries and give it to rich people in poor countries.

I went there 28 years ago when the dictator's father was the president of that country. In fact he was not president but he had an old uncle on crutches. He put the government in his uncle's name. He was only a figurehead. Somoza himself actually ran the country. We didn't change the system but went over to their views.

Isn't that true that it went from his uncle back to Somoza?

Mr. PORGES. I believe so.

Mr. PASSMAN. They said we are going to run it that way and we are going to get the aid.

Mr. BUSNHELL. The discussion of this loan to Nicaragua is at an early stage. It has not been proposed by the IDB. If the loan proposed were anything like what has been described here, and I would be surprised if the IDB were to propose something like that, certainly we would oppose it.

Mr. KOCH. If he puts General Somoza on the payroll, you wouldn't know about it.

INTER-AMERICAN DEVELOPMENT BANK CRITERIA FOR LOAN PROJECTS

Mr. KOCH. What are the criteria in selecting loan projects?

Mr. PORGES. Through close collaboration with member countries and other major international financing and technical cooperation agencies, the Bank insures that its loans and technical cooperation programs contribute as effectively and efficiently as possible to the economic and social development objectives established by the government of each country. For a project to be considered by the Bank it must have:

1. A formal request from the prospective borrower and an official communication from the government of the beneficiary country indicating the projects' priority within the national development plans or policies;

2. A feasibility or prefeasibility study; and

3. A preliminary technical, institutional, economic and financial review of the project's prospects and possibilities.

Projects financed by the Bank must respond to the following criteria:

(*a*) They must effectively contribute to the development of the member countries of the Bank;

(*b*) They must conform to the principles established in the Bank's Charter relative to the use of the Bank resources;

(*c*) They must be sound from the technical and economic points of view; be financially safe and they must have a proper institutional framework;

(*d*) They must contribute to the Bank's reputation in the capital markets of the world.

In order to verify that these criteria are met on each project, the Bank carries out an economic analysis, a technical analysis, a financial analysis, a legal analysis and an institutional analysis.

The socioeconomic analysis helps to insure that the Bank's action will maximize socioeconomic growth. The benefit cost approach

used in the socioeconomic analysis compares economic benefits or contributions to domestic product with economic costs. Its objective is to analyze the project from the viewpoint of society as a whole rather than from the viewpoint of the individual firm and its financial profitability; the socioeconomic analysis compares different alternatives of design, schedule, location, timing, and so forth, as to maximize the internal rate of return or the net present value and thus to contribute as efficiently as possible to economic growth.

The technical analysis defines the overall feasibility of the project, insures that the project is consistent with the environment within which the project is to operate, and insures that the project is not technically restricted. The technical analysis includes a review of the project's site, design, detailed cost, construction schedule and special conditions that may affect its execution.

The main objectives of the financial analysis are, in the first place, to determine the financial capacity of the borrower or executing agency; to insure that it is adequate to cover the financial commitment undertaken as a result of the project's execution; and to insure that the project, once completed, will operate on a self-sufficient basis. The second objective is related to the fact that the Bank finances only a portion of the cost of each project. Therefore it is important to ascertain that the resources required for the complete financing of the project, over and above those provided by the Bank's loan, are available on terms and conditions which are deemed reasonable by the Bank.

The legal analysis performed by the Bank refers to the borrower and to the executing agency or agencies, to determine their juridical capacity to undertake the commitment and obligations that originate with the project itself and with the loan agreement which is to be entered into between the borrower and the Bank.

The institutional analysis, which is performed in greatest detail when the Bank makes a loan to a financial intermediary, focuses on the borrowing or executing agency's operating capacity, thus allowing the Bank to follow its evolution during the execution of the project, as well as to make the necessary recommendations for strengthening and improving the agency in question.

Mr. KOCH. What type of organizations are loans made to?

Mr. PORGES. The Bank can make or guarantee loans to any member country, or any agency or political subdivision thereof, and to an enterprise in the territory of the member. Most of the Bank's loans have been directly to the governments of the countries as well as to autonomous agencies of the governments of the member countries. Paramount in this latter category are local development banks, public utilities and universities. Although the Bank has made several loans directly to private firms, the majority of the Bank's lending to private enterprise has been through the mechanism of the "global loan," by means of which the Bank makes a loan to a local development bank and the latter, in turn, makes several subloans to a number of small and medium size private enterprises. This global loan mechanism has proven to be a very effective means for channeling funds to individuals and firms whose projects, because of their very small size, could not be considered individually by the Bank. In addition to private firms, subborrowers under global loans have been small farmers, cooperatives, and foundations.

When the Government itself is the borrower, an appropriate executing agency, with expertise in the field of the respective project, is designated to effect the necessary procurement, exercise supervision over construction and installation, and eventually to operate the project once it is completed.

To summarize, a great variety of organizations may be recipients or users of the Bank's loans. They can be classified in three main types: Borrowers, subborrowers and executing agencies. Typically, borrowers are governments, autonomous agencies and private firms; subborrowers are private individuals, cooperatives and firms; executing agencies are specialized organizations or agencies of the government. Examples of executing agencies: Ministry of Agriculture; a Potable Water Agency; an Agricultural Development Bank; et cetera.

HUMAN RIGHTS

Mr. KOCH. In selecting recipient countries, are you mandated to consider whether that country was engaged in gross violations of human rights?

Mr. BUSHNELL. The House has passed and there is presently pending in the Senate a bill (H.R. 9721) which would direct the U.S. Governor of the Bank to vote against loans to any country which engaged in a consistent pattern of gross violations of internationally recognized human rights unless such assistance will directly benefit the needy people in such country. Of course, this provision, if enacted into law, would be taken into account by the U.S. Executive Director when casting the United States vote on loans brought forward to the Board.

In this connection, I should like to note that the Bank's charter makes explicit that only economic factors are to be considered by the Bank, its officers and employees in making decisions on loans. The charter (article VIII, section 5) provides that:

> The Bank, its officers and employees shall not interfere in the political affairs of any member, nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purpose and functions stated in article I.

PROJECT SELECTION

Mr. KOCH. In selecting projects do you take into consideration what portion of the population will benefit from the project?

Mr. PORGES. The Bank's analysis of every project takes account of its social effect, including its impact on income distribution, employment, economic advancement opportunities, et cetera. Thus, though each project must meet the test of an economic analysis designed to determine its benefits upon the country's economy. The Bank also places great emphasis upon the particular segments of the population and income groups that will benefit from the project's implementation.

In its concern for these issues, the Bank follows the guidelines set forth by its Board of Governors for the preferential use of the Bank's Fund for Special Operations, which specify that particular attention must be paid to the effect of projects upon lower-income groups.

In accordance with said guidelines, the Bank has adopted strict operating criteria which include income and asset limits for beneficiaries under Bank financed projects; has given special emphasis to

projects which are of direct benefit to rural areas; has maintained a growing interest in social-sector projects, and greatly increased its lending for cooperatives and similar associations of low income people.

Mr. KOCH. Are loans ever granted that benefit a very small portion of the population?

Mr. PORGES. As a rule, the Bank does not finance projects which benefit a very limited number of people. This principle is consistent with the approach outlined in reply to the previous question. Rather, the Bank is very concerned with maximizing the "spread effect" of its financing. Only in the case of very small experimental or pilot projects is it conceivable that the beneficiaries could be few in number. In any event, the Bank would not undertake the financing of a project that would result primarily in benefits to an "elite" or small high-income group.

Mr. KOCH. In the execution of a project, do you consider whether the project will broaden the economy of the recipient country? Will the projects' contracts foster new businesses or will the contracts be awarded to businesses that dominate the economy?

Mr. PORGES. The objective of all the Bank's lending operations is expansion of economic activity in its developing member countries. This expansion is reflected in greater employment opportunities and higher wages, establishment of new businesses and higher return on investment as well as in increased Government revenues. In awarding contracts above certain amounts, a system of international competitive bidding is followed to insure the lowest possible prices. In this system, local suppliers have a preference of 15 percent, in order to encourage recipient country participation in the bidding process. In instances of subloans through intermediate credit agencies, the relatively small amount of individual contracts or purchases permits participation by smaller businesses.

PROJECT OVERSIGHT

Mr. KOCH. As projects are being carried out, what sort of oversight process do you have?

Mr. PORGES. The Inter-American Development Bank has established four types of mechanisms that are designed to provide oversight, financial controls, audit, and evaluation procedures in order to insure performance of its mission and sound management of the member countries' resources.

I. IDB FIELD OFFICES

The Bank maintains a field office in each of its borrowing member countries. These offices comprise a group of international technical personnel which varies in size according to the number of operations under execution which require Bank supervision.

Each project is assigned to one or more technical sectoral specialists who operate under the direction of a Deputy Representative serving as Technical Chief of Operations. Sectoral specialists are carefully selected by the Bank for professional competence in their particular area of expertise as well as for their ability to supervise the progress of a project in the borrowing country.

The Bank maintains detailed procedural manuals which provide standards for supervision and set forth with some specificity the basic responsibility and function of the field office staff particularly in regard to: (a) Field inspection of projects; (b) verification of design, plans, specifications, budget, construction; (c) control of prequalification and public biddlng procedures; (d) financial auditing of borrowers and project accounts; (e) compliance with contractual clauses; (f) submission of periodic progress reports; (g) evaluation of completed projects.

Headquarters technical personnel carry out supervision missions to field offices in order to appraise performance of the field staff.

2. INDEPENDENT INTERNAL AUDITING

The Office of the Auditor General is responsible to the Controller of the Bank and is independent from all other units within the Bank. The Office of the Auditor General makes recurring reviews of activities throughout the Bank to determine if adequate systems and procedures exist, and are being followed, to provide adequate internal control. If not, this Office will make recommendations to the various units concerned and so inform the Executive Vice President. This office also performs compliance-type reviews to determine whether or not the directives, orders, and policies of the Bank, with which the Bank or its staff must comply, are being followed. In addition, it performs "operation auditing"—management or goal oriented auditing—in order to determine if the goals of selected units for functions within the Bank are being fulfilled in the most effective manner.

The Office of the Auditor General has a small but highly skilled group that concentrates solely on loan and project review. Recently enlarged, it includes three engineers, three auditors, and a supervisor. The group, operating in teams, makes visits to selected field offices, project sites, borrower offices, or other entities in order to test and independently observe: (a) The adequacy of onsite inspections, surveillance, control, and evaluation being provided by Bank staff in the field; (b) the degree of borrower compliance with Bank requirements; (c) the apparent effectiveness of the use of loan proceeds or funds to fulfill a specific project's objectives and goals; (d) the effectiveness of the Bank staff and consultants who are responsible for exercising inspection, surveillance, control, and evaluation of Bank financed projects. From September 1969, the date the Office began to make these loan and project reviews, through 1975, there have been 24 country visits for loan and project review. Thus, approximately 200 of the Bank's loans have been tested.

The Office prepares a semiannual report covering both its internal auditing and loan and project review activities in order to keep the Board of Executive Directors informed of its activities.

3. INDEPENDENT EXTERNAL AUDITORS

The international accounting firm of Price Waterhouse & Co., which also audits the World Bank, makes an annual examination of the financial condition and operating results of the Inter-American Development Bank. Their examination is designed to give the Board of Executive Directors, the Board of Governors, and the member coun-

tries assurances regarding the Bank's overall financial position and results of operations.

Their audit work includes tests of the different types of Bank transactions including disbursements, collections, interest, contracts, guarantees, maintenance of value, letters of credit and most important, loans. They also obtain direct confirmation from the borrowers as to validity, terms, and amount of loans receivable. They review the different aspects of internal control present in the Bank, including the work of the Auditor General's Office and make recommendations if improvement appears necessary. Representatives of the firm are always available for possible questions the management or the Board might have. Their reports have to be presented and approved at the annual Board of Governors meetings.

4. INDEPENDENT GROUP OF CONTROLLERS OF THE REVIEW AND EVALUATION SYSTEM

In 1968, the Bank's Board of Executive Directors, in response to a proposal by the U.S. Government, created a new review and evaluation system to supplement the existing internal and external audit systems available to the Bank's management. The review and evaluation system is independent of the management of the Bank; its three senior controllers are directly selected by the Board of Executive Directors, and report directly to the Board. The specific tasks of the review and evaluation system are to provide the member countries with a continuing, independent examination of the manner in which the Bank is discharging its responsibilities under the agreement establishing the Bank.

The establishment of this review and evaluation system introduces the modern use of program audits as a tool for general management improvement. The review and evaluation system provides for the appraisal, or postaudit of projects or programs to determine if in fact the original objectives were or are being achieved, and, moreover, to draw valuable lessons for future operations from observable successes or failures. Audits carried out by the group of controllers of the review and evaluation system are evaluative and judgmental, and as such are supplementary to the Bank's regular financial audits.

The responsibility for carrying out the annual work program, after it is approved by the Board of Executive Directors, lies with a balanced international group of three senior controllers that has its own permanent staff of 10. Special efforts have been made to guarantee that the staff members offer a balance of nationalities as well as a broad range of analytical professional skills. The permanent staff may be supplemented by additional short-term specialists, when required in order to permit the group to carry out its functions efficiently.

Mr. KOCH. How do you handle a situation where there may be waste or overcharging for material or services?

Mr. PORGES. The Bank's charter requires that proceeds of its loans be used with due attention to economy and efficiency, and therefore, as a matter of policy, the Bank generally requires that there be public bidding for projects partially financed with loans from the Bank. Therefore, the Bank's loan contracts provide that a system of competitive public bidding will be used in purchasing materials and supplies and in contracting for services and construction of works in all

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cases in which the value exceeds a specified amount, and that bidding procedures and contract awards shall be subject to conditions acceptable to the Bank, consistent with its policies and the purposes of the loan.

While the services offered by professional services firms normally represent only a small percentage of the costs of projects, the results of their work usually have a great effect on the success of the projects. Therefore, one of the most significant decisions in project planning and execution involves the selection and contracting of fully qualified professional services firms. Each consulting firm or individual consultant is required to be registered with the Bank before being considered eligible to participate in any project involving Bank funding. This Office keeps detailed records on contractor performance and qualifications.

Selection must be made only on the basis of demonstrated competence and qualification for the type of professional services required. Contracts will be negotiated for these professional services at fair and reasonable prices and these contracts in turn will be subject to review and approval by appropriate professional members of the Bank staff including both engineers and attorneys. Such a review encompasses not only a determination that the correct terms of reference have been used but also that charges being made are appropriate and reasonable and that the contract is legally sufficient. Both the selection and the contracting of professional services firms will be done without recourse to competitive bidding on a price basis. In order to allow for a comparison of proposals, and the selection of the most advantageous for the borrower or beneficiary, the Bank requires that a minimum number of proposals be given consideration. On the other hand, because of the high cost of preparation and analysis of proposals, the Bank encourages its borrowers or beneficiaries to avoid inviting proposals from large numbers of consulting firms particularly where qualification for the specific task cannot be demonstrated.

Since the procurement of goods and services is subject to bidding processes and contracts, any waste or overcharging would be in violation of these contractual arrangements and the Bank would not disburse the funds of the loan.

HIGHWAY LOAN TO NICARAGUA

Mr. KOCH. You have been considering a loan to Nicaragua for the construction of a superhighway bypass around Managua for the amount of $24 million.

What studies have been done on the need for this beltway? Who did the study? Are there severe traffic problems in Managua? Why is this beltway needed, rather than rural road developments?

In the development of such a project, what is the process for evaluating land acquisition costs? Who decides the location of the road and what land is to be bought? Is it true that General Somoza or his family interests own the land on which the highway would be built? Do these same interests own land on which the highway would be built? Do these same interests own land adjacent to the highway's proposed location?

Why would such a loan even merit serious consideration by the Inter-American Development Bank?

Mr. PORGES. It should be emphasized at the outset that the analysis of the project has not been completed. The Board does not consider any proposal until the analysis is complete and therefore this project proposal is in a relatively early stage of processing.

The original design study for the road was completed in January 1974 by the consulting firm Lamafre Valois International Limited and Cisneros y Corado Compañía Ltd. Although the present project has been considerably scaled down from the original design, the basic alinement is the same. For example, the original study considered a four-lane highway with cloverleaf intersections, bridges at 18 locations, and accesses totally controlled; while current plans call for two roadways the length of the project, simple at-grade intersections and only four overpasses in the western and most hilly part of the project. At present the eastern section will consist only of the service roads—four lanes—and the western section will consist only of the principal roads—four lanes.

The economic study was performed by the Ministry of Public Works of Nicaragua and revised at the request of the Bank to reflect more clearly the various alternative solutions to Managua's traffic problems. In the course of this study over 30,000 vehicles were surveyed in order to determine the traffic flows for Nicaragua. Traffic counts and benefits were revised downward considerably. In fact the benefits from the project were revised downward to about 57 percent of the original study in order to adopt the most conservative approach. With regard to traffic problems in Managua, in the opinion of the Bank technicians there is congestion along principal arteries of Managua and this will continue to grow. The project does not present a complete solution to these problems, but will help alleviate the situation. The magnitude of the problem can be measured to some extent by noting the estimated internal rate of return to the project, which is 12.2 percent. Within this context important consideration was given to the role of the bypass road in stimulating the deconcentration of activities. As noted in the USAID capital assistance paper—AID–DLC–P–2049—Dr. John Dyckman says in his latest report on planning for the Managua reconstruction:

> If the intention of the planners is to stimulate deconcentration of activities, the earliest attention should be given to strengthening the peripheral system of roads and transportation facilities.

With regard to why the roadway is needed, its objectives are, as mentioned, not only to reduce existing and projected congestion, but to play an important role in the deconcentration and decentralization in the future city of Managua, and to prevent the recurrence of the destructive and catastrophic effects of the 1972 earthquake. A study prepared by the U.S. Department of Transportation in November, 1973, states:

> The planned construction of the outer beltway—Pista Rural de Circunvalación—and completion of the inner ring road—Pista Suburbana—will facilitate daily transportation needs of the Las Americas residents and increase land values. Commercial or industrial use of a corner of the tract of the Las Americas IV adjacent to the proposed access ramp to the outer beltway would capitalize the transport benefits as well as provide employment within walking distance of neighborhood Las Americas families.

Finally, the IDB is not considering financing the bypass as an alternative to the rural roads, rather the Bank is currently financing

feasibility studies for 600 kilometers of rural roads—AT–1295—and in May of last year, the IDB completed disbursements for US$12 million—Loan No. 63/SF–NI—for rural roads.

Land acquisition costs for this road are estimated to be about $2½ million, and are based upon the amount actually paid by the Government for approximately 85 percent of the road's right of way, plus an additional amount that is projected based upon this experience. The location of the road was determined by the Ministry of Public Works and the consulting firm Lamarre Valois International Limited, as mentioned above. The land that has been purchased and is being purchased is 50 meters on either side of the center line of the project. This is based upon standard engineering considerations and allows for future expansion of the highway when it is anticipated that lateral roads will be built on the western link. This land was, and is, being purchased with Nicaraguan Government funds.

It is not IDB policy to investigate or determine the ownership of land adjacent to highway projects and it was not done in this project. For this reason, we cannot answer any questions as to the ownership of the land on which the highway will be built or on the land adjacent to the highway's proposed location. As noted above, the Government of Nicaragua currently owns about 85 percent of the land on which the highway is to be built. As a matter of policy, however, the IDB is concerned with windfall profits accruing to landowners in areas adjacent to highway projects, and for this reason an in-depth analysis was done of the existing laws in Nicaragua to see if there was a means by which the Government would capture these profits going to particular interests. It was determined that current legal provisions and rates of land value tax in Nicaragua do not meet normal IDB criteria in this regard, and the Government of Nicaragua has indicated that it will undertake a review of this situation to allow the Bank to continue its study.

This project was identified and assigned for study to the Bank on the occasion of the discussions between the IDB and other international agencies to coordinate their support to the program for the reconstruction of Managua after the earthquake of December 1972. From information available to the IDB, the project is consistent with plans for the reconstruction of Managua and for this reason it is continuing to receive serious consideration, subject to the reservations just expressed.

INTERNATIONAL DEVELOPMENT ASSOCIATION CRITERIA FOR LOAN PROJECTS

Mr. KOCH. What are the criteria used in selecting loan projects?

Mr. COOPER. IDA projects are subjected to the same rigorous standards of economic, technical, financial, and institutional soundness as IBRD projects. IDA, as you know, was set up as the Bank's concessionary lending affiliate to provide necessary long-term development finance to the poorest developing countries with limited capacity to service debt on IBRD terms.

The only difference between IDA and Bank projects lies in the fact that in the case of IDA, the borrowing governments obtain the development financing on highly concessionary terms. In other words the question of whether a project is to be financed by a Bank loan or an

IDA credit is decided by the general economic and financial situation of the recipient country, rather than by the nature of the project concerned. The guideline which is generally used is that IDA credits are made only to member countries whose per capita income is below $375 per annum, and within this group, assistance in recent years has been heavily concentrated in countries with per capita incomes below $200 per annum.

Mr. KOCH. What types of organizations are loans made to?

Mr. COOPER. All IDA credits have been extended to governments. In some cases, agriclutural credit projects, for example, the recipient member government may on-lend the funds to farmers and cooperatives for purchases of agricultural implements, fertilizers, seeds, et cetera.

HUMAN RIGHTS

Mr. KOCH. In selecting recipient countries, does the association consider whether that country has engaged in gross violations of internationally recognized human rights?

Mr. COOPER. As in the case of the Bank, IDA's articles of agreement contain a clause (article V, section 6) which prohibits IDA's taking into consideration the political character of a borrower government. Only impartially weighed economic considerations are to be taken into account in IDA's lending decisions. While IDA does not operate in a vacuum without awareness of a borrower's political situation, it is not allowed to refuse to lend to one of its borrower members because of political actions by its government. By the same token, IDA's decision to make a credit does not in any way imply that the association necessarily approves of the political system of the borrowing country concerned.

LOAN BENEFICIARIES

Mr. KOCH. In selecting projects, do you take into consideration what portion of the population will benefit from the project? Are loans ever granted to benefit a very small proportion of the population?

Mr. COOPER. Yes, we certainly examine who will benefit from proposed Bank or IDA projects. Although economic return is a major factor the Bank and IDA take into account when analyzing a project, the income redistributive effects of projects are also considered.

Loans or credits are made in order to assist borrowing countries' overall economic development efforts, and in recent years, IDA and the Bank have increasingly focused on assistance to the poorest citizens of their booming members.

Neither the Bank nor IDA will, except in special circumstances, finance agricultural projects—even though their economic return might be great—where land rights are such that a major share of the benefits will accrue to the rich. Priority in agricultural lending will be given to those developing member countries that pursue broad-based agricultural strategies directed to the promotion of adequate new employment opportunities, with special attention ot the needs of the poorest groups.

Mr. KOCH. In the execution of a project, do you consider whether the project will broaden the economy of the recipient country? Will the project's contracts foster new businesses or will the contracts be awarded to businesses that dominate the economy?

Mr. COOPER. The basic purpose of Bank and IDA financing is the effective promotion of the borrowing member country's economic development. In the examination of any project proposal, a thorough economic review is undertaken, analyzing the project from the viewpoint of its contribution to the borrower's overall economic growth, that is, evaluating its direct or indirect contribution to increased output of goods or services. This increased production will generate many different forms of additional income, such as increased wages or employment for labor, larger government revenues, higher earnings for the owners of capital, or, most frequently, some combination of these income benefits. The contracts under Bank/IDA financed projects are awarded to suppliers from any member country of the Bank group in accordance with international competitive bidding procedures, which the Bank considers the most economic and efficient method for procuring the goods and works required under its projects. In many cases therefore contracts are awarded to local businesses under Bank/IDA projects.

Through lending to development finance companies and for industrial projects, the Bank and IDA do promote the widening of industrial growth possibilities, in borrowing countries, with an emphasis on relending to small- and medium-sized enterprises.

PROJECT OVERSIGHT

Mr. KOCH. As projects are being carried out, what sort of oversight process do you have? How do you handle a situation where there may be waste or overcharging for material or services?

Mr. COOPER. Effective execution of developmental projects is essential to the realization of their benefits. The Bank and IDA have a continuing concern with project implementation. Therefore, borrowers are required to keep records, and to submit regular progress reports on Bank/IDA financed projects. These reports are supplemented by periodic visits by Bank/IDA staff to project sites, to insure that problems are identified and dealt with and that funds are not misused.

When the Bank makes a loan, or IDA approves a credit, funds are only disbursed in the currencies needed for procurement of components as and when they are required, either directly to suppliers or to the borrower for identified payments already made. The Bank/IDA also check the specifications of goods supplied and supervise both the tender and award process for contracts.

The Bank's and IDA's project supervision is one of the most important factors in their effectiveness; it protects both borrower and lender against inefficiency and guarantees that loan or credit funds are used only for the specific purposes for which they were provided.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
CRITERIA FOR LOAN PROJECTS

Mr. KOCH. What are the criteria used in selecting loan projects?

Mr. COOPER. Projects may come up for consideration in a variety of ways: a borrower may propose a project, the Bank may send out a staff mission to identify specific projects, et cetera. Once a project has been identified as of high priority for the economic development of the borrower, a team of Bank specialists examines the project in detail to

determine whether (1) the project is technically and economically sound, and (2) it will be well-managed, both during its implementation and after completion. There must also be reasonable assurance that the loan will be repaid and, since the Bank only finances part of the investment costs of projects, it is necessary to ensure that the recipient government will make a contribution from its own resources, as well as obtaining funds on acceptable terms from other sources to meet the balance of project costs.

Mr. KOCH. What types of organizations are loans made to?

Mr. COOPER. The Bank lends either to governments of member countries or to public or private organizations which can obtain the guarantee of the member government controlling the territory where the project to be financed is located. This guarantee requirement is imposed by the Bank's articles of agreement. The Bank may lend to any member country, either for reconstruction or for development, but in recent years all lending has been to the developing countries for development purposes.

HUMAN RIGHTS

Mr. KOCH. In selecting recipient countries, do you consider whether that country has engaged in gross violations of human rights?

Mr. COOPER. The Bank's articles of agreement providing that economic considerations alone are relevant to its lending decisions expressly preclude it from taking the political character of prospective borrowers into account.

The economic considerations which the Bank has to weigh when analyzing a loan do, of course, include—as background—assessments of the overall economic strategy of the borrowing country, and the quality of its economic management. The Bank also takes into account the borrower's ability to meet repayments, and the technical, organizational, managerial, operational, and financial aspects of the project itself. To this extent, therefore, the Bank must form a judgment on issues connected with a borrower's political situation. But the Bank cannot refuse to lend to a particular country because of the the political complexion of its government. By the same token, the Bank's decision to make a loan does not in any way imply that the Bank necessarily approves of the political system of the borrowing country concerned.

INTERNATIONAL FINANCE CORPORATION LOAN CRITERIA

Mr. KOCH. What are the criteria used in selecting loan projects?

Mr. BUSHNELL. IFC applies two general criteria to project selection. An IFC project must promise a reasonable return on the capital investment and must benefit the economy of the country in which it is located. In addition, there are several other specific requirements related to project feasibility such as a sound financial plan, capable and experienced management, and a market for the company's product or service. IFC participates only when financing is not available on reasonable terms form other private sources and the project's sponsor has a substantial shareholding in the enterprise. Where foreign private investors are involved, there should be local investors as well when the project begins or provisions for their eventual

participation. Finally the host government must not object to the investment.

Mr. KOCH. What types of oganizations are loans made to?

Mr. BUSHNELL. The corporation makes loans to and invests in companies which are essentially private in nature. It does not finance government enterprises or enterprises run by governments. However, the corporation will participate in enterprises in which there is government ownership, provided there is independent management and the enterprises are operated in accordance with normal business principles.

Mr. KOCH. In selecting recipient countries, do you consider whether that country has engaged in gross violations of internationally recognized human rights?

Mr. BUSHNELL. Generally, IFC makes investments in privately controlled companies; therefore, a government's activities in this area are viewed as an internal political matter of less concern to IFC and its operations with the private sector. Since IFC does not need government guarantees, its normal contact with governments is to insure there is not objection to an IFC project.

Mr. KOCH. In selecting projects, do you take into consideration what portion of the population will benefit from the project? Are loans ever granted that benefit a very small proportion of the population?

Mr. BUSHNELL. IFC considers what portion of the population will benefit directly from the project—principally, the worker in the firm, additional employment generated in suppliers, higher income for farmers and small businessmen, etc. However, since its average commitment is small—about $6.5 million in fiscal year 1975, only a small proportion of the population will feel its direct affects. In a larger sense, IFC projects benefit all consumers in the population: the result of the increased production is an increased supply or a lower price of an important product or service in the economy.

Mr. KOCH. In the execution of a project, do you consider whether the project will broaden the economy of the recipient country? Will the projects' contracts foster new business or will the contracts be awarded to businesses that dominate the economy?

Mr. BUSHNELL. A key criteria for an IFC project is that it broadens the economy of its recipient country. There must be quantifiable benefits, with such effects as foreign exchange savings and employment generation of special interest. Contracts under IFC projects are awarded with consideration given to such factors as the reliability and efficiency of suppliers and reasonableness of price rather than whether the supplying business is new or dominant in the economy. IFC cannot predetermine that specific suppliers should receive contracts. It does, however, examine the economic and social affect on suppliers in the area of the project.

PROJECT OVERSIGHT

Mr. KOCH. As projects are being carried out, what sort of oversight process do you have? How do you handle a situation where there may be waste or overcharging for material or services?

Mr. COOPER. An internal management review is made periodically of each IFC investment. IFC periodically visits the enterprise in which it has invested and receives regular progress reports together with

information on factors materially affecting, or likely to affect, the company's business. It also requires annual financial statements audited by independent public accountants. Two IFC offices supervise each investment: the office of portfolio supervision and the area investment office which initially appraised the project and has continuing responsibility for it.

IFC does not normally participate in the management of enterprises in which it invests, although it may occasionally accept representation on the board of directors of a business enterprise in which it invests, if a particular purpose is to be served thereby. Only in exceptional circumstances will IFC exercise its voting rights as a shareholder. It frequently consults with these companies' managements and with its co-investors and is thus able to direct attention to problem areas identified by its supervision.

IFC's protection against waste and overcharge begins with careful selection of projects and screening of sponsors. In the process of evaluation, IFC examines the company's plans for acquisition of goods and services. IFC takes particular care to insure that the procurement methods are sound and that the capital costs are reasonable, with due attention to scale and efficiency of plant operation. IFC will not finance a project unless it believes its plans are economically, financially and technically sound.

IFC continues to supervise after the initial appraisal and any departure from agreed arrangements requires IFC's permission under the loan agreements. In case serious violations of loan covenants occur, IFC has the right to call for prepayment of loans. IFC also insists on the sponsors taking the primary responsibility for raising financing for cost overruns. Since IFC never finances a company which is entirely owned by suppliers of goods and services, there is a strong incentive to control costs as a means of increasing profit. Ultimately, a project must stand up to competition. These are private companies which, if wasteful, will go out of business.

ASIAN DEVELOPMENT BANK LOAN CRITERIA

Mr. KOCH. What are the criteria used in selecting loan projects?

Mr. BUSHNELL. In evaluating projects for which ADB financing has been requested, the Bank pays specific attention to such aspects as their economic, technical, and financial feasibility, their effect on the general development activity of the country concerned; their contribution to the removal of economic bottlenecks; the capacity of the borrowing country to service additional external debt; the introduction of new technologies to raise productivity; and the expansion of employment opportunities and other social considerations.

Mr. KOCH. What types of organizations are loans made to?

Mr. BUSHNELL. The ADB may make, or participate in, direct loans to governments of its developing member countries, to any of their agencies or political subdivisions, and to public and private entities and enterprises operating within such countries, as well as to international or regional agencies concerned with economic development in the region. ADB loans to development banks are relent to small- and medium-size businesses and farmers.

HUMAN RIGHTS

Mr. KOCH. In selecting recipient countries are you mandated to consider whether that country has engaged in gross violations of internationally recognized human rights?

Mr. BUSHNELL. The charter of the Bank lays down that only economic considerations should be relevant in the decisions taken by the Bank, the management, and the staff; and that they should be weighed impartially in order to achieve and carry out the purposes and functions of the Bank.

All developing member countries are entitled to borrow from the Bank so long as the projects concerned satisfy the Bank's lending and evaluation critieria. Of course, to the extent that the political coloration of a borrower impedes its ability to meet its obligations to the ADB, such factors are implicitly included in the Bank's analysis of a potential loan.

PROJECT BENEFICIARIES

Mr. KOCH. In selecting projects, do you take into consideration what portion of the population will benefit from the project? Are loans ever granted that benefit a very small proportion of the population?

Mr. BUSHNELL. Yes, the ADB carefully examines who will benefit from its loans. The Bank recognizes the importance of distributing the benefits of its activities as widely as possible among the peoples of the developing member countries. It has, therefore, been paying increased attention to the social impact of its lending. The social aspects cover a wide ground—additional employment opportunities, vocational training, land reform, provision of basic necessities of modern life to a large number of people, dispersal of economic activities and residential communities to mitigate the problem of urban congestion, reduction of regional disparities in incomes, and facilities which will ensure wider and more assured markets for agricultural crops.

Mr. KOCH. In the execution of a project, do you consider whether the project will broaden the economy of the recipient country? Will the project's contracts foster new businesses or will the contracts be awarded to businesses that dominate the economy?

Mr. BUSHNELL. The primary pupose of the Bank's activities is to broaden and develop recipient countries' economies. ADB activities can benefit private firms in recipient countries in two direct ways. Local businesses can seek project contracts under the ADB's international competitive bidding procedures which are designed to assure provision of the lowest price goods and services meeting quality standards. Newer businesses can also benefit from ADB loans to national development banks. These banks lend the ADB funds to small- and medium-size businesses.

PROJECT OVERSIGHT

Mr. KOCH. As projects are being carried out, what sort of oversight process do you have? How do you handle a situation where there may be waste or overcharging for material or services?

Mr. BUSHNELL. A loan approval by the Bank does not mean that the amount of the loan is immediately transferred to the borrower in a

lump sum. The loan is disbursed to meet expenditures authorized under the loan agreement, as and when such expenditures are incurred by the borrower. Specific procedures are laid down in the loan documents and in the Bank's guidelines for the procurement of goods and services.

The Bank receives and scrutinizes draft tender documents, invitations for proposals and other documents prepared by the borrower, and maintains a close watch on the whole process leading up to final contractual arrangements. Disbursements are made by the Bank only after it is satisfied that the goods or services have been procured in accordance with the loan documents and the Bank's guidelines. Finally, the Bank periodically sends out staff teams to inspect ongoing projects and evaluate completed projects.

Mr. PASSMAN. Under our public works bill budget request for fiscal year 1977, there is not one new public works construction start in the bill. We have money for continuing projects but no funds for even one new construction project in the budget, for projects in the United States.

NEW STARTS IN FISCAL YEAR 1976

Mr. PASSMAN. In fiscal year 1976, the four International Development Banks have made commitments for new loans totalling $8½ billion for 377 new projects in 84 countries of the world. Is that correct?

Mr. BUSHNELL. Yes, sir.

Mr. PASSMAN. All right, you have answered my question. I will let the record speak for itself.

TERMS OF IDA

Now, the International Development Association, the terms are for 50 years, no interest during the entire period, is that correct?

Mr. BUSHNELL. That is correct.

Mr. PASSMAN. And a 10-year grace period and when they start, they pay 1 percent per year on the loan?

Mr. BUSHNELL. That is correct, for the first 10 years of repayment.

IDA IV

Mr. PASSMAN. Now you say on page 8 of your statement, "We signed up for IDA IV in January 1975 without appropriations because we knew that, while other donors had made advance contributions to allow IDA to continue making commitments, they would contribute no additional funds until the United States formally agreed to the replenishment."

You have signed up 4 years in advance for the appropriations, correct?

Mr. BUSHNELL. That is correct.

Mr. PASSMAN. You say, "The nature of our current arrangements concerning IDA frankly give me a great deal of concern," and if I may, it says, "negotiations have already started on the next IDA replenishment. IDA hopes the fifth replenishment will take effect by July of 1977."

On page 10 of your statement we find, "It is present administration thinking that we would amend the fiscal year 1977 request to include any amounts for the Development Banks requested for fiscal year 1976 and not appropriated."

DENIAL OF CONGRESSIONAL PREROGATIVE

What you are doing, and this is nothing personal, is just demanding by legislation that this committee completely rubberstamp the commitments that you people made in advance for the appropriation. Isn't it just that simple?

Mr BUSHNELL. We are requesting that, Mr. Chairman.

Mr. PASSMAN. But I did read it in the record correctly from your statement?

Mr. BUSHNELL. The statements that you read were correct; yes.

Mr. PASSMAN. Thank you, very much.

INTERNATIONAL FINANCE CORPORATION

Mr. Shriver?

Mr. SHRIVER. You were requesting funds for the International Finance Corporation for the first time in 20 years. Would you explain in greater detail how that institution operates?

Mr. BUSHNELL. Mr. Cooper might do that. In his statement he goes into the IFC but he might elaborate on that.

Mr. COOPER. The IFC was established 20 years ago to promote loans for developing countries. It is affiliated with the World Bank. It makes loans and takes positions without guarantees. It is the only bank operation without government guarantees. It supports private enterprise in developing countries. In a sense its function is to stimulate the flow of private capital into productive capital investment and help put together deals where there may be a shortage of financing and it may be difficult for the private operation to raise the money or there might be some political barrier which is smoothed over by the IFC participation.

It tries to associate its own limited funds together with what money it can borrow, larger amounts of money from other sources, so it tries to get leverage on what has been a relatively small amount of capital.

What has happened, with the amount of inflation in the world and with the increasing level of IFC operations, its own need to finance sound investments has not shrunk in nominal terms; quite the contrary, equity capital has shrunk in relation to the need which has affected its ability to take risks and to take positions in equity and in general to be a little more imaginative and stimulative. Since its capital has shrunk, it has to use relatively more borrowed money with which it has to be more conservative.

Thus it is not now quite fulfilling its original functions. It is having a harder and harder time. That is the reason we have asked for an increase in capital for the first time in 20 years. We feel the role of the IFC is a necessary and important counterbalance to the much larger amounts of funds that go through the Bank or through IDA or any of the international banks largely to public sector activities.

It is for that reason that Secretary Kissinger and Secretary Simon have both made strong statements in support of the capital increase in

the IFC. There has been a good response, including a good response from a number of developing countries who recognize the contribution the private funds can add and the amount of inflation which has caused an increased need for capital.

Mr. SHRIVER. How does a U.S. business concern take advantage of this?

Mr. COOPER. If the U.S. business were to invest in a new private enterprise in a developing country it could participate with the IFC. Of course, the IFC's basic concern is to promote private business operations in the developing countries which it does both alone and in partnership with U.S. firms, businesses, banks and financial organizations, and firms from other countries.

Mr. SHRIVER. Are there any witnesses here today from the Asian Development Bank?

Mr. BUSHNELL. Because of the short notice on which this hearing was called, we did not ask our executive director, Mr. Papp, to come back. He is in Manila.

EXTERNAL FUNDING AND ECONOMIC DEVELOPMENT

Mr. SHRIVER. You said economic development is not primarily a matter of external funding. Would you put that in the context of this request for more than $1 billion?

Mr. BUSHNELL. What each of these banks does is to provide several things to the developing countries. In our view, although money is important—and in fact if there were no money, they probably could not perform their jobs at all—it is the organization, advice, setting of priorities and the building of institutions which are probably in the long run the contributions these banks leave in these countries.

The money they put in is eventually repaid. But if they can build institutions to help development, that is the lasting contributions.

OPEC INVESTMENT

Mr. SHRIVER. The March 15, 1976, issue of U.S. News and World Report quotes U.S. Treasury estimates that the oil-producing countries had investable surpluses in 1975 totaling $42 billion. Of this, $4 billion went to the World Bank and International Monetary Fund units and $6.5 billion went to less developed countries.

This represents a tremendous increase in funds available to less developed countries from new sources. With that in mind, why is it necessary for the United States to continue to pour hundreds of millions of dollars into these international financial institutions?

Mr. BUSHNELL. I think we should keep in mind that the reason the OPEC countries had these surpluses was because they raised the price of oil, not just to us but to everyone. The developing countries had large increases in their oil bills which increased by more than $10 billion.

The financial flow from the OPEC countries to the developing countries has not offset the increase in the oil price. We, of course, do not believe it is the role of any of these organizations to finance the increased cost of oil. But it is their role to continue the development momentum, to continue the basic sort of development projects they were doing before the increase in the world oil price.

IDA LOANS TO INDIA

Mr. SHRIVER. I recently received a copy of a press release announcing a loan of $200 million to India by IDA. We have put in a significant portion of IDA's funds, so, in effect, we are still funding development projects in a country that is continually harping at us and blaming its domestic problems on us.

Did our Government have any effective control over that loan?

Mr. COOPER. May I speak to that? I represent the U.S. Government at the World Bank where the IDA loans come up.

The U.S. Government votes against all IDA credits to India because of the so-called Long amendment on this which provides that we do so in the case of countries that build a nuclear facility and don't belong to the Nonproliferation Treaty.

So I voted against the IDA credit. I must say, however, that the U.S. votes against India do not deter the IDA program in India. Other countries do not feel that a country as poor as India should be denied access to IDA.

I also have grave reservations about the injection by us or other countries of political criteria in the international banks. This is quite appropriate in connection with bilateral aid programs. But once we inject political criteria into the decision process of these international banks, that is more difficult. They are international banks. Many nations have different kinds of political interests.

In the case of the World Bank and IDA, there are rules against political criteria determining the flow of funds. I think even with or without any amendment, political considerations should not be a basis on which we would oppose or object to a loan to India. This has come up in many, many controversial cases on different sides of the political fence.

The basic philosophy behind these institutions is that, if the loans are sound and well financed, they will over time contribute to healthier world economies and hopefully to the better kind of world we all hope we can achieve and live in.

Mr. PASSMAN. Would the gentleman yield?

Mr. SHRIVER. Certainly.

U.S. BILATERAL AID TO INDIA

Mr. PASSMAN. I would like to have this verified. I believe our bilateral aid to India through fiscal 1975 was $7,803,400,000.

Mr. COOPER. I am not sure, sir.

Mr. PASSMAN. Wouldn't some of you who have the right to give away billions of dollars know how much we have given bilaterally? I say that is correct. Will you verify it for the record?

Mr. BUSHNELL. We will verify it.

[The information follows:]

The Agency for International Development has confirmed for us that its current estimate of total net U.S. foreign assistance to India in the fiscal year 1946–75 period is $5.603 billion. This figure includes $2,250,300,000 in grants, plus $6,895,800,000 in loans minus repayment of principal and interest as of June 30, 1975. If you add the $2.2 billion debt forgiveness under the recent rupee agreement, the total would amount to $7,803,400,000 as you suggest.

Mr. PASSMAN. Do you think if we give India $2 billion in rupees that we generated and belonged to us, that it should be known that we had made this gift and not take into account as a cash receipt and show they reduced their indebtedness by that? Isn't that a subterfuge, entirely misleading?

Mr. BUSHNELL. If that were true. But I believe the fact is that included in the total figures were the rupees India owed us. When we canceled the debt, they no longer owed us the rupees, so the total of the debt went down.

Mr. PASSMAN. Let's get this straight. If we look at the record, it shows that we gave India under the bilateral program $7,803,400,000. You can baste it, roast it, toast it, or anything else. It still follows that that is the amount of aid we gave to India, doesn't it?

Mr. BUSHNELL. Yes, sir, that is the amount AID lists as currently outstanding in India.

Mr. PASSMAN. Thank you.

There is no use to talk all day about it. Of the $8 billion that has been put into IDA since the inception of the program, 43 percent or $3,498,000,000 has gone to one country and that is India?

Mr. BUSHNELL. Approximately that amount, yes, sir.

Mr. PASSMAN. Thank you.

IDA LOAN TO INDIA

Mr. SHRIVER. Did the National Advisory Council on International Monetary and Financial Policies review the loan?

Mr. COOPER. They review all loans.

Mr. SHRIVER. Did they direct your vote?

Mr. COOPER. I am directed and I do vote against all IDA credits to India. The Bank has in recent years also made a smaller but a noticeable amount of ordinary capital loans to India. On those, I do not vote against those as a matter of course and I have not voted against those.

NATIONAL ADVISORY COUNCIL

Mr. SHRIVER. Would you tell us about procedures of this National Advisory Council?

Mr. BUSHNELL. I would recommend to all of you the annual report of the National Advisory Council. I think someone has copies here and can distribute them to each member now because this is an important part of the record of these banks.

The National Advisory Council has six voting members, the Secretaries of State, Treasury, Commerce, the Chairman of the Federal Reserve Board, the President of Export-Import Bank, and the Assistant to the President for Economic Affairs. Additionally it involves a number of other agencies such as the Departments of Agriculture and Transportation. The Council reviews each and every loan and technical assistance arrangement from these banks in detail and advises our executive director of the comments to make and the position to take on these loans.

In the annual report there is an annex which reviews and gives information on each of the loans approved by the banks during the year in question. I would be tempted to suggest that this might go into your record but because there are so many of these loans it is 100 fine print pages.

There is also in this report a section, chapter 4, on the main issues that have come up with the development banks, and there are a number of tables dealing with their operations.

If we look at this quickly, it is probably true that a loan to India similar to the one you mentioned is reviewed in this section. This is a report covering fiscal 1975. That particular loan probably occurred since that time.

Mr. SHRIVER. After notification is given of a particular project, how long does the Council have to look it over? Perhaps you can put into the record a random sampling of the Council's analysis of a few of the projects rather than make a voluminous record.

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

[The information follows:]

INTERNATIONAL DEVELOPMENT ASSOCIATION

AFGHANISTAN

Water supply and sewerage

This credit will help finance a project to improve and extend water supply facilities and improve sanitary conditions in the city of Kabul and its environs. The water supply component consists of: (a) a well-field at Logar with 20 deep boreholes, 10 of which are to be immediately equipped with pumps; (b) a 9-kilometer force main to deliver the water to 1 or 2 new storage reservoirs, plus some 225-kilometers of new arterial and local mains and service connections to distribute water to consumers; and (c) a sanitation component which provides for improvements to 8,000 latrines together with a supply of vehicles and trailers to collect night soil on a regular basis.

Borrower.—Republic of Afghanistan.

Loan.—$9 million; 50 years (including a 10-year grace period) with a three-quarters percent service charge per annum. Total project cost: $11.7 million equivalent.

Purpose and benefits.—This project is justified because of its social and health benefits and the considerable institutional strengthening which is expected to result. The project, which represents the least cost solution to meeting a portion of the Kabul area's water requirements, is expected to provide a reliable service 24 hours a day for a continuously growing urban community and bring water to thousands of new consumers. The project should increase available supply of water sevenfold and introduce a safe and reliable water supply system to serve about 330,000 inhabitants on project completion in 1979 (compared with 167,000 now serviced). Nearly half of these additional consumers comprise poorer citizens to be served by standpipes. This should, in turn, allow introduction of tariffs sufficient to discourage waste and excessive consumption of water and prepare the ground for further improvements in the sector. A continuous supply of water would avoid the negative pressure which characterizes the present supply system and which encourages infiltration of polluted groundwater. The sanitation component should improve sanitary conditions in the old city where the poorest segment of Kabul's population lives and where the need is greatest. Another important benefit expected from the project is the strengthening of the Afghan Water Supply and Sewerage Authority (AWSSA) as an institution capable eventually of improving and extending water supply and sewerage services outside the project area. The rate of return on the project is estimated to be 9 percent, on the basis of the incremental revenues attributable to the project.

Date approved.—June 5, 1975 (IDA).

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

COLOMBIA

Intermediate credit institution

The proceeds of this loan will be lent to Corporacion Financia Popular (CFP) for subloans to establish and expand privately owned small industrial firms, for technical assistance to CFP to strengthen its organization and procedures, and for the financing of technical assistance to CFP's clients.

Borrower.—Republic of Colombia.

Loan.—$5.5 million; 12 years (including a 3½-year grace period) at 8 percent interest per annum. Total project cost: $10.2 million equivalent.

Purpose and benefits.—The loan will relieve CFP's shortage of long-term capital resources and will consist of three elements: (a) a $2.5 million first tranche for relending to small enterprises for fixed investment; (b) a $2.5 million second tranche for the same purpose, to be released only if the Bank is satisfied with CFP's performance in utilizing the first tranche; (c) $0.5 million, to be used to finance technical assistance to CFP itself and for technical assistance loans by CFP to enterprises receiving CFP credits for fixed investment. Most of the subloans are to be for the expansion of productive capacity. Foreign exchange benefits will result from the increased output, much of which will substitute for imports. In addition, about 25 percent of the subprojects can be expected to produce additional exports. With small industry requiring less capital investment per job than large industry, as well as employing a large number of new entrants to the industrial labor force, the project's employment benefits will be substantial and should assist in improving income distribution. An estimated 1,700 to 2,300 jobs will be created, of which three-fourths will be outside Bogota. In addition to helping upgrade labor skills, the project will encourage the development of entrepreneurship. Because Colombia's topography leads to high transportation costs, small industry is widely dispersed. Hence, the project will contribute to regional development and industrial decentralization. Due to the varied nature and large number of subloans anticipated, it is difficult to calculate an overall economic rate of return for the project. However, CFP's appraisal of subprojects should help insure an adequate financial rate of return which, in most cases, is expected to exceed 15 percent. Considering the substantial urban unemployment and the low rate of protection enjoyed by many of CFP's clients, the economic rate of return on most subprojects should be higher than the financial rate of return.

Date approved.—January 14, 1975 (IBRD).

EGYPT

Transportation.

This loan will help finance a project which consists of: (a) completion of electrical signaling; (b) continuation of the work on modifying mechanical signaling installations, introduction of tokenless block in some sections, and installation of an automatic telephone system on Egyptian Railway's (ER) system; (c) relaying about 600 km. of track with new materials and about 150 km. of track with reconditioned materials; (d) acquisition of additional mechanized track laying and maintenance equipment; (e) continuation of work, on stabilization of embankments, construction of additional crossing, loops, and construction or renewal of buildings and structures; (f) acquisition of diesel locomotives; shunting locomotives, breakdown cranes, passenger coaches and freight cars; (g) continuation of modernization of marshaling yards; (h) remodeling of station facilities and yards; and (i) modernizing workshops and running sheds.

Borrowers—Egyptian Railways Organization (ER).

Loan—$37 million; 25 years (including a 4-year grace period) at 8½ percent interest per annum. Total project cost: $299.3 million equivalent.

Purpose and benefits—Given the pivotal role of ER in Egypt's transport system, this project is of key importance to the country's future economic development. Since other transport modes could not meet traffic demands in the immediate future at reasonable cost, it is the Government's policy to maintain the railways as the primary mode of inland transportation. The project should permit increased utilization of existing facilities through replacement of overage equipment, renewal and rehabilitation of track, and procurement of spares for existing rolling stock. ER thus will be able to provide adequate service to meet traffic demand which is forecast to increase both in passenger and freight categories. Absent this project, traffic would be projected to drop by as much as 4 percent annually during the project implementation period and to remain constant thereafter. This could lead to transportation bottlenecks seriously hampering to Egypt's economic development. Based on a comparison of ER's estimated operating costs and net operating revenues with and without the project (net of price contingencies and taxes), the rate of economic return is conservatively estimated to be 12 percent over the average 25-year life of the project.

Date approved—March 20, 1975 (IBRD)

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INTERNATIONAL DEVELOPMENT ASSOCIATION

ETHIOPIA

Agriculture.

The loan will help finance the first 5-year phase of a comprehensive 10-year agricultural settlement and development program to provide basic services infrastructure and institutions to settle permanently 24,000 migrant and resident farm families on 450,000 hectares in the Lower Adiabo are of Tigre Province. The project includes: (a) extension and veterinary services; (b) credit; (c) seeds; (d) fertilizer; (e) other inputs for on-farm development including the establishment of 20 village cooperatives; (f) a cooperative union; (g) a livestock market; (h) a cooperative ranch; (i) village grazing reserves; (j) road construction; (k) construction of basic health and education facilities; (l) project administration and support; and (m) research and project preparation.

Borrower—Empire of Ethiopia.

Loan—$9.5 million; 50 years (including a 10-year grace period) with a ¾-percent service charge per annum. Total project cost: $13.5 million eqivalent.

Purpose and benefits—The main benefits of the project will stem from improved yields on nearly 12,000 small farms. Farmers are to be settled on economically sized units under conditions of adequate tenure and using cultivating practices necessary to double present farm production and incomes. The project is designed to settle permanently about 12,000 resident and migrant farmers, presently farming in the area, in twenty villages, each containing about 600 farms of approximately 5 hectares. Primary cooperative societies are to be organized which will lease the land to individual farmers. Each village is to be provided with water supplies, a grain mill, roads, and access to communal grazing areas to keep farmers' stock under improved husbandry conditions. Roads into the area will be improved, and livestock markets established. Utilizing village cooperatives as intermediaries, the project will also provide farmers with extension services and credit for fertilizer, seed, pesticides, farm implements, and livestock. By adopting new inputs and cultivation practices, a farmer cultivating 5 hectares could raise his annual net cash income from the sale of crops and livestock from present levels of $50 to about $170 once loans are fully repaid. This cash income is in addition to subsistence consumption, valued at about $85 (equivalents). The economic rate of return of the project is estimated to be about 17 percent. Additional government revenues are also to be derived from import duties and taxes, land rent, and the servicing of the loan. From a financial point of view, the project should be self-sufficient in that the cooperative fees and charges are to be set at levels to cover all expenses, including depreciation.

Date approved—September 17, 1974 (IDA)

INDIA

Agriculture

This credit will help finance a project to increase rural milk production in Rajasthan State through a cooperative development program consisting of (*a*) establishment of about 1,800 dairy cooperative societies (DCS), 5 milk producer unions, and the Rajasthan Dairy Development Corporation (RDDC); (*b*) importation and multiplication of breeding stock and an artificial insemination program of crossbreeding native village cattle with high-producing breeds (*c*) extension programs for production of fodder, improved mixed farming, and improved animal husbandry; (*d*) construction of 5 union dairy plants and cattle feed mills; (*e*) establishment of milk collection routes and milk chilling centers; (*f*) establishment of 1 regional diagnostic laboratory and a plant for production of biological veterinary vaccine; (*g*) provision of consultant services to assist the RDDC; (*h*) provision of a training center for each union, an extensive training program for developing instructors for training technical and field staff, and fellowships for key personnel.

Borrower.—Republic of India.

Loan.—$27.7 million; 50 years (including a 10-year grace period) with a ¾-percent service charge per annum. Total project cost: $51.8 million equivalent.

Purpose and benefits.—The direct economic benefit of the project will be increased milk production, estimated at 475,000 tons per year by the 10th year of the project. Some 240,000 farming households (approximately 1.3 million people) should benefit through higher standards of living and increased family cash income. Significant social benefits at the village level should also be derived after the village DCS's become firmly established and have a regular net annual surplus of funds which could be used to augment, or initiate, village development schemes in education, health, family planning, minor public works, and infrastructure.

A further, unquantifiable benefit to the village would accrue from improved nutrition through increased intake of milk. Benefits accruing to consumers would come from improved nutrition as a result of the increased availability of whole pasteurized milk in urban areas. The risk of milk-borne diseases, such as tuberculosis, brucellosis and gastrointestinal infections (particularly in infants) should also decrease significantly. Based on quantified incremental costs and benefits, the economic rate of return on the project is estimated to be 31 percent.

Date approved.—December 5, 1974 (IDA).

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT—
INTERNATIONAL DEVELOPMENT ASSOCIATION

KENYA

Housing

The loan will help finance a project which will provide (*a*) 6,000 serviced lots for self-help housing, together with related onsite infrastructure and community facilities; (*b*) financing for materials loans to enable allottees to construct self-help dwellings on their lots; (*c*) sewerage services for the project site and other areas in Nairobi; (*d*) operational costs of a new Nairobi City Council (NCC) department set up to implement the project; (*e*) studies of Nairobi City Council's housing operations and means of improvement; (*f*) preparation of future sites and service and squatter upgrading projects in Nairobi and other cities; (*g*) studies of municipal finance in Kenya; (*h*) design and engineering works; (*i*) project monitoring and evaluation; and (*j*) a pilot study of nutrition needs in Nairobi.

Borrower.—Republic of Kenya.

Loans.—$16.0 million ($8.0 million IBRD for 25 years, including a 4-year grace period, at 8½ percent interest per annum; $8.0 million IDA for 50 years, including a 10-year grace period, with service charge of three-quarters of 1 percent per annum). Total project cost: $29.5 million equivalent.

Purpose and benefits.—This project should help satisfy the urgent need for additional low-cost shelter and associated services in Nairobi. In addition, the project is intended to demonstrate the utility of the sites and service approach to meeting housing shortages in Nairobi and other urban areas in Kenya, with the aim of encouraging the development of further viable schemes. The project is also expected to bring about significant improvements in providing housing at lower cost than has hitherto been possible, together with a more general, but essential, strengthening of the financial base of Nairobi and other municipalities in Kenya. The sites and service element of the project should directly assist 6,000 households in obtaining shelter, provide self-help employment opportunities for project beneficiaries, and stimulate the construction industry. Moreover, by directing expenditures toward housing for the relatively poor, the project should begin to shift the balance of NCC housing operations toward those in the greatest need. The offsite sewerage component of the project will not only satisfy the needs of the project area but should also constitute an important part of a first stage sewerage program to serve other areas in Nairobi. On the foreign exchange earnings resulting from increasing exports of sawn timber estimated at US$150 million equivalent. The economic return for sawlog plantations over 25 to 30 years is about 22 percent and that of pulpwood over 15 to 20 years, 25 percent. In addition, the project should provide continued employment for about 4,500 to 4,700 persons and thus benefit a total of some 30,000 people. The investment will also permit close supervision and upkeep of the area which in turn should reduce growing pressure for settlement in areas now covered by indigenous forests.

Date approved.—June 19, 1975 (IBRD and IDA).

INTERNATIONAL DEVELOPMENT ASSOCIATION

MAURITANIA

Transportation

The credit will help finance a project which consists of: (*a*) Technical assistance to the Ministries of Equipment, Trade and Transportation and Planning; (*b*) purchase of highway equipment for maintenance and betterment works; (*c*) a betterment program on about 365 kilometers of roads; and (*d*) a feasibility study and detailed engineering for the construction of the 200-kilometer Rosso-Boghe Road.

Borrower.—Islamic Republic of Mauritania.

Loan.—$33 million; 50 years (including a 10-year grace period) with a three-quarter percent service charge per annum. Total project cost: $11.3 million equivalent.

Purpose and benefits.—The principal objective of this project is to consolidate and expand Mauritania's road maintenance and betterment programs, started under IDA's ongoing maintenance project. The benefits will accrue almost entirely to the traditional sector of the economy. The economic return of the maintenance program is estimated to be 36 percent over the 6 year expected life of the capital investment. The road betterment works are expected to extend the seasonal use of some of the most important unpaved roads in the country, reduce transport costs on these roads throughout the year, and insure greater transport reliability during the wet season. The betterment project is expected to yield an economic return of 35 percent for the Boghe-Kaedi-Kiffa section and 16 percent for the Akjoujt-Atar-Choum section. Finally, the Rosso-Boghe Road, for which a feasibility study and detailed engineering, if feasible, is to be undertaken, is an important connection between Nouakchott and the center of ongoing and planned agricultural and livestock development. Construction of this road, together with the betterment works proposed on the Boghe-Kaedi-Kiffa Road, will considerably improve access to the eastern region of the country.

Date approved.—November 12, 1974 (IDA).

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PAKISTAN

Pipeline construction

These loan funds will help finance a project of the Sui Northern Gas Pipelines Ltd. (SNGPL) to nearly double its gas transmission capacity by providing: (*a*) 5.7 million cubic meters per day of additional gas purification units; (*b*) 287 kilometers of 45.7 centimeter and 40.6 centimeter looplines; and (*c*) 37 kilometers of a 15.2 centimeter lateral line to Sargodha and expansion of distribution facilities.

Borrower.—Sui Northern Gas Pipelines Ltd. (SNGPL).

Loan.—$60.0 million; 22 years (including a 4½-year grace period) at 8½-percent interest per annum. Total project cost: $103.2 million equivalent.

Purpose and benefits.—Pakistan's demand for energy is increasing rapidly (13 percent annually in recent years) and natural gas supplies a large share of this market. After completion, the proposed project would permit the substitution of natural gas for imports of about 640,000 tons of fuel oil per annum, with annual savings of about $44 million. It would also obviate investment of about $20 million (equivalent) in additional oil transport, storage, and handling facilities. The project is estimated to have an economic rate of return of about 33 percent. Certain environmental benefits are also expected, but these have not been quantified in this calculation.

Date approved.—May 8, 1975 (IBRD).

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PANAMA

Transportation

The loan will help finance a project which consists of: (*a*) Construction, at Punta Vacamonte, of a fishing port with a protective breakwater; (*b*) a dredged access channel; (*c*) 10 berths for shrimp trawlers; (*d*) 4 berths for tuna clippers; (*e*) adequate quays for berthing inshore fishing vessels and for servicing trawlers; (*f*) a ship repair berth and yard; (*g*) buildings for shrimp processing and tuna cold storage plants; (*h*) a fish market; (*i*) administrative and other offices; (*j*) storage areas; (*k*) roads and utility services within the port area; (*l*) provision of consultant services for design and supervision of construction; (*m*) technical assistance in port operation and management; and (*n*) a training program for the staff of the port authority.

Borrower.—Autoridad Portuaria Nacional (APN).

Loan.—$24 million; 20 years (including a 4-year grace period) at 8½ percent interest per annum. Total project cost: $34 million equivalent.

Purpose and benefits.—The main objectives of the project are to: (*a*) Promote efficient operation and growth of the Panamanian fisheries industry by providing adequate port facilities and other infrastructure needed for fish processing and tuna transshipment; (*b*) assist in developing the management capability of the

newly created National Port Authority (APN); and (*c*) facilitate implementation of urban renewal in Panama City by removing fish landing and processing facilities from the city. Quantifiable benefits from this project should accrue to shrimp and food fish vessel owners and operators, shrimp processors, and to the Government of Panama, as a landowner. The economic benefits include savings in repair, maintenance, and waiting times for shrimp trawlers; removal of capacity constraints at existing food fish landing facilities; higher net value added in fish processing through a reduction in damaged shrimp and making available the new deep sea shrimp species; the value of the land released for urban renewal in Panama City as well as the enhancement in value of the released land and adjacent property. The economic benefits of the project also include net value added in Panama by the expected increase of tuna transshipment operations. Calculation of project benefits indicates the following distribution: shrimp vessel owners and operators, 23.3 percent; shrimp processors, 25.9 percent; coastal fishermen, 14.0 percent; value added in Panama from tuna services, 27.7 percent; the Government as landowner, 10.1 percent. On the basis of an economic life of 25 years, this project is expected to yield an overall economic rate of return of about 15 percent. The economic rate of return should not fall below 12 percent even if (*a*) project costs were to increase by 30 percent, or (*b*) tuna transshipment traffic were reduced by 30 percent, or (*c*) the deepwater shrimp resources prove not to be commercially exploitable, or (*d*) expected increases in land values in Panama City were not to materialize.

Date approved.—April 22, 1975 (IBRD).

International Development Association

RWANDA

Education

The credit will help finance a project designed to improve the quality and efficiency of primary education in Rwanda. Specifically, the project is to involve: (a) construction, furnishing and equipment of approximately 150 workshops for vocational teaching with about 6,000 student places; (b) construction, furnishing and equipping a print shop and providing paper for the production and distribution of about 2.7 million textbooks and 1.6 million student guides; (c) construction and equipping an office building for a school financing and construction unit; and (d) technical assistance for project implementation and for evaluation of project financing mechanisms; construction methods and selection/examination procedures for secondary education.

Borrower.—Republic of Rwanda.

Loan.—$8 million; 50 years (including a 10-year grace period) with a ¾ percent service charge per annum. Total project cost: $9 million equivalent.

Purpose and benefits.—Increased agricultural productivity is urgently needed, given the growing population and scarcity of land in Rwanda. The country's education system, presently ill-equipped to meet this objective, is to play an important role in this effort by providing people with the required skills. The project will help improve the quality of primary education and the productivity of new entrants into rural life through appropriate training. The workshops to be built should provide one-fourth of the primary student body with appropriate instruction in rural-oriented subjects. The methods of construction to be used will also help increase local craftsmen skills through on-the-job training, and the financial arrangements for the project should facilitate the flow of funds from the Central Government to responsible local authorities. The school financing and construction unit to be created under the project is to become a permanent institution responsible for all educational facilities expansion programs.

Date approved.—June 9, 1975 (IDA).

SUDAN

Power

The credit will help finance a portion of the total investment program of the Public Electricity and Water Corporation (PEWC) for the 6-year period to June 1979, and about 30 percent of its investment in electricity supply during that period. The project comprises: (a) addition of a hydro unit at the Roseires hydroelectric station and additional deisel capacity at the Burri station (Khartoum) with complementary transmission line extensions; (b) addition of diesel capacity to the Juba power station and upgrading and extending the Juba distribution system; (c) long term planning studies; and (d) management consultant services by the Electricity Council of the United Kingdom (ECUK).

Borrower.—Democratic Republic of Sudan.

Loan.—$23 million; 50 years (including a 10-year grace period) with a ¾ percent service charge per annum. Total project cost: $39.9 million equivalent.

Purpose and benefits.—This project is expected to play a major role in providing the electricity needed for expansion of Sudan's basic productive activities—agricultural production and processing—and for the development of other industries. The balance of the electricity investment program consists of the installation of diesel units in isolated towns, electrification of the Rahad Irrigation project, and distribution schemes in different areas. The project should help insure that the electricity supply system can meet energy demand from Sudan's major agricultural and industrial areas up to 1980. The additions to the generating capacity and transmission network of the Blue Nile Grid were selected as the least cost solution from four alternatives, with a varied mix of hydroelectric, diesel, and gas turbine generation and varying requirements for additional transmission facilities. The return on investment on the Blue Nile Grid expansion has been estimated to be about 21 percent, and that for the Juba expansion, about 10 percent. These represent minimum estimates of economic benefits, since electricity revenues do not fully reflect the economic benefits of the projects. Furthermore, the cost of the transmission improvements has been allocated in its entirety to this project, although the line will be adequate to handle the output of subsequent additional generating sets. PEWC is one of the larger Sudanese public corporations and its restoration to financial health should be a major contribution towards higher levels of public savings—a main prerequisite of an improved rate of growth in the Sudanese economy as a whole.

Date approved.—May 22, 1975 (IDA).

Inter-American Development Bank

BARBADOS

Transportation

The proceeds of this loan will help finance the improvement and expansion of deep water port facilities at Bridgetown. The objective is to eliminate existing crowded conditions and inefficient and overly expensive cargo handling procedures so that the port will be able to efficiently meet present and projected general cargo and passenger shipping requirements. The project includes: (a) dredging in front of the existing quay wall; (b) land reclamation for the construction of transit sheds, open storage areas, roads, and parking areas; (c) construction of a 600-foot extension to the main wharf and installation of a mooring dolphin; (d) modification of the existing cross berth; (e) construction of a transit shed; (f) modifications to the existing general cargo transit shed; (g) construction of a new administration building; (h) miscellaneous works including site draining, paving, and the relocation of fencing; and (i) technical assistance for the port authority.

Borrower.—Barbados.

Loan.—$9.1 million (ordinary capital); 25 years (including 4½-year grace period) at 8 percent interest per annum. Total project cost; $12 million equivalent.

Purpose and benefits.—Barbados' island economy is almost entirely dependent on maritime service for the import of manufactured goods and a large percent of needed staple foods. At present the country's ports are deteriorated, overcrowded and physical facilities are inadequate. The Government gives highest priority to a program for the centralization and improvement of port operations. including this project to expand and improve the facilities and operations of the Port of Bridgetown. A primary objective of the project is to consolidate cargo handling and cruise liner operations into one central area under control of a port authority. Project works are expected to achieve savings of $220 per hour in cargo ship turnaround time, $1.50 per ton in handling costs and avoided losses from damage and theft, and by encouraging more visits by cruise ships, generate an average inflow into the economy of $3,850 per ship. The savings on turnaround time, handling costs, and losses will be returned to Barbados in the form of higher port charges. The financial rate of return for the project is estimated to be 16 percent, and the economic rate of return is estimated to be 25 percent.

Date approved.—November 27, 1974 (IDB).

BRAZIL

Preinvestment studies

These loan funds will help finance: (a) prefeasibility and feasibility studies, including economic, technical, marketing, institutional, and financial aspects for investments projects; (b) supplementary studies, including (i) engineering and design, (ii) completion of studies in progress, and (iii) temporary consultant

services for solving problems of a special technical nature that requires the opinion of one or more experts; (c) specific studies within national or regional integration programs; (d) studies of regional, sectoral, or subsectoral scope directed towards identification of specific investment projects or programs; and (e) studies aimed at increasing the administrative, operational, productive, and commercial capacity of entities utilizing the services of Financiadora de Estudo e Projectos (FINEP) or its intermediaries.

Borrower.—Financiadora de Estudo e Projectos (FINEP).

Loan.—$18 million (fund for special operations); 15 years (including a 4-year grace period) at 4 percent interest per annum. Total project cost: $31.2 million equivalent.

Purpose and benefits.—Basic objectives of Brazil's economic policy are maintenance of a 10 percent rate of growth in gross domestic product per annum and reduction in the rate of inflation to achieve a relative degree of stability in overall price levels. Another objective is to increase the employment rate an average of 3.1 percent per annum during the period 1970–74. High priority is attached to technical training programs, as well as to the placement of investments in sectors that are less capital-intensive and more labor-intensive. Export promotion is also an important element in Brazilian economic planning. Public sector investments for the period 1974 to 1977 are estimated to be $16,900 million and private sector investments $4,800 million. Comparing planned investments with estimates of the volume of investment made without adequate study, it is estimated that planned investments totaling $5,693 million require additional preinvestment resources of $184 million (equivalents) during the period 1974 to 1977. Approximately 45 percent of these studies could be conducted by FINEP and the balance through additional efforts by the public and private sectors. Investment resources devoted to preinvestment activities should contribute to expanding investments planned during the period 1974–77, estimated to be about 8.8 percent per annum.

Date approved.—September 19, 1974 (IDB).

GUATEMALA

Agriculture

The project will help finance the first stage of a dairy development program for the southeastern region of Guatemala consisting of the development of 200 selected farms through loans and technical assistance to farmers. The project includes (a) technical planning of overall development for selected farms; (b) loans to small- and medium-sized producers to finance investments and some operating costs, with technical guidance and supervision at the farm level; (c) expansion and strengthening of technical services and the infrastructure for livestock experimentation and demonstration; and (d) a technical cooperation program for contracting specialized consultants and training professional personnel and producers.

Borrower.—Republic of Guatemala.

Loan.—$4.4 million (Fund for Special Operations); 40 years (including a 10-year grace period) at 1 percent interest per annum during the first 10 years and 2 percent interest per annum thereafter. Total project cost: $5.8 million equivalent.

Purpose and benefits.—The purpose of the project is to expand and intensify stock raising in southeastern Guatemala through genetic improvement of herds and the introduction of modern technical practices on small-and medium-sized dairy ranches (farm assets of no more than $45,000). The first state comprises the development of 200 diary farms and, during this preliminary stage, it is planned to bring into the program gradually, but at an increasing pace, as many more as possible of the 1,300 ranch units identified as suitable for development under the program. The main objective is to increase dairy production and productivity per animal and per hectare. Specific objectives include: (a) raising the calving rate to 80 percent and lowering the calf death rate to 3 percent; (b) expanding milk production to 2 daily milkings, up to a target average 7 to 8 liters of milk per day per cow, with a lactation period of 270 days a year; and (c) raising the pasture carrying capacity from 4.5 to 5 animal units on irrigated and 2 animal units on unirrigated ranches, thereby minimzing seasonal feed supply fluctuations. The primary benefit will be an increase in sales of milk and it is expected that by full project development, total milk production as a result of the project should reach 19 million liters, with an estimated value of $2.5 million (equivalent). The financial rate of return for the individual model farms is estimated to range from 33 to 49 percent. The economic rate of return is estimated to be 27 percent.

Date approved.—September 26, 1974 (IDB).

HONDURAS

Education

The loan will help finance a project which consists of: (a) the construction of a new physical plant for the Luis Bogran Technical Institute and the Honduras Vocational Institute, both intended for industry-oriented technical training, and their relocation to more suitable sites in Tegucigalpa; (b) the construction and remodeling of various classrooms, workshops, and installations for the John F. Kennedy School of Agriculture; (c) the purchase of additional agricultural land to convert the above school into a "school-farm"; (d) the provision of (i) laboratoris, (ii) equipment, (iii) machines, (iv) tools, (v) teaching materials, (vi) books and (vii) furniture for the three establishments, together with (viii) farm implements, (ix) utility vehicles and (x) animals for the school of agriculture; (e) the hiring of additional instructors to serve the expanded enrollments of the three establishments; and (f) expansion of financial aid to students. (The project also includes nonreimbursable technical assistance to improve the institutional structure of the formal secondary technical education system and assist in reformulating the curricula and teaching methods.)

Borrower.—Republic of Honduras.

Loan.—$6.8 million (Fund for Special Operations); 40 years (including a 10-year grace period) at 1 percent interest per annum for the first 10 years and 2 percent interest per annum thereafter. Total project cost: $715 million equivalent.

Purpose and benefits.—The project will expand and strengthen the Honduran secondary level formal technical-vocational education systems to meet the skilled labor and middle management requirements of the country's agricultural and industrial sectors. The project is to expand the capacity of the technical and vocational education system's 3 main establishments from 1,000 to about 1,900 students once the project is completed and will substantially improve internal and external yields of these establishments by reducing the present student dropout rate and provide for closer and more active coordination with the requirements of labor markets. The project will reorient and modernize curricula, place greater emphasis on practical work in the trades and specialties required by agriculture and industry, and raise the professional qualifications of the administrative and teaching staff of these institutions.

Date approved.—October 24, 1974 (IDB).

MEXICO

Intermediate credit institution

The proceeds of this loan will be allocated by the borrower, Nacional Financiera, S.A. (NAFINSA) to the Fondo de Garantia y Fomento a la Industria Pequena y Mediana (FOGAIN), a trust fund managed by NAFINSA, which will channel the funds through banks, financial institutions, and credit unions as credits to medium- and small-scale industrial enterprises. The program represents continued support of the lending activities of FOGAIN which provide equipment credits chargeable to borrowed resources and equipment and working capital credits chargeable to the Mexican Government's contributions to the program.

Borrower.—National Financiera, S.A.

Loan.—$15 million (ordinary capital); 20 years (including a 4-year grace period) at 8 percent interest per annum. Total project cost: $30 million equivalent.

Purpose and benefits.—The main objectives of the program are: (1) to provide FOGAIN with greater resources for expanding and extending its financial support to Mexican small- and medium-private enterprises; (2) to help stimulate the decentralization of Mexican industry; (3) to provide for the creation and equipping of new small- and medium-industrial enterprises; (4) to help strengthen FOGAIN's managerial capacities and further its efficient functioning as a development agency; (5) to improve socioeconomic analysis of industrial development products; and (6) to consolidate FOGAIN's longer run financial position and strength.

Date approved.—March 20, 1975 (IDB).

NICARAGUA

Health services

The loan will help finance a project which comprises: (a) The construction of (i) a teaching hospital in the city of Leon, utilizing more effectively the Luis A. Somoza Hospital, (ii) an educational complex in the same city to include three instruction and administration buildings for the medical and other health science schools; and (b) procurement of medical equipment and instruments as well as teaching equipment for the teaching hospital and the educational complex.

Borrowers.—Republic of Nicaragua.

Loans.—$9 million (Fund for Special Operations); 40 years (including a 10-year grace period) at 1 percent interest per annum for the first 10 years and 2 percent interest per annum thereafter. Total project cost: $11.3 million qeuivalent.

Purpose and benefits.—The purpose of the project is to improve the training of physicians and paramedical staff of the health science schools of the National Autonomous University of Nicaragua. Medical sciences are currently taught in overcrowded conditions in part of the old administration building of the university and in San Vicente Hospital. The equipment and other technical aids employed are insufficient, inadequate and outdated. In 1969 enrollment totaled 421 students but by 1974 enrollment had increased to 916, although there has been no substantial change in available facilities. The principal objective of this project is to improve the caliber of professional medical personnel educated at the university. Moreover, improving the facilities should also reduce the operating costs of the complex. Cost savings expected as a result of hospital consolidation may amount to $0.6 million a year, which would justify the investment in the teaching hospital. The size of the project is considered adequate in terms of projected demand for medical personnel in Nicaragua and the need for hospital services in Leon. The project will also contribute to systematic programing of manpower in the health sector by establishing a registration system for professionals and financing research on nationwide personnel needs which, in turn, will affect future enrollment levels.

Date approved.—November 7, 1974 (IDB)

Asian Development Bank

BANGLADESH

Intermediate Credit Institutions

The proceeds of this loan to the Government of Bangladesh families. One of the objectives of the Government's first 5-year plan is to increase the yield per acre and reduce the cost of producing jute. The plan target for jute production is 9.1 million bales of raw jute by 1977–78, a 26-percent increase over the 1969–70 level. To achieve this, the Government intends to bring 1.7 million acres of better land under an intensive jute cultivation scheme and improve the average yield to 4 bales per acre in 1977–78, as against 2.9 bales per acre in 1972–73. This is to be achieved through the application of such inputs as improved seeds, chemical fertilizers, improved cultural practices and plant protection in the scheme areas. The projected incremental increase in production from the use of the improved seed to be produced under the project is estimated to be 360,000 bales annually. The project is an effort to earn Bangladesh more foreign exchange, without impairing its goal of becoming self-sufficient in food grains, and to boost employment in rural areas where 90 percent of the population lives. The economic rate of return for the project is estimated to be 51 percent.

Date approved.—December 19, 1974 (ADB)

INDONESIA

Water supply

The proceeds of this loan will finance the foreign exchange costs of a project to improve and increase the capacity of the water supply system of the city of Bandung. Included in the project are: (a) construction of 22 production wells and two test wells; (b) procurement and laying of 455 km. of pipelines; (c) construction of 3 treatment works, 3 reservoirs, and 2 pumping stations; (d) construction of 20 public bathhouses and 200 standpipes; (e) installation of 13,000 water meters; (f) further ground water investigations; and (g) consultant services for design, engineering, and supervision of the project.

Borrower.—Republic of Indonesia.

Loan.—$11.5 million (special funds); 40 years (including a 10-year grace period) with a service charge of 1 percent per annum. Total project cost: $18.1 million equivalent.

Purpose and benefits.—The rehabilitation and expansion of Bandung's water supply is considered vital to improving the health conditions of the population of Indonesia's third largest city. The project, when completed, will increase the percentage of population served by the water supply system from 35 percent to 60 percent. Per capita water consumption will also increase, from 95 liters to 120 liters per day. The population served by public standpipes or bathhouses will increase from the present 14 percent of population served to 36 percent. In

addition the social benefits from the project—particularly the environmental improvements arising from the supply of potable water—are significant. Particularly important is the planned substantial increase in the supply of potable water to poorer sections of the city. Provisions of an adequate piped water system will create the possibility of developing a comprehensive system for disposal of waterborne wastes for Bandung. In addition, the project has significant institution-building aspects through the provision of consulting services which will help create a viable and efficiently managed city water supply enterprise. The financial rate of return for the project, calculated on an incremental basis, is estimated to be 9 percent.

Date approved.—November 7, 1974 (ADB).

KOREA

Transportation

These loan funds will finance the foreign exchange costs of: (a) improving 49 km. of two gravel roads (Highway 42: Suweon to Incheon; Highway 397: Anyang to Nongogri) to two-lane standards with asphalt-concrete pavement; (b) the construction of the 9 km. Sinweoldong-Gurodong Highway to four-lane standards; and (c) relevant consultant services.

Borrower.—Republic of Korea.

Loan.—$10 million (ordinary capital); 23 years (including 3 years' grace) at 7½ percent per annum. Total project cost: $23.4 million equivalent.

Purpose and benefits.—The project roads are within the triangular area bounded by the cities of Seoul, Incheon and Suweon. The population of Seoul city has grown at an annual average rate of 7 percent during the past 10 years to reach 6.3 million in 1973, while the annual rate of growth of the national population as a whole declined from 2.9 percent in 1960 to 1.9 percent in 1970. The rapid increase of Seoul's population has created numerous problems, including a shortage of housing, inadequate water supply and sewerage systems, traffic congestion and pollution. The Government of Korea accords high priority both to controlling the rate of population increase in Seoul and to redeveloping the Seoul metropolitan area. Development of satellite cities, smaller towns, and industrial complexes in the project area is being encouraged as part of the Government's policy to disperse economic activities and population into neighboring areas. The growth of other urban areas is, however, impeded by inadequate transportation facilities and improvement of the Suweon-Incheon and the Anyang-Nongogri roads under this project will significantly enhance the growth potential of the area. The Sinweoldong-Gurodong Highway, also included in this project, will form part of the future Seoul Ring Road which will facilitate traffic movement in the southern suburbs of Seoul, link housing and industrial complexes, help reduce traffic congestion in Seoul City, and complement the Seoul-Incheon Expressway. The Ring Road will also provide direct access from the Seoul-Incheon Expressway to the Seoul-Busan Expressway at the outskirts of Seoul. The rate of return on this project is estimated to be 27.5 percent.

Date approved.—August 20, 1974 (ADB).

PHILIPPINES

Agriculture

The proceeds of this loan will be used to finance the foreign exchange costs of developing two gravity irrigation systems along the Andanan and Simulao rivers in the Agusan del Sur Province of Mindanao. The project includes: (a) procurement of construction and operating equipment, materials and spare parts and agricultural machinery; and (b) consultant services for the review of detailed design, supervision of construction, and for helping the National Irrigation Administration (NIA) to prepare and evaluate project tender documents.

Borrower.—Republic of the Philippines.

Loan.—$5.8 million (special funds); 40 years (including a 10-year grace period) with a service charge of 1 percent per annum. Total project cost: $13.2 million equivalent.

Purpose and benefits.—The project area in eastern Mindanao is characterized by poor infrastructure, subsistence farming and scant industrial activity. The Government's current 4-year development plan ascribes priority to improving this area as part of the national strategy of achieving better economic balance among the regions of the country. The project will also contribute to the Government's goal of self-sufficiency in rice. Irrigation of the area will not alone raise productivity, however, and the project includes land reform measures accompanied by an agricultural development program including demonstration farms,

marketing facilities, credit facilities for procurement of farming implements and materials, and training. The project will benefit 2,500 participating farm households and add 8,700 hectares to the area under irrigation. Foreign exchange savings of $7.4 million annually will ultimately be achieved through increased rice and corn production. With irrigation, double cropping and the facilities available in the accompanying program, agricultural production in the project area will expand substantially and accelerate graduation from subsistence to market-oriented farming. The economic internal rate of return of the project is estimated at 19 percent.

Date approved.—December 17, 1974 (ADB).

Mr. COOPER. If I could respond on this process, before it is announced that a loan is coming to the board, there is a preliminary indication that a loan has been negotiated and will be coming into the board. If there is some reason to be particularly concerned about a prospective loan of that kind, then I or some other representative of the U.S. Government may discuss it informally with the Bank management to find out more about it before it is scheduled for board discussion.

If there is a problem, it can be talked about with the staff or deferred or delayed or whatever.

In addition to the formal process, once we know the loan is coming to the board, there is an opportunity sometimes used, but usually not, for a very early and more informal discussion with the institutions about the loan and aspects of it that may or may not be troublesome.

But we will also be glad to provide the other information.

Mr. PASSMAN. I want to try to be as reasonable as I possibly can in looking at these requests.

HISTORY OF FOREIGN AID

When the foreign assistance program started back in 1948 it required the older Members, well fortified with seniority, to walk into the well of the House and address the Chair. "Mr. Speaker, we are now embarking upon a program that could conceivably take us into 17 European countries. It may require 5 years to complete the program and the ultimate cost could reach $15 billion."

You could have heard a pin drop. Now you contrast 5 years with 29 years; contrast $15 billion with $447 billion. It is not in 15 countries. We have taken this program to 134 nations of the world.

Mr. BUSHNELL. Yes, sir.

Mr. PASSMAN. And we moved those people from poverty to prosperity. We spent $138 billion of our resources in South Vietnam, 56,000 precious lives, and 306,000 casualties and there has never been a nation that went so completely down the tube as South Vietnam.

Is that a statement of fact?

Mr. BUSHNELL. Yes, Mr. Chairman.

Mr. PASSMAN. Isn't this a clear example that giving away our wealth and sacrificing the lives of our precious youth hasn't brought us one thing? We have spent in Southeast Asia over a quarter of a trillion dollars and we have one friend left, and that is Korea, and they are on the verge now of having the rug pulled out from under them.

Isn't it true that one thing that happened to President Thieu was that he was trying to appease everybody, let all of the rabble-rousers get into his government, the compromising element there, giving in to them. The first thing you knew his government was honeycombed with betrayers and the government fell.

Isn't that true?

Mr. COOPER. There were certainly some members of the Vietcong in the government.

Mr. PASSMAN. That is what I say, appeasing them, as some people are doing in Korea today, and you won't have a Korea one year from now unless the President keeps these missionaries in jail or gets them out of the country.

I think the time has come for this committee to go all the way out to put these confounded international organizations under control. You people have a habit, and maybe I should salute you, not condemn you, of not paying a bit of attention to this committee or the Congress.

IDA IV

You, even now, are trying to go 5 years in advance, by obligating us to IDA IV.

Have you signed up for IDA IV already?

Mr. COOPER. For IDA IV, for the appropriation we are requesting. That is the appropriation we are requesting.

Mr. PASSMAN. That would not commit this committee to provide appropriations, would it?

Mr. COOPER. No, sir.

In our letter when we signed up we indicated that the funds could only be provided after conformity with——

Mr. PASSMAN. And if this committee should in its wisdom make reductions, it simply means that you just renegotiate with these nations. It doesn't take a constitutional amendment, does it, for you people to renegotiate downward?

Mr. COOPER. It would not take a constitutional amendment.

Mr. PASSMAN. And it wouldn't take anything else other than a little determination to call a meeting some afternoon and reshuffle it, and you people have some Members of Congress believing that it would take maybe a year to redo it, and great harm would be done.

I want to ask you one other question.

IDB INTER-REGIONAL CALLABLE CAPITAL

I note that you do not plan to request any appropriations for the interregional callable capital amount which is presently to be authorized for $930 million.

Is that correct?

Mr. BUSHNELL. For the IDB, yes.

Mr. PASSMAN. Do you feel you can commit the United States to this interregional callable capital without an appropriation?

Mr. BUSHNELL. Yes.

Mr. PASSMAN. Isn't that fun_ just giving away a billion dollars and the purpose of the callable capital is to cover potential default?

Mr. BUSHNELL. That is true. We would need an appropriation only in the very remote situation that there were an actual call on the capital.

Mr. PASSMAN. And you don't need an appropriation. I think we should just abandon this committee. It is a waste of time and only aging me to sit here and argue about these things if you people, speaking collectively, are that arrogant.

Mr. Long?

Mr. LONG. Thank you, Mr. Chairman.

I am launching on a different line of questioning but, Mr. Chairman, I feel the way you do. I don't think Mr. Shriver got a satisfactory answer.

IDA LOANS TO INDIA

You are apparently saying that you vote against this aid to India because you are instructed to. You seem to think they ought to get it, and you think it is for political reasons that you are instructed to vote against that money.

I am wondering whether there is any mess, however unsavory, that would cause you to recoil from it.

Have you read my separate views, "India—The Strange Case of Wasted Billions?"

Mr. COOPER. Yes, sir.

Mr. LONG. You don't believe it?

Mr. COOPER. I would not say I don't believe it. I think there is a great deal of merit in your arguments. India is in some sense the classic development case——

Mr. LONG. Is this a political point?

Mr. COOPER. No, sir.

I think almost all of what you say in that report is economic and appropriate.

Mr. LONG. Don't you think you have a right to vote against something on economic grounds?

Mr. COOPER. Of course.

Mr. LONG. Don't you think the fact that they are wasting vast sums on the military has economic implications?

Mr. COOPER. Yes, sir, but that isn't what I was talking about when I responded to Mr. Shriver.

He had mentioned in his earlier comments the political relationships that we have had with India and it was that that I was responding to.

Mr. LONG. I thought you were responding on the question that the Long amendment required you to vote against it but you felt strongly that you were being forced to vote the wrong way.

Mr. COOPER. No, sir, I never said that.

Mr. LONG. I am sorry, that was the implication of it.

Mr. COOPER. I was responding to the question Mr. Shriver had mentioned. On the Long amendment, that is on a question of the use of resources. That is entirely appropriate. I am not sure it is effective in the sense of influencing other countries to take this issue into account. That is a very different question.

Mr. LONG. Does it have to be effective?

Mr. COOPER. No, sir.

Mr. LONG. It is a big world. Can't we put our money in places where it would have more impact?

Mr. COOPER. Yes, sir.

Mr. LONG. Let me read you just a reminder.

From 1960 to 1973 India received $13.5 billion in aid, not including bilateral aid to India from Western European countries and Communist nations whose aid would push the total aid resources over $20 billion. During that time the gross national product of India increased (in constant dollars) by just slightly more than population growth.

Mr. COOPER. Yes, sir.

Mr. LONG. Right. And, in fact, any improvement at all could be aleatory, in the sense that if you had a good or a bad year it could be because you had a crop success or crop failure.

Mr. COOPER. Yes, sir.

Mr. LONG. Over the last 10 years, from fiscal 1965 to 1974, while India was receiving $7.6 billion in foreign aid from the United States, it chose to spend $16.4 billion on its military.

Mr. COOPER. Yes, sir.

Mr. LONG. At the same time with all these hungry people, agriculture ranked third in their budget, and I might say a poor third.

Don't you think this is a reason why IDA ought to start putting our money in countries where the leaders show a somewhat more sincere interest in improving the way of life, the condition of life of their people?

Mr. COOPER. I am not sure I would come to the conclusion that IDA ought to stop its program for those reasons. I think it is a very legitimate issue to be raised with the Indian Government and try to influence it.

Mr. LONG. Any sensible human being puts his money where it will yield a good return. The point is that the Indians aren't spending money wisely.

Mr. COOPER. The basic question you raise is one I have enormous sympathy for——

Mr. LONG. What do you do in your position to try to change this attitude? Do you do anything, or do you just vote the money?

WORLD BANK INFLUENCE

Mr. COOPER. We do try through the international institutions to influence the aggregate economic policies and the aggregate distribution of resources. It isn't the easiest thing to do. It is not easy for the World Bank or any other institution to be decisive in the way the Indian Government chooses to spend its resources. We do try to have an influence. I think we have had.

I think the Indian programs, not just in the projects but in the policies that the projects are imbedded in, have been improved in recent years as a result of the influence of some of these institutions, and the World Bank and IDA particularly. They obviously have not managed to persuade the Indian Government to substantially reduce their——

Mr. LONG. Wasn't the main argument for putting money into India that we had to keep democracy alive? Wasn't that the reason we were told that even though we were throwing this money down the rathole, here was a big democracy and we had to keep it alive.

It isn't a democracy any more and doesn't even pretend to be.

Mr. COOPER. A reason for continuing to place money in sound projects in India is a certain faith and hope that over time they will make an economic contribution, a contribution to the very poorest people that you are concerned about. I think there has been a change, a very decided change, in that direction both on the part of the Bank itself and on the part of many developing countries. Partly as a result of your views and others in the U.S. Congress, I think, the international institutions take much more seriously today their commitment to helping poor people and at least to try to carry out projects in the way that will benefit poor people.

It isn't the easiest thing in the world to do, as you know, and they are trying many different approaches, the integrated rural development project with poor people as the direct focus of it, and other projects where at least beforehand they ask, as Representative Koch suggested, who benefits, are we sure the poor people are going to benefit from this. These aren't easy questions and it is not an easy kind of program to carry out, but I think there has been a very decided change in the way these kinds of questions are approached by the World Bank, by IDA, by the other international institutions in the last several years.

Mr. LONG. Don't you think we have a right to a certain impatience when we look at a country like India where vast resources have been poured and see that poor people haven't gotten anything out of it and that there are more poor people, miserable starving people, in India now than there ever were before?

Mr. COOPER. I can certainly understand your impatience on that, sir.

Mr. BUSHNELL. Let us, Mr. Long, just look at the NAC report for fiscal year 1975.

Two-thirds of the loans from the World Bank Group for India were for agriculture. In fact, one of the three or four exceptions was for a fertilizer factory. It isn't counted as agriculture, but it helps agriculture. So the emphasis of the World Bank has been toward those projects.

That does not, of course, counter your main criticism that we on the outside and the developments banks cannot do the development job unless the country dedicates itself to the job.

Mr. LONG. You can be in agriculture.

Mr. BUSHNELL. You can be in anything.

Mr. LONG. A name can cover an enormously wide territory. The big question is what kind of agriculture, what kind of help is given. I think it would be clear to even the most casual observer that whatever we are doing in India it is not the kind of agricultural aid that is doing much for the poor people.

As I have said before, and I hope you people will keep it in mind, I don't think the ruling group in India has the slightest interest in helping their poor. As a matter of fact, they come out of their lovely homes and their beautiful cars and their dozens of servants and they get a certain satisfaction out of seeing the contrast between their affluence and the misery that surrounds them.

That is the impression I get from the country.

Mr. KOCH. May I ask a formal question and they can reply in the record.

Mr. PASSMAN. Sure.

LOANS TO NICARAGUA

Mr. KOCH. Would you provide the committee with all outstanding loans now in effect with Nicaragua, listing the companies and the directors, terms of the loans, and the purposes, in as much detail as you can?

Mr. BUSHNELL. Yes, sir.

[The information follows:]

Listed below are the 22 World Bank and IDA loans and 29 IDB loans currently outstanding to Nicaragua. More detailed information on all World Bank and IDB loans to Nicaragua since July 1971 when the Treasury began to prepare project summaries are contained in the attached descriptions for all international development bank loans to Nicaragua reviewed by the NAC since that date.

In addition the IFC has made two investments in Nicaragua. One investment, in 1968 was a $1 million loan (8¼ percent, 9 years to repay) and a $1.1 million share purchase in a textile company (Fabritex).

We have checked on the ownership of that company, and our information is that Fabritex is presently owned by Compania Nicaraguenese de Inversiones (CNI: 25 percent and by a group of private Nicaraguan businessmen. CNI is a local investment company owned principally by a consortium of foreign and local banks. The largest individual shareholders, who collectively own over 50 percent of Fabritex, comprise the company's executive committee and presently devote the majority of their time to Fabritex's day-to-day operations.

The present chairman of the executive committee is Mr. Osorio, and he like the other executive committee members, holds no governmental position.

A second IFC investment was approved on March 18, 1976. It is a $6.5 million loan (10¾ percent interest, repayment in 9½ years) to a sugar company, Propiedades Azucareras de Nicaragua, to assist in expanding the company's raw sugar capacity. Ownership of the company is distributed among 142 individual stockholders collectively owning about 82 percent of the company. These three groups comprise the company's founding families of Pellas, Benard and Palazio. Mr. A. Pellas is the company's chief executive officer, and Mr. Cuadra is the general manager. A Treasury project description of this investment is attached.

Finally attached is information supplied by the IDB on the directors of the various public and private sector banks and other corporate enterprises through which IDB funds are disbursed in Nicaragua.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT—STATEMENT OF LOANS—DEC. 31, 1975

[Expressed in millions of U.S. dollars]

Borrower, project description, guarantor	Loan No.	Interest rate / Approval date / Effective date	Payment dates / Agreement date / Closing date	Maturities	Original principal / Cancellations / Current principal	Undisbursed / Disbursed / Principal repaid	Disbursed percent outstanding / Exchange adjustment / Borrower's obligation	Sold 3d party / Repaid 3d party / Due 3d party	Total due IBRD / IBRD commitment / Effective loans held
Banco Nacional de Nicaragua, agricultural machinery, guarantor—Nicaragua		4%	M/S-15	54-58	1.2	.0	.0	.0	.0
	44.0	07 Jun 51	07 Jun 51		.0	1.2	.0	.0	.0
		22 Aug 51	31 Dec 53		1.2	1.2	.0	.0	.0
Republic of Nicaragua, highway		4⅛%	M/S-15	54-61	3.5	.0	.0	.0	.0
	45.0	07 Jun 51	07 Jun 51		.0	3.5	.0	.0	.0
		17 Aug 51	31 Dec 56		3.5	3.5	.0	.0	.0
Republic of Nicaragua, grain storage		4⅜%	M/S-15	54-62	.6	.0	.0	.0	.0
	52-0	25 Oct 51	29 Oct 51		.0	.5	.0	.0	.0
		13 Feb 52	01 Dec 53		.5	.5	.0	.0	.0
Republic of Nicaragua, second highway		4¾%	M/S-15	57-63	3.5	.0	.0	.0	.0
	81-0	03 Sep 53	04 Sep 53		.0	3.5	.0	.0	.0
		15 Oct 53	30 Sep 59		3.5	3.5	.0	.0	.0
Republic of Nicaragua, managua diesel power		4¾%	M/S-15	55-63	.5	.0	.0	.0	.0
	82-0	03 Sep 53	04 Sep 53		.0	.5	.0	.0	.0
		15 Oct 53	28 Feb 55		.5	.5	.0	.0	.0
Empresa Nacional de Luz y Fuerza, thermal power, guarantor—Nicaragua		4¾%	A/O-01	58-75	7.1	.0	.0	.8	.0
	121-0	08 Jul 55	08 Jul 55		.0	7.1	.0	.8	.0
		08 Oct 55	30 Jun 58		7.1	7.1	.0	.0	.0
Instituto de Fomento Nacional, power distribution, guarantor—Nicaragua		4¾%	A/O-01	58-75	.4	.0	.0	.0	.0
	122-0	08 Jul 55	08 Jul 55		.0	.4	.0	.0	.0
		13 Oct 55	31 Dec 58		.4	.4	.0	.0	.0
Instituto de Fomento Nacional, agricultural development, guarantor—Nicaragua		4¼%	A/O-01	57-67	1.5	.0	.0	.7	.0
	130-0	25 Aug 55	26 Aug 55		.0	1.5	.0	.7	.0
		26 Nov 55	30 Jun 59		1.5	1.5	.0	.0	.0
Autoridad Portuaria de Corinto, Port of Corinto, guarantor—Nicaragua		4¾%	A/O-01	59-76	3.2	.0	.3	.1	.3
	143-0	22 May 56	22 May 56		.0	3.2	.0	.1	.3
		06 Nov 56	30 Sep 62		3.2	2.9	.3	.0	.3
Empresa Nacional de Luz y Fuerza, thermal power, guarantor—Nicaragua		4¾%	A/O-01	59-71	1.6	.0	.0	.1	.0
	154-0	14 Nov 56	15 Nov 56		.0	1.6	.0	.1	.0
		04 Jun 57	30 Jun 60		1.6	1.6	.0	.0	.0
Empresa Nacional de Luz y Fuerza, Rio Tuna Hydroelectric, guarantor—Nicaragua		6%	A/O-01	65-85	12.5	.0	7.7	1.5	7.7
	259-0	21 JUN 60	22 JUN 60		.0	12.5	.4	1.5	7.7
		29 NOV 60	31 DEC 66		12.5	4.8	8.2	.0	7.7
Republic of Nicaragua, Rivas irrigation		5⅛%	M/S-15	67-68	2.6	.0	.0	.0	.0
	332-0	28 FEB 63	01 MAR 63		2.5	.1	.0	.0	.0
		03 OCT 63	31 DEC 67		.1	.1	.0	.0	.0
		6%	A/O-01	69-86	5.0	.0	3.6	.3	3.6

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT—STATEMENT OF LOANS—DEC. 31, 1975

[Expressed in millions of U.S. dollars]

Borrower, project description, guarantor	Loan No.	Interest rate / Approval date / Effective date	Payment dates / Agreement date / Closing date	Maturities	Original principal / Cancellations / Current principal	Undisbursed / Disbursed / Principal repaid	Disbursed percent outstanding / Exchange adjustment / Borrower's obligation	Sold 3d party / Repaid 3d party / Due 3d party	Total due IBRD / IBRD commitment / Effective loans held
Empresa Nacional de Luz y Fuerza, 6th power, guarantor—Nicaragua	470-0	09 JUN 66	05 OCT 66		.0	5.0	.5	.3	3.6
		25 OCT 66	30 NOV 70		5.0	1.4	4.0	.0	3.6
		6¼%	J/D-01 73-88		15.3	.0	13.3	.5	13.3
Empresa Nacional de Luz y Fuerza, 7th power, guarantor—Nicaragua	543-0	21 MAY 68	21 JUN 68		.0	15.3	2.5	.5	13.3
		21 AUG 68	31 MAR 73		15.3	2.0	15.8	.0	13.3
	*				58.4	.0	24.9	4.1	24.9
	*				2.5	55.9	3.4	4.1	24.9
Subtotal for fully disbursed loans	*				55.9	31.0	28.3	.0	24.9
		6¼%	M/N-15 78-93		4.0	.6	3.4	.0	4.0
Republic of Nicaragua, education	532-0	27 FEB 68	10 APR 68		.0	3.4	.0	.0	4.0
		25 JUN 68	31 DEC 76		4.0	.0	3.3	.0	4.0
		7¼%	A/O-15 76-96		6.9	2.1	4.8	.1	6.8
Empresa Aguadora de Managua, 2d Managua Water Supply, guarantor—Nicaragua	808-0	07 MAR 72	17 MAR 72		.0	4.8	.0	.0	6.9
		26 APR 72	30 SEP 76		6.9	.0	4.8	.1	6.8
		7¼%	J/D-01 77-96		24.0	10.6	13.4	.0	24.0
Empresa Nacional de Luz y Fuerza, 8th power, guarantor—Nicaragua	840-0	27 JUN 72	28 JUN 72		.0	13.4	—.2	.0	24.0
		30 MAR 73	31 MAR 77		24.0	.0	13.2	.0	24.0
		7¼%	A/O-01 79-99		11.0	6.9	4.1	.2	10.8
Autoridad Portuaria de Corinto, 2d Port of Corinto, guarantor—Nicaragua	879-0	30 JAN 73	02 FEB 73		.0	4.1	—.1	.0	11.0
		23 MAR 73	30 JUN 79		11.0	.0	4.0	.2	10.8
		7¼%	A/O-01 79-89		8.5	6.7	1.8	.0	8.5
Danco Central de Nicaragua, agricultural credit, guarantor—Nicaragua	943-0	13 NOV 73	16 NOV 73		.0	1.8	.0	.0	8.5
		10 APR 74	31 DEC 78		8.5	.0	1.8	.0	8.5
		8½%	A/O-01 79-99		5.0	.0	.0	.0	5.0
Autoridad Portuaria de Corinto,[1] 2d Port of Corinto, guarantor—Nicaragua	879-1	15 JUL 75	01 AUG 75		.0	.0	.0	.0	.0
			30 JUN 79		5.0	.0	.0	.0	.0
	**				117.8	27.0	52.3	4.4	84.0
	**				2.5	83.2	3.2	4.1	84.3
Total	**				115.3	31.0	55.4	.3	79.0

[1] Project is a supplemental loan to the 1st port project for which no separate loan description was prepared.

INTERNATIONAL DEVELOPMENT ASSOCIATION—STATEMENT OF DEVELOPMENT CREDITS, DEC. 31, 1975

[Expressed in millions of U.S. dollars]

Borrower, project description	Credit No.	Service charge rate / Approval date / Effective date	Payment dates / Agreement date / Closing date	Maturities	Original principal / Cancellations / Current principal	Undisbursed / Disbursed / Principal repaid	Disbursed and outstanding / Exchange adjustment / Borrower's obligation	Sold 3d party / Repaid 3d party / Due 3d party	Total due IDA / IDA commitment / Effective credits held
Republic of Nicaragua, Managua water supply	26-0	¾%	M/S-01	72-12	3.0	.0	3.5	.0	3.5
		06 Sep 62		07 Sep 62	.0	3.6	.6	.0	3.5
		10 Jul 63		30 Jun 66	3.6	.1	3.5	.0	3.5
Subtotal for fully disbursed credits	*				3.0	.0	3.5	.0	3.5
	*				.0	3.6	.6	.0	3.5
	*				3.6	.1	3.5	.0	3.5
Republic of Nicaragua, earthquake reconstruction	380-0	¾%	J/D-01	83-22	20.0	10.0	10.0	.0	20.0
		08 May 73		06 Jun 73	.0	10.0	.0	.0	20.0
		07 Aug 73		30 Jun 76	20.0	.0	10.0	.0	20.0
Total for Nicaragua	**				23.0	10.0	13.4	.0	23.5
	**				.0	13.6	.6	.0	23.5
	**				23.6	.1	13.4	.0	23.5

NICARAGUA—SUMMARY OF ACTIVE IDB LOANS [1]

[Thousands of U.S. dollars or equivalent]

Executing agency(ies)	Loan No.	Approval date	Amount [2]	Source
1. Banco de la Vivienda de Nicaragua (BAVINIO). 2. Departamento Nacional de Acueductos y Alcantarillados (DENACAL). 3. Vice-Ministerio de Planificación Urbana (VIMPU).	267/SF-NI	Aug. 6, 1970	12,349	FSO
Ministerio de Obras Públicas—Dirección General de Caminos (MOP/DGC).	305/SF-NI	Sept. 9, 1971	3,500	FSO
Departamento Nacional de Acueductos y Alcantarillados (DENACAL).	341/SF-NI	Nov. 9, 1972	12,500	FSO
1. Dirección General de Telecomunicaciones y Correos (TELCOR). 2. Universidad Nacional Autónoma de Nicaragua (UNAN). 3. Universidad Centroamericana (UCA). 4. Banco Nacional de Nicaragua (BNN). 5. Banco Central de Nicaragua—Fondo Especial de Desarrollo (FED).	357/SF-NI	Apr. 25, 1973	16,700	FSO
Banco Central de Nicaragua—Fondo Especial de Desarrollo (FED).	360/SF-NI	Apr. 30, 1973	4,200	FSO
Instituto Agrario de Nicaragua (IAN)	372/SF-NI	Sept. 27, 1973	8,300	FSO
Instituto de Fomento Nacional (INFONAC)	397/SF-NI	May 2, 1974	1,500	FSO
Universidad Nacional Autónoma de Nicaragua (UNAN)	417/SF-NI	Nov. 7, 1974	9,000	FSO
Empresa Nacional de Luz y Fuerza (ENALUF)	436/SF-NI	Sept. 11, 1975	16,500	FSO

[1] In all cases of active loans to Nicaragua, the borrower is the Republic of Nicaragua. Thus, only the executing agencies for each loan are shown in this chart.
[2] Net of cancellations.

NICARAGUA—SUMMARY OF FULLY-DISBURSED IDB LOANS

[Thousands of U.S. dollars or equivalent]

Borrower	Executing agency	Loan No.	Approval date	Amount [1]	Source
Instituto de Fomento Nacional (INFONAC)	Same	3/OC-NI	Mar. 31, 1961	2,000	OC
Instituto de Fomento Nacional (INFONAC)	Same	4/OC-NI	July 30, 1964	1,400	OC
Banco Nacional de Nicaragua (BNN)	Same	0/OC-NI,	Dec. 31, 1964	3,000	OC
Instituto de Fomento Nacional (INFONAC)	Same	9/OC-NI,	Aug. 5, 1965	3,300	OC
Banco Nacional de Nicaragua (BNN)	Same	7/OC-NI	Nov. 10, 1966	2,200	OC
Instituto de Fomento Nacional (INFONAC)	Same	8/OC-NI	Nov. 29, 1968	1,600	OC
Banco Nacional de Nicaragua (BNN)	Same	7/OC-NI,	Apr. 10, 1969	3,600	OC
Banco Nacional de Nicaragua (BNN)	Same	2/SF-NI	Dec. 31, 1964	4,500	FSO
Instituto de Fomento Nacional (INFONAC)	Same	9/SF-NI	Aug. 5, 1965	100	FSO
Republic of Nicaragua	Ministerio de Obras Públicas-Direc-, ción General de Caminos (MOP/D)	3/SF-NI	Sept.,27, 1965	11,980	FSO
Instituto Agrario de Nicaragua (IAN)	Same	7/SF-NI	Mar. 17, 1966	300	FSO
Banco Nacional de Nicaragua (BNN)	Same	8/SF-NI	Oct., 10, 1966	5,100	FSO
Republic of Nicaragua	Departmento Nacional de Acueductosy Alcantarill dos, (DENACAL),	1/SF-NI	Jan. 25, 1968	2,000	FSO
Universidad Nacional Autónoma de Nicaragua (UNAN).	Same	7/SF-NI	Apr. 11, 1968	300	FSO
Instituto de Fomento Nacional (INFONAC)	Same	7/SF-NI	Oct., 29, 1968	1,000	FSO
Banco Nacional de Nicaragua (BNN)	Same	8/SF-NI	Apr. 10, 1969	3,400	FSO
Banco de la Vivienda de Nicaragua (BAVINIC).	Same	/TF-NI	Mar. 29, 1962	5,100	SPTF
Banco Nacional de Nicaragua (BNN)	Same	/TF-NI	Jun. 14, 1962	2,500	SPTF
Republic of Nicaragua	Same	/TF-NI	June 28, 1963	200	SPTF
Banco de la Vivienda de Nicaragua (BAVINIC).	Same	2/TF-NI	Dec. 31, 1964	5,200	SPTF

[1] Net of cancellations.

International Bank for Reconstruction and Development

NICARAGUA

Agriculture.—The loan funds will finance the foreign exchange costs of on-farm investments for five different types of farms: (a) $4.1 million for 150 multipurpose rainfed dairy farms mainly in the Central zone. (b) $1.9 million for 50 small, irrigated dairy farms mainly in the Leon Department of the Pacific zone where pasture production is limited by a sharply defined dry season. (c) $4.1 million for the development of 150 rainfed breeding and fattening ranches mainly in the Central and Atlantic zones. (d) $2.9 million for the establish of 100 beef fattening farms mainly in the Pacific zone; development would be based on the purchase of steers and the development of irrigated pastures, supported by access to local

supplies of surface or ground water. (e) $1.8 million for investment of 100 irrigated crop farms; it would cover the production of such crops as sugar cane; import substitutes such as plantain and onion; grains, particularly sorghum, to meet expanding demand for animal feedstuffs; and oil seeds, fruits and vegetables where processing and marketing outlets can be assumed. The remaining funds will be used to finance supporting services. The subloans will finance land preparation and planting, structures and buildings, machinery and equipment, irrigation facilities and water supply, breeding stock and fencing.

Borrower.—Republic of Nicaragua, Central Bank of Nicaragua, Fondo Especial de Desarrollo (Fondo).

Loan.—$8.5 million, total cost is $15.8 million, 16 years at 7.25 percent per annum.

Purpose and Benefits.—The main objective of the project is to expand and diversify Nicaragua's livestock and agricultural production and exports by: (a) increasing the flow of medium- and long-term credit into agriculture, particularly to smaller and medium-sized producers; (b) encouraging private banks to make medium-term loans for agriculture; and (c) providing technical and supporting services to producers. The provision of technical assistance for on-farm investment will contribute to raising the efficiency of the country's livestock industry, which has been handicapped by the lack of extension services. By promoting replacement of the present practice of mixing beef and dairy with specialization and introducing better management, the project will help raise the technical coefficient such as the calving and lactation rates in beef and milk production. The incremental exports of beef, milk and sugar are estimated at full development to earn $11.8 million. The impact of the project in terms of the other irrigated crops is more difficult to quantify, but it is expected that Nicaragua will become self-sufficient in onions, plantains and vegetables. The economic rate of return is estimated to be 25 percent and the return on producers incremental investments ranges from 17 percent to 40 percent depending on the investment.

NICARAGUA: SECOND WATER SUPPLY PROJECT

Water supply.—The proposed project is to improve and expand the water supply system of Managua. The project consists of construction of water wells, booster pumping stations, service reservoirs, service connections, et cetera. Total cost of the project is estimated at $10 million; the proposed loan will cover the foreign exchange part.

Borrower.—The Water Supply System of Managua.

Amount of loan.—$6.9 million.

Purpose and benefits.—The project is essential to meet Managua's needs for water over the next decade and is timed to prevent deterioration in the quality of service. Demand on the existing water supply facilities is rapidly reaching its capacity. Without the project, the company would either have to refuse to make new connections or begin to interrupt service.

The project is the least cost method at all positive discount rates of increasing the company's water supply because it exploits high quality ground water close to the point of use and permits expansion as need arises.

The internal financial rate of return is about 11 percent.

Power.—The funds will help finance the construction of a generating plant, comprising two steam-electric generating units with an aggregate generating capacity of 100 megawatts, fuel unloading and storage facilities, a substation, and personnel housing. The funds will also help construct 105 kilometers of 240 kilovolts single-circuit transmission line and build two 230/138 kilovolts substations. The project will also build 70 kilometers of 230 kilovolts single-circuit transmission lines between Leon and the Honduran border for the interconnection with Honduras.

Borrower.—Empresa Nacional de Luz y Fuerza (ENALUF).

Loan.—$24 million from the International Bank for Reconstruction and Development. The total cost of the project is estimated to be $34.7 million.

Purpose and benefits.—ENALUF's sales to consumers are expected to increase by 13 percent per year through 1976. In addition, Nicaragua will sell surplus power to Honduras and, as a consequence, ENALUF's overall growth rate through 1976 will be about 21 percent. The proposed interconnection with Honduras, while not contributing to the revenues of either power authority, will enable them to reduce, or postpone, investments which would otherwise be required to meet their respective forecast market requirements with the same degree of reliability.

At the same time, economies of operation will be realized in the near term, and eventually economies of scale, which would not be available to either company operating in isolation. The internal economic return on the steam-electric station and associated transmission facilities is estimated to be about 15 percent.

Transportation.—The project consists of the construction of a new 240-meter wharf to replace the existing timber-deck pier; the construction of service and administration buildings, storage areas and utilities; the installation of container handling equipment; channel dredging and navigational aids; and, works to protect the road and rail access from sea erosions. The project also includes staff training in the maintenance of sea defense works and the management and maintenance of container handling equipment. Consultant services for advising the port authority are also included in the project.

Borrower—Corinto Port Authority.

Loan.—$11 million from the International Bank for Reconstruction and Development, the total cost of the project is estimated to be $14.2 million.

Purpose and benefits.—The project will meet present and projected traffic demands of the port up to 1985. The benefits of the project include the savings in cargo handling and land transport costs. Moreover additional income will be generated by providing services to non-Nicaraguan traffic which will benefit the Nicaraguan economy directly. Savings in ship time will benefit the economy indirectly by avoiding or postponing increases in freight rates. Furthermore a portion of the benefits will be recaptured through the berthage charges on ships to be introduced in 1974. The coastal defense works are necessary to prevent the loss of the use of the port facilities which would have to be replaced elsewhere at a greater cost. The above savings will amount to $660,000 in 1976, $1,060,000 in 1981 and higher thereafter yielding a first-year return of 8 percent and an economic return of 14 percent over an assumed 30-year useful economic life for the facilities.

INTERNATIONAL DEVELOPMENT ASSOCIATION
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Reconstruction.—The funds will help finance subprojects of high priority in the government's earthquake reconstruction program. It includes: (1) sites and services, to accommodate 6,400 low- to medium-income families displaced by the earthquake, about half of the sites are in secondary cities and the remainder in the outskirts of Managua; (2) industrial credit, to help restore the output of small- and medium-size industries and to generate new employment opportunities in the secondary cities; (3) education, to provide new facilities in Managua at the secondary level, where almost all school buildings suffered irreparable damage and to establish a postsecondary technical institute; (4) water supply; and, (5) power, both to restore and repair existing installations and to extend the respective distribution networks to provisional housing locations, taking into account shifts of population and service areas.

Borrower.—Republic of Nicaragua.

Loan.—$20 million, total cost is $30.3 million, 50 years at 0.75 percent per annum.

Purpose and benefits.—The proposed multisectoral reconstruction project consists of high-priority items to (a) alleviate unemployment and low-cost housing needs; (b) meet the reconstruction requirements in sectors of previous bank assistance; for example, water, power, and secondary education; and (c) promote recommended deconcentration and decentralization strategies for redevelopment. In terms of employment and output, the major impact of the earthquake was on large stores and small shops located in the central zone. The provision of additional industrial credit will help restore the output and employment of this sector and of the small- and medium-size industries and generate new employment opportunities in the secondary cities. The sites and services aspect of the project will enable residential sites to be prepared for the reconstruction of housing which, in turn, will be built on a self-help basis. The water supply and power aspects of the loan will help restore and repair existing installations, but, at the same time, the loan will help alleviate the financial burden on the two companies whose revenues have been sharply reduced and who must make heavy expenditures on repairs as a result of the earthquake. Public sector finances have been seriously affected for 1973 and 1974, together the loss of receipts is estimated at $61 million, or about 18 percent of what otherwise might have been expected. Additional reconstruction expenditure in the 2-year period are estimated at $29 million, raising the net budgetary impact to about $90 million.

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Development bank.—The program consists of the financing of investments and technical assistance for the installation, expansion and/or modernization of agro-industrial enterprises owned by small-, medium-, or large-scale entrepreneurs and cooperatives. The financial assistance to be provided under the program will be carried out by the BCN through the granting of medium- and long-term loans from the Fondo Especial he Desarrollo (FED) to the financial intermediaries which would relend the funds to help cover acquisition of machines and equipment, engineering and administration expenses and the cost of permanent improvements of agronindustrial enterprises. Working capital and financing of additional investments would be provided by such intermediaries of the program.

Borrower.—The Republic of Nicaragua, Banco Central of Nicaragua (BCN).

Loan.—$4.2 million from the Fund for Special Operations, the total cost is estimated to be $6.1 million; 40 years at 1 percent per year during the grace period and 2 percent thereafter.

Purpose and benefits.—It is difficult to precisely estimate the economic impact of the agroindustrial development program since feasibility studies for many of the potential projects to be financed are not yet available; nevertheless, data from the latest industrial census shows that in 1964 fixed assets of all manufacturers totaled U.S. $81 million, gross value of their outputs was 1.8 times that amount or U.S. $145 million, and value added U.S. $79 million. On the basis of assuming similar relationships, the new fixed investments in the proposed program, which are estimated to amount to approximately U.S. $4 million, might be expected to achieve after the construction and startup period, an annual gross value of production of about U.S. $7 million and a value added of U.S. $14.1 million annually. The program is also expected to have a favorable effect on the balance of payments; the program's output might generate about U.S. $1.7 million annually in additional exports, some U.S. $0.7 million of which could be to Central American Common Market countries.

Agriculture.—The loan funds will help finance a program to regularize the the land tenure status of 1,000 families and provide for settling another 340 families on a 50,000-hectare tract of public lands along the Atlantic seaboard. About 1,136 families will receive titles to individual land parcels averaging 30 hectares each, almost all of which will be used for farming and livestock. Each family will be furnished with a one-hectare homestite and about 120 housing units will be grouped into individual communities. These communities will be furnished with a school, water supply, workshops, warehouses, dispensaries and office space, and will be linked to the rest of Nicaragua by access road. Land will be prepared, cooperatives organized and experimental plots established. Grain processing and storage facilities will be provided and marketing and agricultural credit services offered, along with technical assistance and preventive medicine and health care services.

Borrower.—The Republic of Nicaragua, Insituto Agrario de Nicaragua (IAN).

Loan.—$8.3 million, total cost is $9.3 million, 40 years at 1 percent interest per annum during the grace period and 2 percent per annum thereafter.

Purpose and benefits.—The project will bring into production a 50,000-hectare rract of land by settling and granting property deeds to families of limited means, taising their incomes and bringing them into the economy. The natural resources and ecological conditions are appropriate for stock raising and growing grains and plantains. An 80,000-head herd is projected for the 10th year of the project and the percentage of increase in the other items is expected to be 83 percent for corn, 67 percent for rice and 40 percent for beans. Total value of production in the 10th year is estimated to be $4.5 million. The economic internal rate of return is estimated to range from 13.1 percent, under the least favorable conditions, to 22.9 percent, under the most favorable conditions.

Earthquake Reconstruction.—The funds will help finance repairs and rehabilitation of certain basic services and institutional facilities and assist the recovery of sectors affected not only by the earthquake but also by the severe drought suffered in 1972. The program includes the following subprograms: (a) telecommunications, the reconstruction and repair of buildings and services; (b) temporary installations for the Universidad Centroamericana and the Universidad Nacional Autonoma de Nicaragua; (c) reconstruction and development of small enterprises and medium-scale industry; (d) rural credit for small farmers and cattle raisers; and (3) improvement of the construction and building materials industry to strengthen and increase the capacity of the sector.

Borrower.—Republic of Nicaragua.

Loan.—$16.7 million from the fund for special operations, the total cost of the project is estimated to be $20.5 million.

Terms.—One percent during the grace period, 2 percent thereafter; 40-year term including 10½ years grace.

Purpose and benefits.—The emergency program is designed to meet the immediate economic and social requirements not covered by other international and bilateral agencies. It will allow for the repair of certain basic services and institutional facilities as well as accelerate the recovery of sectors affected by the earthquake. As a result of the earthquake, the administration building for telecommunications and mail was rendered a complete loss and an estimated 6,000 subscriber lines were destroyed. The earthquake also caused serious damage to educational centers in Managua, over 700 classrooms (65 percent of the total) destroyed, and others cannot be used because of their unsafe condition. The main purpose for assisting small enterprises and medium-scale industry is to reestablish them as sources of income and employment. The subprogram for the construction and building materials industry is to help expand the capacity of firms thereby enabling them to meet major requirements created by the earthquake and the resulting reconstruction efforts. It is also expected to have a sizable and immediate impact on employment and avoid adverse balance of payments effects and possible inflationary pressure resulting from the increased demands on this industry.

Agriculture.—The loan funds will finance a project to: (a) considerably strengthen the work in fire protection and in combating natural forest disease over an area of 270,000 hectares of savannah currently under control and to extend the area of protection and forestry development to 60,000 additional hectares; and (b) conduct two small pilot projects for forestry experimentation: (i) a plan for using phosphated fertilizers and 300 hectares of natural repopulated woods; and (ii) an artificial forestation plan for 100 hectares not suitable for natural forestry regeneration. At the same time, a nonreimbursable technical assistance program will be conducted to do: (i) a research plan in the extraction of resin and subsequent removal of the pulp of the *Pinus Caribaea*; and (ii) the operative, administrative, information and control standards that the forest unit needs to appropriately meet the demands arising from the execution of the program.

Borrower.—Republic of Nicaragua, Instituto de Fomento Nacional de Nicaragua (INFONAC)

Loan.—$1.5 million, total cost is $2.05 million, 40 years at 1 percent for the first 10 years and 2 percent per annum thereafter.

Purpose and benefit.—The purpose of the project is to insure the consolidation, continuation and expansion of forest conservation activities that the Government of Nicaragua has been conducting since 1959 in the Northeast area of the country to promote the regeneration of the *Pinus Caribaea* forest.

Northeast Nicaragua, where the project is located, was once covered by dense woods of carribean pine. Starting in 1945, however, unrestricted cutting for export and the complete absence of reforestration efforts, along with the frequent tearing down of new trees to create pasture land, combined to reduce the woods to a fraction of the original area. This destruction of the natural resources gave rise to a rapid decline in the economy of that area and created an unemployment problem. The government's reforestation program began in 1959 and it is being done on the basis of spontaneous reforestation. The protected forest reserve has been increased gradually from 100,000 hectares in 1961 to more than 270,000 hectares in 1972. The project is aimed at improving the protection of the natural resource against fire and disease. The project will not only contribute to repopulating a larger region rich in pine trees and preserving an important natural resource for future exploitation, but it would also provide greater employment opportunities to unskilled workers of the area, whose livelihood would otherwise be limited to subsistence agriculture or would be forced to migrate. Finally, the prospect of the eventual establishment of processing industries in the area for producing pulp is an additional benefit that this project would provide.

Water Supply and Sewerage.—The program consists of three subprojects to expand and improve the water supply systems for 74 localities and construct sanitary sewer systems in nine cities. The first subproject consists of the expansion and improvement of the potable water supply systems for 10 cities in Nicaragua; and, the second subproject will construct sewerage systems for nine of the 10 cities. The third subproject will expand and improve potable water supply systems for 64 urban and rural communities requiring better installations, the development of new sources of water, and the reinforcement and extension of distribution networks.

Borrower.—Republic of Nicaragua (Departamento Nacional de Acueductos y Alcantrillados—DENACAL)

Loan.—$12.5 million from the fund for special operations, the total cost of the project is estimated to be $15.9 million.

Purpose and benefits.—The need for expanding and improving the basic social services is based on the population's health condition and the need to raise the general level of well-being in Nicaragua. Waterborne diseases are a principal cause of mortality and overall health conditions are poor. Better water supply and sewerage systems are a necessary condition for improving health conditions. The project will contribute to socioeconomic development through expanding and improving the water supply and sewage systems in localities which includes 10 cities, whose population totals 92,600 representing 51 percent of the urban population excluding Managua. The population of the other 64 communities varies between 350 and 11,300 for a total of 155,000, approximately 17 percent of the rural population.

Borrower.—Republic of Nicaragua (Ministry of Public Works Department of Highways).

Sector.—Transporation.

Date authorized.—August 17, 1971.

Amount.—Loan funds: $3.5 million from the Fund for Special Operations. The total cost of the project is estimated to be $5.04 million.

Project

The loan will help finance the expansion and improvement of the maintenance system for secondary roads in Nicaragua. Specifically, the program will consist of: (a) the purchase of maintenance and shop equipment; (b) the construction of 14 maintenance camps and shops to be located in key areas of the road system; (c) the provision of engineering and administrative expenses to implement the program; and, (d) the provision of technical assistance to improve field maintenance operations, repair heavy equipment and to strengthen the highway department's financial administration.

Purpose and benefit

Nicaragua's highway system, accounting for over 90 percent of cargo transported, has experienced a major expansion in recent years. Between 1965–69, $51 million was invested and, as a result, the national road network nearly doubled: from 6,200 kmin 1964 to 11,202 in 1969. Between 1969–73, $40 million more will be invested in adding another 1,800 km to the network. A major part of this effort will connect potential farmland in the northern and eastern regions of Nicaragua with their main markets. Nevertheless, maintenance operations have not kept pace and the amounts spent for road maintenance has dropped. Furthermore, the existing pool of road maintenance equipment is becoming increasingly obsolete and uneconomical. This project will help stop this trend and is a reflection of the emphasis now being placed on strengthening the maintenance system.

A major result of implementing this maintenance program will be to considerably extend the useful life of the secondary road system and avoid the additional capital requirements for road reconstruction. Furthermore, the project will bring an additional 3,250 km of rural roads under maintenance. Road users will enjoy considerable savings in vehicle operating costs and reduced transit time. Using these benefits as a basis, the internal rate of return on the project is estimated to be 26 percent.

Estimated execution time.—3 years.

Health.—The project comprises: (a) the construction of (i) a teaching hospital in the city of Leon, utilizing more effectively the Luis A. Somoza Hospital, which has a new building with idle capacity, so that the former hospital of San Vicente that dates back to the 19th century may be replaced; (ii) an educational complex in the same city, that would include three instruction and administration buildings for the medical and other health science schools; and (b) the procurement of medical equipment and instruments as well as teaching equipment for the teaching hospital and the educational complex.

Borrower.—The Republic of Nicaragua, the National Autonomous University of Nicaragua—UNAN.

Loan.—$9 million, total cost is $11.3 million, 40 years at 1 percent for the first 10 years and 2 percent per annum thereafter.

Purpose and benefits.—The purpose of the project is to improve the training of physicians and paramedical staff of the health science schools of the National Autonomous University of Nicaragua. This university is the only one that trains

physicians in Nicaragua. Currently, medical sciences are taught in overcrowded conditions in part of the old administration building of the university and in San Vicente Hospital. Furthermore, the equipment and other technical aids employe are insufficient, inadequate and outdated. In 1969 enrollment totaled 421 students, by 1974 enrollment had increased to 916 but there has been no substantial change in available facilities. The principal objective is to improve the caliber of professional medical personnel educated at the university. Moreover, improving the facilities will also reduce the operating costs of complex. The cost savings expected as a result of the hospital consolidation may amount to $0.6 million a year, which, in itself, justifies the investment in the teaching hospital. The size of the project is considered adequate in terms of the projected demand for medical personnel in Nicaragua and the need for hospital services in Leon. The project will also contribute to systematically programing manpower in the health sector by establishing a registration system for professionals and financing research on nationwide personnel needs which, in turn, will effect future enrollment levels.

Power.—The purpose of the project, which is the first stage of the Second National Rural Electrification plan is to supply electric energy to 21,600 potential consumers. The plan covers a period of 10 years and includes an area of 4,600 km with some 70,000 inhabitants. This loan includes the expansion of two existing substations; construction of 94 km of 138-KV single-traid transmission lines, with alumimum-steel (ACSR) conductors mounted on metal towers; installation of two substations with 138/69 KV–7,500 KVA and 138/24.9/14.4 KV–5,000 KVA transformers; construction of 163 km. of 69 KV single-traid transmission lines, with ACSR conductors mounted on rigid-frame wooden structures; installation of four substations with 69/24.9/14.4 KV primary distribution lines in monophase, triphase and tetraphase circuits; installation of 1,162 MT/BT transformers with the necessary house connections and service meters; and installation of 525 km. of secondary distribution lines.

Borrower.—Republic of Nicaragua, Empresa Nacional de Luz y Fuerza (ENALUF).

Loan.—$16.5 million, total cost is $20.9 million, 40 years at 2 percent.

Purpose and benefits.—Nicaragua has approximately 900,000 inhabitants classified as rural population; however, only 20 percent are currently provided with electrical service. The first area to be assisted by this project, the Department of Matagalpa, is located in the north-central part of the country. It comprises the largest dairy zone in the country.

In addition to dairy farming, cattle raising and fattening, hog and poultry raising, and coffee growing are significant farm activities. Grain and vegetable growing are also important, with corn and beans the principal products. The gross value of this area's agricultural output was estimated to be the equivalent of U.S. $12.7 million for 1974. The area to be serviced by the present project would consist of about 3,100 km, with a total population of 43,900. The second area to be served by the project is located in the Department of Zelaya on the Atlantic coast. Like Matagalpa, the area's principal agricultural activities are: grain production, cattle raising and fattening, and lumbering. Agricultural production for 1974 is estimated to be the equivalent of $6 million, and approximately 40 percent of the labor in the area is engaged in farming. As a result of this project, ENALUF plans to service an area estimated at 1,500 km², benefitting a population of about 26,800. The project for the Matagalpa area has an estimated 11 percent internal rate of return; the project in the Department of Zelaya has an estimated 9.8 percent internal rate of return.

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Industrial.—The project's industrial portion includes an expansion of capacity of the sugar factor from approximately 7,300 tons of cane per day to 9,600 tons of cane per day (equivalent to an increase in raw sugar capacity from 130,000 tons in fiscal year 1976 to 173,000 tons per year in fiscal year 1979). Fiscal year 1979 projections assume a 190-day milling season at a 10.8 percent sugar-to-cane recovery factor. The project also provides for a gradual expansion in refining capacity from 350 tons per day in fiscal year 1975 to 450 tons per day in fiscal year 1979.

The agricultural portion of the project includes land already purchased; its development; the implementation of a furrow irrigation system; provisions for new cane cultivation and transport equipment; and the introduction of mechanical harvesters.

Borrower.—Propiedades Azucareras de Nicaragua Limitada, (Nicaragua Sugar).

Loan.—$6.5 million, total project cost is $39.2 million. Repayable in 15 semi-annual maturities commencing within 18 months from start of project operation with interest at 10¼ percent per annum.

Purpose and Benefits.—The Nicaragua Sugar project is attractive because it will bring idle land into production to produce additional crops for export. The land selected by the company has been idle due to previously insufficient water availability for irrigation purposes. The completion of the Santa Barbara hydroelectric project in 1972, however, has made year-round irrigation possible. The Nicaragua Sugar project is expected to yield an economic rate of return of 23 percent, 2 percentage points above the financial return. The economic and financial value of both benefits and operating costs are substantially the same since the project is export-oriented, and no adjustments need be made to operating costs for taxes or subsidies received by the project. The economic value of the investment cost is lower than the financial value because tariffs on imported equipment and escalation factors have been excluded, which accounts for the higher economic rate of return. It may be concluded that the project represents an acceptable use of the newly available land and water resources employed in the project.

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Doctor Donald Spencer, presidente del Instituto de Fomento Nacional (IN FONAC).
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      Roger Lacayo, director
      Ricardo Parrales, director
      Banco Nicaragüense, director
      Napoleón Argüello
   b. Principal officers:
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      Manuel Pérez Alonso
5. First National City Bank:
   a. Directors: None
   b. Principal officers:
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      Enrique Alaniz
6. Banco Nacional de Nicaragua (BNN): See separate list.

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      Humberto García Yescas, director
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   b. Management Committee:
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   Ing. Alfredo Vélez
7. Elvir Herdocia Ings., S.A.:
   Ing. Raúl Elvir
   Ing. Jorge Ulises Herdocia
8. Aislite, S.A.: Ing. Ernesto Kuhns
9. Edificadora, S.A.:
   Ing. Alfredo Salazar
   Mr. Ernesto Salazar
10. Estructuras Kuhl Cía. Ltda.:
    Ing. Eddy Kuhl
    Lic. Mario Corrales
11. Chamorro y Cuadra, S.A.:
    Ing. Pedro Cuadra
    Ing. Jaime Chamorro
12. Coprenic, S.A.: Ing. Ernesto Leal
13. Néstor y Armando Pereira (NAP):
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    Ing. Armando Pereira
14. Teknolab: Ing. Adolfo Díaz
15. Concrenicsa: Lic Gianfranco Carlessi
16. Alumex: Ing. Luis A. Borgen
17. IMSSA:
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19. Ing. Vigarny Espinoza: Ing. Vigarny Espinoza
20. Rocas de Construcción, S.A.: Ing. Francois Ballester
21. Sotelo y Villa Cía. Ltda.:
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    Dr. Alvaro Buitrago
22. Obras Civiles y Equipos, S.A.: Ing. Bruno Ierish
23. Tubos de Centroamérica, S.A.: Ing. Atila Torok
24. Cía. Industrial Centroamericana, S.A.: Ing. Jorge Argüello
25. INCESA: Ing. Otto Castro
26. LAMSA: Ing. César Aviles Haslam
27. Procesos Minerales, S.A.: Lic. Eduardo Solórzano
28. Canteras, S.A.: Sr. Horacio González
29. José Santos Guerrero y Cía., Ltda. (FAGUESA): Sr. José Santos Guerrero
30. Marvin Solano y Eduardo Jérez:
    Sr. Marvin Solano
    Sr. Dduardo Jérez
31. Cantera Rancho Alegre: Lic Roberto Pasquier
32. San Rafael: Sr. Rafael Valdivia
33. Casanicsa:
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   Walter Krieger, general manager
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   Alfred Bosche, assistant general manager
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   Salvador Abdala, general manager
10. Café Soluble, S.A.:
    Emilio Baltodano, general manager
    Roberto Stadthagen, production manager
11. Sara Ma. vda. de Fajardo: Francisco M. Fajardo, coordinator
12. Industrias Gemina, S.A.: Alfredo Montealegre C., general manager
13. Pierson Jackman, S.A.:
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    Michael Pierson, general manager
14. Ingenio Irella, S.A.: Miroslav Cuculiza, general manager

Mr. KOCH. Thank you.
Mr. PASSMAN. Mr. Obey?

WORLD BANK—OPEC-LDC RELATIONS

Mr. OBEY. As I noted in my dissenting views in the Committee Report on the fiscal year 1976 and fiscal year 1977 foreign aid appropriations, I have had an extended exchange of letters with World Bank President Robert McNamara and the U.S. Executive Director at the Bank, Mr. Charles Cooper. The subject was Bank-OPEC-LDC relations. I believe some interesting information has come out of that discussion, and I think it would be useful to insert in the record excerpts from my latest exchange with Mr. Cooper. I do not believe the matter should be dropped here, however, and as a next step I am submitting a rather lengthy question to Mr. Cooper on the Bank's responsibilities vis-a-vis the impact of oil price increases on developing countries, and I am asking that he answer for the record.

In his letter of March 15, 1976, Mr. Cooper confirmed to me that:

Arab countries have not requested a quid pro quo on the part of the Bank or any of its constituent members in any way concerning Israel or Jews in return for financial support of Bank Group operations.

The Bank and its constituent members have never granted any such quid pro quo.

In the case of projects cofinanced with any country, if the cofinancing is on a "parallel" basis, each party finances distinguishable contracts and, in the case of Bank-financed contracts, if any Bank procurement rules are materially and/or deliberately violated, the Bank reserves the right to—and as a matter of policy and practice does—cancel that portion of the loan designated to cover the misprocured contract(s). The Bank will not finance other contracts in order to bring total financing back up to the level originally agreed by the Bank.

In the case of projects cofinanced with any country, if the cofinancing is on a "joint" basis, the rules of the Bank will apply to all jointly financed contracts and if any Bank procurement rules are materially and/or deliberately violated the Bank reserves the right to—and as a matter of policy and practice does—cancel that portion of the loan designated to cover the misprocured contract(s). The Bank will not finance other contracts in order to bring total financing back up to the level originally agreed to by the Bank.

Mr. Cooper provided information on cofinancing with Arab countries which also appears, in summary form, in annex 5 to Mr. Bushnell's formal statement before the subcommittee.

In response to my request that he confirm that the Bank has not and will not adhere to any Arab boycott restrictions in financing contracts, Mr. Cooper responded:

The Bank does not permit the inclusion, in tenders of bids for contracts to be financed by the Bank, of any condition that precludes participation by qualified suppliers because they do business or trade with Israel or are located in any country that trades with Israel. Furthermore, it is the Bank's policy to require that contracts be awarded to the lowest evaluated bidder, and it would refuse to finance a contract which was not so awarded by reason of a boycott of that nature.

The Bank, however, by longstanding policy has never felt that it could realistically object to a borrowing country excluding from bidding contractors or suppliers from another country or group of countries where general trade relationships between them are affected by a state of war, breaks in political relations or other similar situations. Under such circumstances, the Bank has traditionally accepted such an exclusion on Bank-financed contracts, as long as competition is not seriously impaired. In line with this general policy, the Bank has financed and continues to finance contracts in Arab countries on which Israeli firms are excluded from bidding.

The instances in which so-called "primary" boycotts have been applicable in Bank operations are few in number but are not confined exclusively to the Arab countries. Other examples have included the exclusion of Indian firms from bidding on past Bank projects in Pakistan and the exclusion of Rhodesian firms from bidding on projects in several countries.

I asked Mr. Cooper to confirm that neither the Bank nor the U.S. Government knows of any instance where a firm boycotted by the Arab countries has declined to submit a bid due to concern that the bid would not be accepted because of the boycott. Mr. Cooper responded:

Bank management has confirmed to me that they know of no instance where a firm boycotted by the Arab countries has declined to submit a bid due to concern that the bid would not be accepted because of the Arab boycott. On the other hand, the Bank acknowledges that unbeknown to it there may well be cases where firms do decline to bid for this reason, particularly on construction contracts which require the bidding firm to move personnel and equipment into the borrowing country. No complaints have been made to me by U.S. or other companies on the grounds that they are unable to bid on World Bank projects by reason of the Arab boycott nor have any such complaints been brought to my attention by the U.S. Government.

Concerned by reports that the Bank might turn down a loan application from Israel out of consideration for OPEC countries' sensitivities, I had asked questions over the preceding months about Bank lending policy towards various countries with relatively high per capita GNP. I observed in my letter of February 6 to Mr. Cooper that Finland, Iceland, Ireland, Israel, and Spain had all received IBRD loans over the last 3 years even though they had such high per capita GNP levels. I asked for confirmation of the assumption that if loans to any country in this group (or any other countries in similar situations) were refused, assuming the project proposed was considered valid in accordance with standing guidelines, then we could expect that it would signal a general change in Bank policy regarding loans to "richer" LDC's and would be reflected in similar turndowns to all other countries in that category.

Mr. Cooper responded:

Bank lending to Finland, Iceland, Ireland, and Israel has recently been phased out due to their relatively high per capita income standards and ability to raise external capital from other sources. No further Bank loans will be made to these

countries unless there should be some substantially adverse change in their individual economic circumstances. Spain, however, falls into a different category. Its per capita income standards, while high relative to the majority of countries which borrow from the Bank, are still much lower than those of Finland, Iceland, Ireland, and Israel. The Bank therefore plans some further lending to Spain, although on a declining scale and with the objective of phaseout within the next year or two in line with the general Bank policy of discontinuing loan operations in countries able to maintain satisfactory development programs without reliance on World Bank loans.

I had asked several questions over the last several months about Bank loans to OPEC countries. I asked Mr. Cooper to confirm my understanding that although the Bank has made loans to several OPEC countries since the dramatic rise in oil prices starting in 1973, in certain instances (Iran, Nigeria, and Venezuela) the last several loans had been conditioned on offsetting purchases of Bank bonds. I also asked what Bank—and U.S. Government—policy is towards future Bank Group loans to OPEC countries.

Mr. Cooper responded:

Recent Bank loans to Iran, Nigeria, and Venezuela have been, or are being, made on the basis of reverse lending to the Bank in equal or greater amounts, although this has not necessarily been an explicit condition of the Bank loans. The Bank refers to this as offset lending. Bank policy on lending to the OPEC countries depends on the circumstances of the individual country. Some OPEC countries, such as Saudi Arabia, Kuwait and Libya have never borrowed from the Bank and are not expected to do so in the future. Others, such as Indonesia, have borrowed from the Bank and will continue to do so, although in amounts and on terms and conditions which take into account the change in their financial circumstances resulting from the oil price increases. Indonesia, for example, which was previously a major recipient of IDA credits, now receives only Bank loans. A third group of countries, which includes Iran, Nigeria, and Venezuela, have been regarded by the Bank as being intermediate in the sense that although their current external positions have been strongly in surplus, it is less than certain that they will remain so over the longer term, and in fact it is now expected that Iran will shortly be in deficit.

The United States has consistently urged the Bank to limit new lending to the OPEC countries to amounts no greater than can be justified by their individual circumstances, and to explore methods for assisting these countries which avoid or at least minimize calling on the Bank's limited resources so badly needed by other developing countries. Such methods include provision of technical assistance on a fee basis and lending subject to agreement that the loan as disbursed will be bought back by the borrowing country. The latter, in contrast to offset lending, imposes no additional burden on the Bank's capital structure. The Bank is in general agreement with this approach.

I had asked about reports that the Bank required that employees submit statements on religious affiliation when applying for visas to Saudi Arabia. Mr. Cooper confirmed to me that although Bank employees are required by Saudi Arabia to submit information to the Saudi Arabian Embassy on their religious background when they apply for Saudi visas, the Bank has received assurances that if the Bank wishes to send a staff member, an international civil servant, to Saudi Arabia on Bank business, religious affiliation will not be a constraint to issuance of a visa.

I asked Mr. Cooper to confirm my understanding that among the OPEC countries, Venezuela, Qatar, Saudi Arabia, Abu Dhabi, and Iran were expected to participate in negotiations for the fifth replenishment of IDA. I also asked if he would confirm that U.S. Government

participation in IDA V will take into account OPEC countries' performance in this regard.

Mr. Cooper responded:

> Kuwait is the only OPEC member which has contributed to IDA up to the present time. However, Saudi Arabia, Abu Dhabi, and Iran, as well as Kuwait, have attended one or both of the sessions held so far to discuss the fifth replenishment. The extent of participation by OPEC countries in the fifth replenishment cannot yet be estimated, but the Bank feels confident there will be new OPEC participation. In addition to those countries which have attended the two fifth replenishment meetings, Venezuela and Qatar are viewed as countries which may contribute. U.S. Government decisions on participation in the fifth replenishment will definitely take OPEC participation into full account.

Mr. Cooper confirmed that the Bank is planning to do further analysis of financial assistance from oil exporting countries and that when he receives it upon its completion he would be happy to make it available to me.

There had been reports that the Bank may have suppressed staff studies which discussed the effects of reduced oil prices on LDC's or which recommended a Bank role in obtaining such reductions or other arrangements to relieve the burden of the price increases. I asked Mr. Cooper to confirm statements by the Bank that such suppression of staff studies had not taken place. He did so.

Mr. Cooper described as essentially correct previous Bank statements that the Bank has made several studies of crude oil market prospects and prices which include assessments of the consequences for developing countries of probable, and sometimes alternative, trade, and price policies. In fact, I learned from earlier discussion with Mr. Cooper's office that aside from some routine oil market studies, the only assessments which come close to meeting the description given above were a technical staff working paper issued in July 1975 and an even more tentative estimate 1 year earlier. As will be clear from the question I have submitted to Mr. Cooper for response for the record, I do not believe the Bank has really done very much in this regard or fulfilled the responsibilities which I or, according to the March 15 letter, Mr. Cooper believes it has.

Specifically, in my February 6 letter, I asked for confirmation of the Bank position that, although the Bank has urged developed countries to afford LDC exports improved market access, including through preferential tariff arrangements and commodity agreements, because it believes such arrangements optimize benefits from trade, improve efficiency, and are of benefit to producers and consumers, and because the Bank staff has expertise to bring to bear on these areas, nonetheless, the Bank has not urged, and does not think it appropriate to urge, OPEC to adopt any price concessions for LDC's because the Bank believes it has no way of determining what prices ought to be, because the Bank believes it has no special expertise to bring to bear on the subject, and because the Bank believes such advice would be strongly resented by producing countries. Mr. Cooper responded that that statement correctly reflects Bank staff statements passed to me through his own office earlier. He added, however:

> I believe the Bank has the responsibility to analyze fully the effects which oil price increases have had on the developing countries and to clearly identify those effects for its membership. To take a position on what the price of oil ought to be, however, would be to act outside the proper scope of the Bank's responsibility in a manner certain to stir bitter controversy among its members.

As I mentioned above, my response to that answer is contained in my additional question to Mr. Cooper submitted for the record.

I noted that in earlier correspondence with me, when I had raised similar questions, the Bank had identified its principal concern as promoting capital flows and had expressed its opinion that as a consequence it was appropriate to focus on the most realistic means of obtaining such funds to improve LDC's balance-of-payments prospects. Later the Bank had broadened its response and said that the emphasis of Bank work is upon strengthening development policies and institutions as much as it is on providing financial resources. I asked if this latter description did not reflect the balanced role the United States believed the Bank should play. Mr. Cooper confirmed this saying:

> While promoting capital flows is certainly an important aspect of the World Bank's function and purpose, the Bank's role is by no means limited to this. Efforts to encourage, stimulate and assist the strengthening of development policies and institutions in the developing countries are also of crucial importance. This is a point on which management and membership of the Bank are in full agreement. It is certainly also crucial to the importance which the United States attaches to the Bank.

Trying to gauge the importance of the oil price increase on LDC's, I asked for confirmation of my understanding that although all capital flows into LDC's more than cover the price increase of oil, concessional aid flows to LDC's generally are equal to or less than the additional expenditures incurred because of those price increases.

Mr. Cooper responded that although that understanding may have been correct as based on 1972 data furnished to me by Bank President McNamara last August, Bank staff has informed him that currently, in the aggregate, total concessional aid flows—as defined by the Development Assistance Committee of OECD—as well as total capital flows of all kinds, exceed the increased cost of oil imports—based on present import volumes—for the oil importing LDC's as a result of the recent price increases. Mr. Cooper went on to say:

> This does not, of course, mean that these nations overall have not been adversely affected by those price increases. They obviously have. Increases in concessional assistance in the past 2 years have definitely been less than the increased cost of oil imports for these nations over that period. Furthermore, since the distribution of additional concessional assistance has been quite uneven, the increased cost of oil imports for many individual LDC's, particularly the poorest countries of South Asia and Africa, has greatly exceeded any increase they may have obtained in concessional assistance.

Following confirmation that Bank Vice President Hollis Chenery has divested himself of certain financial interests which had been open to criticism as in potential conflict of interest with his Bank responsibilities, Mr. Cooper confirmed that the Bank is considering and, with U.S. support, is expected to adopt amendments to its rules of conduct which will require that a staff member disclose any financial interest (even though in an entity which is not a direct beneficiary of Bank transactions) as written in the present rule—that might reasonably be thought to be in actual or apparent conflict of interest with his Bank duties. In addition, the staff member would be required either to divest himself of that interest or his, or her, duties at the Bank would be changed.

EFFECTS OF INCREASED OIL PRICES ON DEVELOPING COUNTRIES

Mr. Cooper, in your March 15, 1976 response to my letter of February 6, 1976, you said:

> I believe the bank has the responsibility to analyze fully the effects which oil price increases have had on the developing countries and to clearly identify those effects for its membership. To take a position on what the price of oil ought to be, however, would be to act outside the proper scope of the Bank's responsibility in a manner certain to stir bitter controversy among its members.

I basically agree with both parts of that statement, but I wonder whether the Bank has fulfilled its responsibility on the former score and whether it could not take an active role in trying to alleviate the burden of oil price increases on developing countries without actually taking a position on what the price of oil ought to be.

Regarding the assessment of the impact of oil price increases on developing countries and clearly conveying this information to members, I was most distressed that in the course of my correspondence with the Bank since last fall it took considerable prodding of Bank officials, including finally suggesting where they might look in their own organization, before I was provided with any dollar figures on LDC oil imports. The Executive Director's office, obviously, had not been given such data in any easily identifiable form, and even those data which finally were provided by the Bank were not accompanied by any analysis.

Moreover, in recent months the Bank has been very cooperative in providing various data to my office, and I find it difficult to believe that the failure to come up with these figures earlier—or to provide any analysis at all—was due to a desire to hold back information. I am thus forced to conclude that the Bank is not fulfilling the responsibilities referred to above regarding the analysis of the effects of price increases for oil and to clearly identify those effects for member countries.

I am aware that some analysis of the impact of oil price increases was included in Bank Report No. 802, the staff working paper on "Prospects for Developing Countries: 1976–80." But this hardly constitutes the continuing and timely assessment which we are discussing nor did that report address this particular problem in a way which suggested what I would consider its unique importance as contrasted with other factors.

I find some inequity in a situation where the Bank freely recommends measures to developed countries which are costly and often politically difficult but where it is unwilling to do so in such areas as oil prices charged to developing countries because of the sensitivities of the oil exporters. Nonetheless, I understand the justification of the latter point and I agree that it would probably be unproductive for the Bank to try to determine what the price of oil ought to be. I would suggest, however, that some balance could be introduced if the Bank got out of the business of telling developed countries what their trading practices ought to be.

In both cases, however, it seems to me quite reasonable to ask the Bank, with its unique standing on the world economic and financial scene, to facilitate discussion of alternative remedies for developing countries' problems. Specifically with regard to oil prices, I do not see why the Bank could not—and should not—take a leadership role in

convening meetings of representatives of all countries concerned—developing and developed, oil importers and oil exporters—at which a variety of proposals could be put forth and discussed to solve, or at least alleviate, the tremendous problems which oil price increases have imposed. The only stand the Bank need take is to recognize that there is a serious problem and perhaps to provide some analytical backstopping for the conferees. The adoption of any particular solution could be left to the participants themselves.

I am concerned that in any such role the Bank not be limited by a bias I seem to detect in current policy. That is to try to mobilize as much capital as possible so as to expand Bank lending programs as fast as possible. As the March 15 letter pointed out, it is not only promotion of capital flows which is important to Bank success, but also efforts to encourage, stimulate, and assist the strengthening of development policies and institutions which are of crucial importance.

I raise this point in this context because part of one possible alternative would be for the oil exporting countries to provide assistance to oil importing LDCs directly through dual pricing, rebates, direct subsidy, etc. And this might only be feasible if the oil exporters were to reduce their anticipated contributions to the Bank. I am not trying to prejudge the merits of this or any other proposal, but I would suggest that it is an example of the kind of flexible thinking which, though it may result in slower growth of Bank operations than management now contemplates, nonetheless could result in greater overall benefit to developing countries.

I would appreciate executive branch reaction to all of these points, and particularly whether the administration agrees that the Bank could and should do far more both to assess the impact for the members, and to stimulate consideration of alleviating measures without necessarily taking the untenable position of recommending a specific price or even a specific mechanism.

Mr. COOPER. I agree, as I stated in my March 15 letter, that the Bank has a responsibility to analyze clearly the effects which oil price increases have had on the developing countries. There can be no doubt that they have had a substantially adverse impact on the pace of development in these countries. I emphasized this in the discussion at the Bank Board of Report No. 802, and pointed out on that occasion that I didn't think the staff's analysis and findings were as sharp and clear as they ought to have been.

On the other hand, I do believe that in its analysis of individual countries the Bank staff is doing valuable work in examining the effect of the oil price increases on development programs and policies, and in suggesting constructive responses to those effects. The studies which are done regularly on individual countries reveal this, I believe, to a fuller extent than you might realize from simply looking at the raw data on the increased cost of oil imports which was provided to your staff some time ago. This does not, in my view, reduce the need for a clearer overall appraisal of the developmental impact of oil price increases.

As regards your suggestion that the Bank might usefully take a leadership role in convening international meetings to consider possibilities for dealing with the problems resulting from the oil price increases, I believe it is important to recognize that steps of this nature are underway already in another international forum. Last

December, you will recall, the Conference on International Economic Cooperation (CIEC) in Paris set up four commissions to discuss the key international economic issues of energy, raw materials, development and financial affairs. These commissions are to report to a second ministerial conference to be held early in 1977.

The program of work for the Energy Commission embraces the very areas which you suggest are appropriate for international discussion. Among the topics which the Commission has decided to discuss are the relationship of energy demand, supply and price to the development of the global economy, the promotion of cooperative endeavors between producers and consumers to develop new energy supplies and the intensification of conservation efforts. At its March meeting, the Commission surveyed the outlook for supply and demand for all energy forms, including petroleum. This month the Commission will consider the relationship between energy prices and world economic progress. And in June and July discussions are scheduled to focus on cooperative efforts that can be undertaken to establish a mutually beneficial long-term relationship between energy suppliers and consumers.

Twenty-seven countries participate in the CIEC, representing developed, developing, and oil-exporting nations. The World Bank is one among the 11 intergovernmental functional organizations directly concerned with the problems being considered by the CIEC, which may be called upon by the individual commissions for assistance in their discussions. The co-chairmen of the Energy Commission (United States and Saudi Arabia) were empowered at the March meeting to explore with the World Bank the possibility of Bank assistance to the Commission's further work, and consequently, the Bank may be called upon to participate in the Commission's next meeting.

WORLD BANK LENDING PRIORITIES TOWARD CHILE

Mr. OBEY. Mr. Chairman. I would like to insert in the record at this point an exchange of correspondence I have had with Mr. Charles Cooper, U.S. Executive Director at the World Bank, concerning Bank lending policies toward Chile. Also included is a background paper prepared by the Bank in September 1974 on this subject, the introduction to a March 1975 report to the Bank on an agricultural project for Chile, and the summary and conclusions of a December 1975 Bank report on Chile.

While these documents do not answer all of the questions about Bank relations with that troubled country, and particularly do not address U.S. policy in the early 1970's when political factors may well have been at least as important as economic ones in our opposition to Bank loans to the Allende government, I believe all of these papers will help form the basis for further inquiry by the committee into these matters.

[The information follows:]

FEBRUARY 26, 1976.

Mr. CHARLES A. COOPER,
U.S. Executive Director, World Bank,
Washington, D.C.

DEAR MR. COOPER: Several news stories have appeared recently in connection with the World Bank's approval of a $33 million copper development loan for Chile. The stories point to the fact that the Bank refused or delayed loan applica-

tions from that country during the tenure of Salvador Allende. They also note that, as badly off as the Chilean economy was under Allende, it is far worse off today.

The assumption various media observers have come to is that the United States blocked Bank loans to Allende because of his Marxist policies, but is willing to support them for a regime which is economically at least equally as inept but which is politically more acceptable to Washington.

I would appreciate it if you could provide me with a detailed explanation of the Bank's action on Chilean loan applications now and when Allende was in office, stressing in particular the U.S. position and the reasons for it.

Sincerely,

DAVID R. OBEY,
Member of Congress.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,
INTERNATIONAL DEVELOPMENT ASSOCIATION,
Washington, D.C., March 22, 1976.

Hon. DAVID R. OBEY,
Congress of the United States,
House of Representatives, Washington, D.C.

DEAR CONGRESSMAN OBEY: With respect to your questions concerning the recent history of Bank policy toward lending to Chile, I have attached a background paper prepared by the Bank in September 1974 in response to questions which had arisen concerning the Bank's relations with Chile during the Allende regime. The introductory section of the enclosed President's March 12 report on a proposed loan to Chile for an agricultural rehabilitation project also discusses Bank lending to Chile during and after the Allende regime. These two documents provide an excellent summary of Bank's relations with Chile under Allende. They indicate the reasons for the cessation of new lending and they also summarize the negotiations between the Bank and the Allende government which resulted just prior to its overthrow in a Bank management proposal to resume modest lending to Chile.

U.S. attitudes toward Bank lending to Chile have been very close to those of Bank management. Having serious reservations as to Chile's creditworthiness in face of the economic policies being pursued by the Allende regime, as well as concerns arising out of the regime's uncompensated expropriation of U.S. firms, the United States fully supported Bank management in withholding new loan proposals for Chile during most of the Allende period. The United States did not feel in the summer of 1973 that the basic policies of the Allende government had changed enough to warrant resumption of Bank lending to Chile. Consequently, I understand that in August 1973 the United States was one of the governments referred to by the Bank in the background paper cited above expressing objections to the Bank's proposal to initiate two small supplements to outstanding loans and a technical assistance project.

After the Allende government was overthrown, the new Chilean Government negotiated an acceptable agreement concerning compensation for expropriated U.S. properties. It also moved promptly to adopt a short-term financial and economic program which was reviewed by the IMF and found acceptable as a basis for a $95 million standby credit in February 1974. As a result of these actions, the U.S. Government has supported subsequent Bank management proposals for lending to Chile.

In your letter you note news stories contending that economic conditions in Chile today are worse than they were during the Allende government. Many of these same stories have also raised questions concerning Chile's creditworthiness. Because of the worldwide recession, the depressed state of the copper market, and the increased oil prices, the Chilean external financial position is indeed extremely strained. This, in turn, has contributed to domestic, economic, and social hardships in Chile which are very severe. However, it is the view of Bank management that Chile is creditworthy and that Chile's economic policies have not been inappropriate considering its external circumstances. As noted in the President's report on the recent copper loan:

"In summary, Chile is in the midst of its most difficult economic situation since the depression of the thirties, and little relief can be foreseen before the end of 1976. The Government, however, has made the hard austerity decisions required, while at the same time tackling many of the fundamental economic reforms long recommended by the Bank and other international institutions. It has gone a

long way toward rationalizing the structure of prices, including interest rates and the exchange rate, made substantial improvements in the public sector budgetary process, implemented a major tax reform, instituted significant steps toward the modernization of the financial system, and has opened the domestic economy to the opportunities and competition of the international economy. In light of these efforts as well as of Chile's excellent physical and human resource base, and of the prospects for export growth, I consider Chile creditworthy for additional Bank lending."

The United States supports this position.

I am attaching to this letter a copy of the Bank's December 1975 economic memorandum on Chile which I believe you will find of interest.

I hope this information has been helpful.

Sincerely,

CHARLES A. COOPER,
U.S. Executive Director.

Attachments.

CHILE AND THE WORLD BANK (BACKGROUND PAPER), SEPTEMBER 1974

1. From March 1948 to June 30, 1974 Chile has received a total of U.S. $248.2 million in World Bank loans and one U.S. $19 million IDA credit in 1961 for road reconstruction after the 1960 earthquake.

2. There has been a large number of Bank projects—five in power, four in transportation, four in agriculture, three in education, two in mining, one in industrial development and one in technical assistance.

3. Despite this lending activity, relations between the Bank and Chile have not always been easy. At times during the Frei Government, for instance, the Bank expressed concern about Chile's general economic performance, particularly a high rate of inflation, insofar as it affected Chile's creditworthiness. This concern led to continuing discussions between the Bank and Chile seeking ways to remedy the situation, while Bank lending continued although not at a high level. During the last 3 years of Mr. Frei's term loans approved totaled U.S. $19.3 million in the Bank's fiscal year 1970 (one for road rehabilitation, one for secondary education and one for technical education), U.S. $11.6 million for road maintenance in fiscal year 1969, nil in fiscal year 1968.

4. Dr. Allende took office on November 4, 1970. The World Bank showed its good will toward the new Government by means of a telegram of congratulations and personal messages sent by Mr. McNamara to Dr. Allende.

5. During the first half of 1971, the Bank tried to convey this good will toward the Allende Government. During January and February several Bank staff visited Chile to initiate discussions of the new Government's development plans and to review present and prospective Bank operations.

6. At the annual Inter-American Committee for the Alliance for Progress (CIAP) country review February 22–24, 1971, the Bank representative expressed some doubts about some of Chile's economic policies. The Bank also noted that structural and institutional changes in the Government added "an element of uncertainty in the short-run economic outlook," and warned Chile "that the basic criteria of economic rationality and efficacy apply to socialist as well as capitalist-oriented economies." In its closing statement, the Bank, nevertheless, said it looked forward to maintaining close contacts with Chile to implement on-going projects and to prepare new ones for possible Bank financing.

7. On February 25, the Chilean Minister of Economy visited Mr. McNamara and received assurances that the Bank would not be constrained by the political ideology of the new Government. Mr. McNamara stressed, however, the Bank's responsibility for seeing to it that the funds it lent were used effectively.

8. Despite the fact that the Bank has lent and continues to lend to socialist countries, the point has been made that the Bank would not lend to Chile because of the ideology of its Government. As a response to this argument this paper describes Bank-Chile relations since the beginning of Dr. Allende's administration where they are relevant—that is, in specific project and lending operations.

9. Disbursement on the three loans made to Chile in fiscal year 1970 was slow due to organizational problems and the lack of bidders for construction. Early in Dr. Allende's term, the Chilean Government had advanced in the preliminary work on several projects likely to require external assistance. Three of them were considered capable of being implemented with World Bank assistance—one in the power sector, another for livestock development, and a third for fruit and vineyard processing.

10. A new loan for the power project seemed extremely feasible, but a difference arose in February and again in April 1971 over power rates. The Bank advised the Government, as it has done consistently in Chile and elsewhere, that further loans for the power sector could not be approved unless power rates were raised to enable the enterprise to earn the rate of return agreed upon under existing loan agreements. The Government maintained that this suggested increase would be inconsistent with its stabilization efforts and indicated that it regarded any commitments to the Bank on this subject as incompatible with Chile's sovereignty.

11. A technical mission visited Chile in March and April 1971 to review the status of the existing livestock credit project and to prepare a second loan. Although agreement was reached on a proposed new project, the mission found that there were sufficient funds in the project for at least another year. Embarrassed at their premature discussion of the need for new lending, the Bank and the Government agreed that consideration of another project would depend on the rate of disbursement of the existing funds.

12. In April 1971 a project preparation mission was sent to Chile to consider the fruit and vineyard development project. The project was found to be so advanced that preparation and appraisal were done at the same time, leaving one important issue to be resolved—the rate to be charged on the subloans to fruit growers. The Bank's Division Chief for Chile went to Santiago in May 1971 and reached agreement on the interest rate. By September 1971 the fruit and vineyard project was nearly ready for final negotiation with Chile before presentation to the Bank's Board of Executive Directors.

13. Missions were also sent to review progress on the highway loans (in May and August 1971) and the education projects (in July).

14. Two major issues—nationalization and Chile's economic condition—came to a head in September and October 1971. The Chilean Congress passed its legislation in July 1971 to nationalize completely various private interests, including the large copper companies. Included in the legislation was provision for the President to deduct from compensation for nationalized assets sums representing alleged historical "excess profits." At the same time that the nationalization issue was being raised the Bank was becoming increasingly concerned with Chile's economic policies and the ability of the country to use development funds effectively. An economic mission visited Chile from September 11 to October 15, 1971, and, with the first draft of the national economic plan which had just been finished, began to analyze the country's economy. While the Mission was in Chile the Bank held its Annual Meeting in Washington.

15. On September 28, during the course of the Annual Meeting, Mr. Alfonso Inostroza, the Governor of the Bank for Chile, met with Bank staff members. It was explained to Mr. Inostroza that the Bank's technical work on the fruit development project was nearing completion but that a loan for this project could be made only if: (i) the findings of the economic mission currently in Chile were positive as regards the country's creditworthiness, and (ii) the process being followed to determine compensation for the nationalized properties was consistent with the Bank's policy calling for reasonable efforts to settle such matters.

16. Mr. Inostroza objected to the Bank's taking the compensation question into account in determining its lending policy. He said this was exclusively a Chilean matter. At a meeting on October 1, with Mr. J. Burke Knapp, the Bank's Senior Vice President, Mr. Inostroza transmitted a letter addressed to Mr. McNamara stating Chile's grave concern about the influence the compensation question might have on Bank lending and requesting a further definition of the Bank's attitude towards the proposed loans.

17. In response it was emphasized that there had been no delay in Bank operations in Chile, and in fact, the fruit project had been given high priority. As regards the compensation issue, it was explained that it was not the Bank's policy to insist on the resolution of such matters before lending and that the Bank had, in fact, gone ahead to lend in several recent cases where disputes existed. However, for the Bank to continue lending in such situations reasonable progress toward a suitable settlement had to be maintained. The Bank had considered this to be the case in Chile until President Allende's decision earlier that week on the unusual deduction of very large sums representing alleged "excess profits" from the compensation to be paid. This development needed to be studied.

18. The report of the economic mission which returned October 15 stated clearly that Chile's economic policies would prevent the effective utilization of Bank lending even if the country were somehow deemed capable of servicing its debt. The mission found that the Government had succeeded in reaching the

objectives of raising output and employment and increasing workers' real wages but that this had been accompanied by a reduction in investment, the creation of severe inflationary pressures and a sharp decline in foreign exchange reserves.

19. The price freezes on foodstuffs and intermediate goods had resulted in a sharp increase in imports of these commodities, which needed to be paid for in cash, while imports of capital goods declined due to the Government's nationalization policies. In the agricultural sector, shortages in expert management inhibited substantial yield increases by agrarian reform settlements while yields on private lands were constrained by the lack of new investments. The mission's forecast of worsening economic problems seemed justified when in November Chile suspended all service on external debts except to international organizations.

20. While nationalization of and compensation for foreign held assets was a concern of the Bank, particularly in late September and early October, the report of the economic mission in mid-October that Chile could not use development funds effectively was the decisive reason for the suspension of new lending.

21. There were five missions to Chile in 1972, all to review progress of existing projects rather than to consider new lending. The missions were charged primarily with speeding up disbursements of existing loans.

22. In April 1972, while he was in Santiago to give a speech to the United Nations Conference on Trade and Development, Mr. McNamara paid a courtesy call on President Allende. At the CIAP review, May 24 to 26 the Bank noted the strengths and weaknesses of Chile's development efforts and hoped that the Government would put forward an investment program setting priorities for the next several years together with an analysis of the monetary, fiscal, and balance-of-payments implications. In respect to compensation for expropriation, the Bank's position was that in view of doubts about Chile's capacity to service new loans little purpose would be served by coming to a judgment on whether adequate progress is being made at the present time in resolving the issues in dispute. In closing, the spokesman said "we at the World Bank are following developments in Chile with great interest and hope that these developments will enable us to renew our assistance to Chile."

23. Relations between the Bank and Chile deteriorated throughout the year. Chilean delegates to international meetings repeatedly attacked the Bank, five times within the space of 3 weeks in September and October.

24. In his reply to a Chilean speech at ECOSOC in October, Mr. McNamara made several points about the Bank's relations with Chile.

(*a*) The Bank had in the past made loans to countries over the objections of one or more of the great powers, the objections being based on disputes over nationalization (Bolivia, Guyana and Iraq).

(*b*) The question of nationalization of foreign assets is not a factor in relations between the Bank and Chile because the primary condition for Bank lending—a soundly managed economy with a clear potential for utilizing additional funds—has not been met.

(*c*) The Chilean economy was in severe difficulty, the cost of living having risen 96 percent in the first 9 months of 1972, and 20 percent in the month of September alone. The balance-of-payments deficit for 1972 would be, by the Government's own figures, US$370 million even after the suspension of most repayments of external debt.

Summarizing, Mr. McNamara said, "in this situation it is clear that internal measures to reestablish economic stability are required—and no amount of external financial assistance can substitute for them. As matters stand—in the absence of such fundamental economic stability—it is simply impossible for Bank funds to be used productively for the benefit of the Chilean people, and with the reasonable probability of repayment, which the Bank's Articles of Agreement require."

25. As of January 1, 1973, Chile suspended service on all payments of interest and principal to the Bank. In March and April 1973 there was an exchange of letters between the Bank and Chile in an attempt to improve their relationship. Calling for resumption of debt payment but stressing the desire to maintain cordial relations with Chile, the Bank offered four specific suggestions:

(i) Bank staff would give the highest priority to accelerating disbursements on existing loans to Chile.

(ii) The Bank would consider new projects if the Government adopted an economic and financial program to restore Chile's creditworthiness and to make some progress toward settling foreign investment disputes.

(iii) The Economic Development Instiute (EDI) would expand its relations with Chile beginning with a visit by an EDI representative to discuss priority

needs of the Government and other public institutions. Consideration would be given to holding a meeting of university professors from Andean countries in Santiago. (A Bank mission was in Chile at the time the letter was sent to explore the possibility of such a meeting.)

(iv) A US$3 million Technical Assistance loan including the preparation of preinvestment studies for future development projects would be considered.

26. President Allende's reply on April 24 expressed his desire to maintain the most cordial relations with the Bank and his willingness to send a mission with authority to discuss all matters concerning the servicing of the present debt to the Bank. He also said that his government considered it unacceptable to be classified as not creditworthy, as he understood the term, since Chile always honored its international commitments, and had not failed to do so.

27. A mission headed by Mr. Inostroza came to Washington for discussions in June. At the June meeting, Mr. Inostroza and Mr. Knapp made the following points:

(i) Both parties agreed that the time had come to arrive at a modus vivendi to remedy Chile's default on loan service to the Bank and at the same time to restore a working relationship between Chile and the Bank. Mr. Inostroza urged that the Bank resume normal development lending to Chile but Mr. Knapp said that this was not yet possible. But he proposed:

(*a*) To help Chile's extremely difficult exchange situation the Bank would be prepared to amend two earlier loan agreements to cover interest during the remaining period of construction on the projects concerned.

(*b*) As evidence of the Bank's desire to assist Chile's future economic development when circumstances permitted, the Bank would be prepared to raise the amount of the technical assistance loan for preinvestment studies from US$3 million to US$5 million.

Taking these proposals into account, the Chileans agreed to resume service on loans and credits from the Bank group from July 1, 1973, and to make good all debt in arrears by December 31, 1973.

(ii) Mr. Knapp said it was by no means certain that compensation claims would constitute an obstacle to some Bank lending to Chile. The fact that the Bank management was ready to present the above loan and amendments to its Board was evidence of its pragmatic approach to issues of nationalization and compensation. Because of the relatively small amounts involved and the special features of the operations envisaged, the issue of the country's credit-worthiness did not arise.

(iii) Mr. Knapp emphasized that the most important issue to be resolved was the one of Chile's creditworthiness.

(iv) Mr. Inostroza indicated that his Government would present an economic program at the July meeting (later rescheduled for October) of the "Paris Club" of Chile's creditors. He also said his government would welcome a seminar in Santiago on development issues and policies, as proposed in Mr. McNamara's letter to President Allende.

28. In June, the Chilean Government formally requested the Bank to send a mission to appraise the technical assistance project and a Bank mission went out in July 1973.

29. The two loan amendments to finance interest during construction were circulated to the Board August 7, 1973 and the technical assistance loan was circulated on September 7 after the completion of loan negotiations. Specifically on the Technical Assistance project Mr. McNamara remarked, "I have indicated to the Chilean Government that, although I could not regard Chile as eligible at the present time for normal development lending, I was anxious to maintain a productive working relationship during this difficult period, and to maintain a pipeline of projects ready for action when circumstances permit the resumption of more normal Bank activities in Chile." The intended purpose of the Technical Assistance project was to help prepare such a pipeline. In conclusion, Mr. McNamara said, "The measures which I am proposing have a special character, and are to be distinguished from the resumption of normal development lending to Chile."

30. The Technical Assistance project was designed to finance high priority preinvestment studies in the sectors of mining, metallurgy, and manufacturing, nutrition and fisheries, transportation, and water planning.

31. It was expected that the projects which might result from the preinvestment studies would help to improve Chile's foreign exchange position. The projects would be aimed at expanding exports and saving foreign exchange expenditures, at the same time aiding the country's economic growth and social well-being.

32. The papers circulated to the Board on August 7 regarding financing interest during construction on two outstanding loans were marked for consideration by the Executive Directors on September 4. However, preliminary reactions to these proposals which were expressed to the management of the Bank by several Executive Directors, raised a serious question as to whether the proposals would command a favorable vote at that time. Hence, after consultation with the Government of Chile, the management postponed the placing for this item on the agenda of the Executive Directors, and this is how matters stood at the time that the Allende government was deposed on September 11, 1973. In the meanwhile Bank staff continued to work on the assumption that both the loan amendments and the Technical Assistance project would eventually be approved.

33. It should be pointed out that during the Allende government the Bank continued to disburse funds under existing loans. The exact figures are as follows:

Fiscal year:

1971	$28, 125, 965
1972	11, 933, 951
1973	6, 266, 841

Disbursements in July and August 1973 totaled $756,104. The sharp drop in disbursements between fiscal year 1971 and fiscal year 1972 can be explained by the fact that approximately $20 million of fiscal year 1971 disbursements represented the final funds of the $60 million Fifth Power project. That the $28.1 million figure is above average for annual disbursements is shown by disbursement figures for the preceding years.

Fiscal year:

1970	$17. 6
1969	11. 6
1968	19. 6
1967	14. 3
1966	20. 4
1965	10. 2
1964	8. 5

34. The new Chilean Government delegation met twice with Mr. Gerald Alter, regional vice president for Latin America and the Caribbean, during the annual meeting in Nairobi in September 1973. The Chileans confirmed their acceptance of all the agreements negotiated with the Allende government, and Mr. Alter confirmed the readiness of the Bank to present the proposals described above (the Technical Assistance project and two loan amendments to finance interest during construction) to the Executive Directors. The new government later prepared a short-term financial and economic program and requested a standby arrangement from the International Monetary Fund. In response, a $95 million credit was approved last January in support of this program after it had been reviewed by an IMF mission to Chile in which Bank staff participated.

35. In February 1974 the Bank approved the two loan amendments to finance interest during construction and the technical assistance loan referred to above. The latter is to cover the foreign exchange costs of carrying out preinvestment studies, the total cost of which was estimated at $10.5 million.

36. A Bank economic mission was sent to Chile in February-March 1974 to review the Government's economic policies and programs and has concluded that substantial progress is being made in overcoming the country's economic problems. Preparatory work has been simultaneously proceeding on the reestablishment of a pipeline of projects, focusing primarily on the needs of the priority sectors—agriculture, copper, and power. In the meantime, Chile has been progressing toward a settlement of the problem of compensation of expropriated mining properties and has reached agreement with two of the three copper companies involved.

37. In fiscal year 1974 disbursements on effective loans totaled $11,795,315.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT—REPORT AND RECOMMENDATION OF THE PRESIDENT TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN TO THE REPUBLIC OF CHILE FOR AN AGRICULTURAL REHABILITATION PROJECT (R75–43, MARCH 13, 1975)

1. I submit the following report and recommendation on a proposed loan to the Republic of Chile for the equivalent of $20 milllon to help finance an agricultural rehabilitation project. The loan would have a term of 20 years, including 4 years of grace, with interest at 8½ percent per annum.

2. Apart from the technical assistance loan negotiated with the Allende government, the proposed loan would constitute the first lending operation in Chile since 1970 and, in view of the special circumstances surrounding this case, it has seemed to me desirable to preface this President's report with an account of our relations with Chile in the intervening period.

3. In recent years the public's view of the Bank's relations with Chile has been deeply colored by political events in the country, though the Bank's management, in accordance with the articles of agreement, confined its attention to Chile's economic needs and capabilities.

4. The election of President Allende, on a Marxist ticket in the fall of 1970, led to a number of rumors of a boycott of the regime by some of our member states. We were anxious to indicate clearly and immediately that the Bank could have no part in such political discrimination. Therefore, within a few days of the Allende election I took the opportunity of an interview with the Wall Street Journal to state for publication that we expected to continue our lending to Chile. I followed up with personal messages to President Allende, through Senor Felipe Herrera, then President of the Inter-American Development Bank, and Senor Galo Plaza, Secretary General of the Organization of the American States, indicating the desire of the Bank to carry on supporting the Chilean economic development program. This was reconfirmed by the then Director of the South America Department to President Allende and other Chilean officials during a visit to Chile early in 1971 to clarify the Government's position on several project issues which might cause problems. During a visit to Washington in February 1971 the Minister of Economy, Mr. Vuskovic, was again told by the Bank of its willingness to assist in Chile's development efforts.

5. The Bank continued disbursing funds on its existing projects in Chile, but in 1971 the negotiations for new projects ran into difficulties and delays not of our making. At the same time we received disturbing reports of the rapid deterioration of the Chilean economy.

6. We informed the Chilean authorities on several occasions that this constituted a real threat to Chile's creditworthiness and the Bank's ability to make loans to Chile.

7. In the course of 1972 the Chilean authorities began a campaign charging that the Bank was refusing to lend to them under pressure from the United States, which was involved in a dispute over the nationalization of the property of some of its nationals. This charge was made by the Chilean Governor at the annual meeting in September 1972. We replied forcefully but privately. The charge was repeated by the Chilean Ambassador to the U.N. Economic and Social Council when I addressed it in October 1972 and I was obliged to reply publicly by stating to the Council:

"The Ambassador stated the Bank was not lending to Chile because the U.S. Government directed that there be no loans to Chile following the nationalization of the property of certain U.S. nationals. Such is not the case. For a quarter of a century. the Bank has followed a policy relating to nationalization of property which has been determined by its member governments and which is founded on accepted principles of international law. Whether or not Chile has acted in accordance with such a policy has not been determined. The question has not yet arisen because the primary condition for Bank lending, a soundly managed economy with a potential for utilizing efficiently additional external funds has not been met. The Chilean economy is in such a state of disorder that it is impossible to conceive of how Bank funds could be utilized productively to the benefit of the Chilean people and with a reasonable probability of repayment."

8. However, we did not despair of improving our relations with President Allende's government. In early 1973 the Government charged that the Bank's project pipeline was empty and stated this indicated to them that we had no intention of resuming lending even if the economic weaknesses to which I referred to above were to be corrected. We replied by proposing, March 1973, a technical assistance loan for preinvestment and project preparation studies as evidence of the Bank's desire to assist Chile's future development as soon as its economic situation showed signs of improvement. A mission went to Chile in July 1973 to appraise this technical assistance loan; the negotiations took place in the field in late July; the loan documents were circulated to the Board on September 7.

9. A few days later the Allende regime was ousted. During the annual meeting (in Nairobi) later in September the new Chilean Government delegation asked that the Bank continue to process the loan. It was approved by the Board February 5, 1974.

10. The purpose of the project described in this President's Report is to support the land reform program of the Allende and previous regimes now being implemented by the present Government.

11. A question could be raised as to whether the Bank should proceed with the loan when the country is governed by a military junta which is alleged to be practicing political oppression. The present Government of Chile has been accused by several organizations (including the International Commission of Jurists, the O.A.S. Human Rights Commission and Amnesty International) of violating the human and civil rights of its citizens.

12. As concerned as we are by such charges, the Bank has not sought to pass judgement on them because our articles of agreement (article IV, section 10) prescribe that:

"The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in article I."

13. In accordance with our articles, I recommend this loan to you on the grounds that Chile is deemed creditworthy (see part II below), and that the project is fully justified on its merits. This loan will bring substantial benefits to some 22,000 small and disadvantaged farmers and their families (130,000 people) and will make an important contribution to Chile's agricultural production and balance of payments.

World Bank Report No. 966–CH, Economic Memorandum on Chile, December 24, 1975

SUMMARY AND CONCLUSIONS

1. This report is addressed primarily to the financial difficulties of the Chilean economy during the past 4 years. It examines the financial stabilization program adopted in April 1975 and prospects through the remainder of the decade. The analysis of Chile's economic outlook during this period focuses heavily on the balance of payments, inasmuch as the availability of foreign exchange is seen as the major constraint on economic recovery. Clearly, financial recovery alone will not be sufficient to insure sustained longer term development. The Chilean economy has always relied heavily on revenues from mining exports while the nonmining productive sectors of the economy have depended on high levels of protection and Government assistance. These traditional weaknesses have been exacerbated by the structural changes and traumatic Government policy shifts of the 1970's. Prospects for longer term development will hinge on whether the economic and social policies adopted succeed in strengthening the agricultural, industrial, and services sectors, thus moving away from dependence on mineral exports. The report refers to some of the steps the Government has taken in this direction, but does not attempt to analyze these issues in detail.

2. During 1973, real output in the Chilean economy declined for the second consecutive year, agricultural production falling below the average levels of the mid-1960's. Consumer prices, propelled by massive Government deficits and monetary expansion, had risen 35 to 40 times since 1969, and real wages by the middle of 1973 were below the 1969 level despite large nominal increases. Price controls had seriously distorted the structure of prices and resulted in supply shortages throughout the economy. Chile had suffered an accumulated reserve loss of $850 million since 1970 and had ceased to meet fully its external debt service obligations in 1971. Large segments of the private economy had been shifted to Government control.

3. The new Government that took power in September 1973 acted quickly to free most internal prices, rationalize public utility tariffs, and reestablish a realistic and flexible exchange rate. The public sector deficit was substantially reduced, the central Government budget achieving a current account surplus in 1974 for the first time in 4 years. Responding to improved price incentives and increased Government investment spending, the GDP rose 4.3 percent in 1974, with recovery particularly strong in agriculture, mining, and construction. High copper prices and improved productivity in the mines combined with a doubling of noncopper exports to raise the value of total exports in 1974 more than 70 percent above the level of 1973. The quadrupling of oil prices prevented the achievement of a trade surplus, but the deficit was reduced by 78 percent as

compared with 1973. The value of imports rose 39 percent, but were only 6 percent over the 1973 level in real terms. The negotiated rescheduling of 1973 and 1974 debt service and the signing of compensation agreements with expropriated foreign firms improved Chile's relations with foreign investors. The amount of debt service actually paid has increased steadily.

4. Nevertheless Chile's economic problems continued. Efforts to raise economic efficiency had resulted in a large increase in open unemployment. The massive price corrections of late 1973, higher import prices, a large increase in the velocity of money, and continued Government deficits financed by the Central Bank fueled price inflation through 1974 at only slightly below the 1973 level, and the rate of price increase again began to accelerate in the first quarter of 1975. Copper prices fell sharply during the second half of 1974 and continued declining through most of 1975 to reach their lowest levels, in real terms, in more than a decade. The Government's efforts to maintain real income levels through large periodic wage adjustments, the large debt service falling due in late 1974, and the substantial liberalization of imports quickly exhausted the gains from higher copper prices earlier in the year.

5. Faced with the reacceleration of inflation and a worsening balance of payments deficit, the Government introduced strong new austerity measures in April 1975. Central Government spending, exclusive of interest and amortization payments, has been cut approximately 32 percent in real terms, as compared to 1974, personnel levels have been cut back, and services curtailed. Public enterprise tariffs were again raised sharply, interest rates were freed and rose to positive real levels, the wage adjustment formula was modified to reduce the size of wage adjustments, and the divestment of nationalized assets was accelerated. As a consequence of these measures, the rate of growth of credit to the public sector has been significantly reduced. By year end, the real stock of money will have contracted by about one-third from the 1974 level.

6. By mid-year, the results of the austerity program were becoming evident. The monthly rate of inflation had been reduced from 21.2 percent in March to 9.3 percent in July and continued downward slowly, reaching 8.2 percent by November. Imports have declined some 20 percent below 1974 reaching the lowest level, in real per capita terms since 1965. Copper earnings have fallen some $700 million below 1974, but noncopper exports have continued their rapid growth, rising another 36 percent (20 percent in real terms) over 1974's record level. Chile's major official creditors again rescheduled debt service payments, and the balance of payments deficit, forecast in April to exceed $800 million, has been cut to an estimated $276 million for the year.[1]

7. The costs of this adjustment have been very high, and the Chilean economy in 1975 is suffering its worst depression since the 1930s. Real gross domestic product has declined 12 to 15 percent. Taking into account the deterioration in terms of trade, the gross national income has fallen some 16–19 percent, in real terms, from 1974. Unemployment in Greater Santiago was estimated at 16.6 percent in September. In an effort to alleviate the social costs of the economic decline, the Government has improved unemployment insurance benefits, introduced a public employment program, offered wage subsidies to private employers, and expanded its nutrition programs for the poor. While helpful, such efforts can provide little more than basic subsistence. Given the severity of Chile's external payments constraint and the accelerating inflation, the only clear alternative to the policy adopted would have been the restoration of comprehensive controls on the economy and default on international obligations. Such action would have provided short-run relief at best, and the eventual social and economic costs would probably have been even greater than those of the program adopted.

8. The Chilean Government has made the hard austerity decisions required, given its precarious balance of payments and international reserve positions, and has met its international debt service obligations, while at the same time introducing certain fundamental reforms that lay the basis for resuming economic growth. It has gone a long way toward rationalizing the structure of prices, regularizing and rationalizing the public sector budgetary process, and opening the domestic economy to the opportunities and competition of the world economy. It has implemented a major reform of the tax system and instituted significant steps toward the modernization of the financial system. These measures are consistent with the recommendations made repeatedly by the Bank and other international institutions over the past decade.

[1] Recently released Central Bank estimates forecast a deficit of only $213 million.

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9. The present economic difficulties are expected to persist through most of 1976, until copper prices again begin to rise. Without further debt rescheduling, the current austerity program will have to be maintained through 1976, and little if any real growth can be anticipated. By 1977, however, the expected recovery of the world economy should enable Chile to achieve 5 to 7 percent growth rates, while simultaneously rebuilding its depleted international reserves. Under these assumptions, the debt service ratio will fall from a peak of 38 percent of exports in 1976 to less than 20 percent by 1980. On the other hand, should economic recovery in the industrial countries be slower or weaker than anticipated, or the projected capital inflows not be realized, the availability of foreign exchange will continue to constitute a critical constraint on the resumption of Chile's economic growth.

10. The domestic savings rates, as a proportion of gross national income, required to attain the growth rates projected through 1980 are below the levels achieved in the mid-1960's. Achievement of the necessarily high marginal savings rate relative to the depressed levels of 1975, on the other hand, will require that a large fraction of the expected terms of trade improvement after 1976 be captured and directed to investment uses. At the same time, the resumption of economic growth without the accompanying reacceleration of price inflation depends on the Government's ability to restore confidence in the economy and reduce the velocity of money.

11. Looking further ahead, Chile's abundant natural and human resources, the renewed interest of foreign investors, and the economic reforms that have been effected provide an encouraging basis for growth. During the 1980's, major new copper deposits will come on stream, along with the development of Chile's exceptional forest resources and rich natural gas deposits. Ultimately, the success of the Government's long-term development strategy will be determined by the ability of the private sector to compete effectively in the international marketplace.

Mr. OBEY. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Obey. Mr. Bushnell, I believe you stated earlier that the International Development Banks made commitments for new loans totalling $8.5 billion, for 377 projects, in 84 countries.

Mr. BUSHNELL. Yes, sir.

DONOR IFI RELATIONSHIPS

Mr. PASSMAN. It is my understanding that none of the repayments to these IFI's ever go back to the treasuries of the original donors; is that correct?

Mr. BUSHNELL. Yes, sir.

Mr. PASSMAN. And under our bilateral program we may accomplish the same objective, but the loan repayment, if any, would be repaid to the U.S. Treasury.

Mr. BUSHNELL. That is correct; yes, sir.

Mr. PASSMAN. It is also my understanding that our involvement in international organizations has grown so tremendously that our total commitment now is far more than our bilateral economic development program; is that correct?

Mr. BUSHNELL. The total for this year, not necessarily cumulatively.

Mr. PASSMAN. The total program of these international organizations for last year is in excess of the U.S. bilateral program or any other country's program.

Mr. BUSHNELL. That is correct.

Mr. PASSMAN. Well, I don't like to be personal. I would assume you gentlemen go to church and contribute to your church. You don't want it done anonymously. You want the church to know that you are supporting them, do you not? If we are going to give this money

away, why in the devil don't we keep it on a bilateral basis so these people know who it is coming from, so they can credit us for our generosity and not credit some organization that they have no idea who is making the contribution.

You don't think the people in India know anything about IDA, do you? I am talking about the masses. Do they realize that 40 percent of all the money going into IDA directly came from the United States? They have no way of knowing, do they?

Mr. COOPER. No, sir.

UNITED STATES INDIAN RELATIONS

Mr. PASSMAN. Do you know of any compliment that the Indian government has paid to the United States in recent years?

Mr. BUSHNELL. Mr. Chairman, on that I can say last year when I was in India several of the senior officials were very complimentary on our support of IDA when speaking with Secretary Simon and our party.

Mr. PASSMAN. Were you locked up in the room where nobody could possibly hear when they were complimentary?

Mr. BUSHNELL. There were a considerable number of people around.

Mr. PASSMAN. But you didn't see it in the press, did you? Give me an answer, Mr. Secretary. You didn't see it in the press, did you?

Mr. BUSHNELL. There have been several recently.

[The information follows:]

The Indians have frequently mentioned their desire for good relations with the United States. The following three examples during January 1976 illustrate this attitude.

COMMENT NO. 1

On January 8, 1976, Mrs. Gandhi told the Upper House of the Indian Parliament that India seeks friendship with America, in spite of differences, and expressed admiration for America and the American people for their dynamism in science, education, and technology. She added: "We congratulate them on their Bicentennial."

COMMENT NO. 2

On January 9, Foreign Minister Chavan, in remarks at a dinner in honor of Senator McGovern, which were later reported in the Indian press, said that India attached "importance to its relations with the United States." He also said that both countries should build up "good and healthy relations" and continue the dialog that had already been started.

COMMENT NO. 3

On January 5, President Fakhruddin Ali Ahmed told the opening session of Parliament that, "we desire a mutual and constructive relationship with the USA. A serious effort should be made to understand each other with a view to strengthening peace, stability, and cooperation."

Mr. PASSMAN I don't consider these statements to be significant.

Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

U.S. CONTRIBUTIONS TO IFI'S

You say that you have been trying to reduce United States budgetary outlays by making less available through the soft loan windows of these institutions, relying more on U.S. callable ordinary capital.

Would you put into the record the figures on which that statement is based for our information?

Mr. BUSHNELL. Yes.

Mr. Shriver, I think there is a table that is attached to the testimony which does indicate this fairly well. We will provide some additional figures. The table which follows the statement shows that for the 10B our contribution for ordinary capital fell from 43.1 percent in the initial capitalization to 32.4 percent in the fourth replenishment while our contribution to the FSO fell from 68.5 percent for example, initially to 57.4 percent in the upcoming replenishment. In the Asian Bank our contribution to the replenishment of the ADB's ordinary capital resources was 18.2 percent, down from a 20 percent U.S. share in the initial capitalization. In IDA we provided 42.6 percent of the initial contribution but only 33.3 percent in the fourth replenishment.

Mr. SHRIVER. Put that in the record.

[The information follows:

TREND IN PAID-IN PORTION OF U.S. CONTRIBUTIONS TO THE INTERNATIONAL DEVELOPMENT BANKS

[In millions of U.S. dollars]

Bank	Initial capitalization			Replenishments		
	Total subscriptions and contributions	Amount paid in	Percent	Total subscriptions and contributions	Amount paid in	Percent
IBRD [1]	3,175.0	635.0	20.0	3,298.0	12.3	0.4
IDA [1]	320.0	320.0	100.0	3,252.0	[3] 3,252.0	100.0
IDB–OC	350.0	150.0	42.9	1,648.0	150.0	9.1
IDB–FSO	100.0	100.0	100.0	2,700.0	[4] 2,700.0	100.0
ADB–OC	241.3	120.7	50.0	361.9	[5] 72.4	20.0
ADB–SF	150.0	[2] 150.0	100.0			

[1] Excluding maintenance of value.
[2] Includes $50,000,000 not yet appropriated by the Congress.
[3] Includes $1,500,000,000 to IDA IV replenishment not yet appropriated by the Congress.
[4] Includes $275,000,000 from the 1970 replenishment not yet appropriated by the Congress.
[5] Includes $48,200,000 not yet appropriated by the Congress.

Mr. SHRIVER. In these hearings we need to develop supporting information for some of us who try to defend these programs.

Mr. BUSHNELL. I might just take a minute to explain the replenishment that we negotiated in the Inter-American Development Bank last year because I think this makes the point.

In the last replenishment to the Inter-American Bank in 1970 the United States agreed to contribute a billion dollars to the FSO, the IDB's soft loan window. This time we reduced our contribution in absolute terms to $600 million, a very substantial reduction even before taking inflation into account. We did this without reducing the Bank's ability to make soft loans because the smaller amount that we are contributing to this soft fund is being supplemented by bringing into the bank the European countries and the Japanese which will be making contributions to the soft funds and by having the richer Latin American countries, Venezuela, Mexico, Brazil, Argentina, make contributions partly or wholely in convertible currencies to be used in poorer Latin American countries. Thus, as our contributions come down, the other countries have taken up that slack in the soft loan windows.

What the Mexicans and Brazilians said to us was, We are prepared in principle to do something for the poor in this hemisphere, but we are still developing countries. We need a lot of capital. We need capital at 20 and 25 years. We can afford to pay 8 or 8.5 percent, so that if the United States will provide more of the callable capital, such that the Bank can make loans for these countries at these higher rates, then they in turn would contribute actual cash money to the soft loan window to facilitate development in the poorer countries.

That is the nature of the replenishment that we worked out last year in the Inter-American Development Bank and for which we will be asking appropriations very soon. We will be asking for a small appropriation for the soft funds which require budget outlays and we will make a larger contribution in the form of callable capital.

Mr. SHRIVER. You also made the point that most of the funds of these institutions go to countries where the United States has strong interests. We need to have the backup figures on that observation for each of the institutions that are involved here. Will you put that into the record?

Mr. BUSHNELL. We will do that, Mr. Shriver. We will select a group of countries where we have large or have had large bilateral programs and indicate the percentages of the money from the development banks that go there.

[The information follows:]

SUMMARY OF INTERNATIONAL DEVELOPMENT BANK LENDING TO COUNTRIES WHERE THE U.S. HAS HAD LARGE BILATERAL PROGRAMS AND IMPORTANT INTERESTS

[In millions of U.S. dollars]

Country	IBRD		IDA		IFC [1]		IDB (OC)		IDB (FSO)		IDB (Other)		ADB (OC)		ADB (SF)		Totals	
	Amount of loans	Percent lent	Amount of loans	Percent lent	Amount of loans	Percent lent	Amount of loans	Percent lent	Amount of loans	Percent lent	Amount of loan	Percent lent	Amount of loans	Percent lent	Amount of loans	Percent lent	Amount of loans	Percent lent
Bangladesh	$54.9	0.2	$610.1	6.3									$11.4	0.6	$125.4	19.0	$801.8	1.6
Brazil	2,423.2	8.3			$262.9	20.8	$1,229.9	31.9	$600.4	15.4	$84.0	11.9					4,600.4	
CAC [2] and Panama	823.0	2.8	87.2	.9	21.0	1.7	131.1	3.4	816.0	20.9	143.9	20.4					2,022.2	4.0
Colombia	1,166.7	4.0	23.5	.2	30.2	2.4	350.0	9.0	241.4	6.1	67.5	9.6					1,879.3	3.7
Egypt	218.5	.8	240.9	2.5									153.9	8.0	113.3	17.2	459.4	.9
Indonesia	448.0	1.5	573.5	5.9	58.4	4.6											1,347.1	2.6
Kenya	332.9	1.1	153.7	1.6									248.6	12.9	3.3	.5	486.6	.9
Malaysia	644.8	2.2															905.4	1.8
Mexico	2,237.7	7.7			69.9	5.5	709.4	18.4	433.7	11.1	35.0	5.0					3,485.7	6.8
Morocco and Tunisia	784.4	2.7	123.5	1.3	23.8	1.9											931.7	1.8
Pakistan	672.0	2.3	611.8	6.3	28.0	2.2							220.2	11.4	100.1	15.2	1,632.1	3.2
Philippines	759.0	2.6	32.2	.3	76.1	6.0							332.6	17.3	15.3	2.3	1,215.2	2.4
Sahel [3] and Ethiopia	145.5	2.0	576.9		19.7												742.1	1.4
South Korea	898.8	3.1	115.7	1.2	44.1	3.5							434.1	22.6	3.7	.6	1,496.4	2.9
Thailand	733.9	2.5	32.0	.3	22.8	1.8							233.2	12.1	8.1	1.2	1,030.0	2.0
Turkey	962.7	3.3	196.9	2.0	116.7	9.3											1,276.3	2.5
Zaire	189.8	.7	125.5	1.3													316.1	.6
Totals	12,902.3	44.4	3,503.4	36.0	783.1	62.1	2,420.2	62.7	2,091.5	53.5	330.4	46.9	1,634.0	84.9	362.2	56.0	24,627.8	48.1
Bank totals	29,055.4	100.0	9,744.2	100.0	1,262.0	100.0	3,859.6	100.0	3,908.4	100.0	705.0	100.0	1,925.2	100.0	658.8	100.0	51,186.6	100.0

[1] Through June 30, 1975. Includes all investments.

[2] Central American Common Market (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua).

[3] Includes Chad, Mali, Niger, Senegal, Upper Volta.

IDA IV

Mr. SHRIVER. You signed up for a replenishment of IDA in January 1975 without appropriation.

Mr. BUSHNELL. That is correct.

Mr. SHRIVER. Because, as you say, other countries would not put up their money until the United States agreed to do so.

Mr. BUSHNELL. That is correct, Mr. Shriver. I think there may be a little misunderstanding. While we have always signed up for IDA without appropriations, we have normally had an indication from this subcommittee of some agreement with the general principle of each replenishment. We did not have that this time. This is partly because in order to keep down the annual amount of our appropriation we have spread our contribution to IDA IV over 4 years beginning a year late.

Since we began a year late we were not asking for any money in the first year in which IDA was making commitments so that we did not have the review of this committee that we would normally have had if we were beginning on time. The other nations were willing to advance their contributions in order to continue the work of IDA for a certain period of time but not indefinitly.

Mr. SHRIVER. Is their dependence on our participation an individual decision by the other donors, or is that procedure written into the IDA Charter?

Mr. BUSHNELL. It was in the replacement agreement——

Mr. SHRIVER. In other words, why wait on us?

Mr. BUSHNELL. The replenishment agreement provided that the replenishment could not become effective without our participation. Other countries went ahead of us first for a number of months, but as was explained to me, it it very hard for the people who have my job in other governments to go to their parliaments and to urge their country to provide larger amounts of money if the United States isn't doing anything. They feel that all the rich countries need to participate in doing the development job. The other countries, therefore, conditioned, in effect, the extent of what they would do on our participation.

Mr. PASSMAN. Is it not true in the past you always got your appropriation first on an increased replenishment before you started?

Mr. BUSHNELL. The first installment.

Mr. PASSMAN. Yes, but that is not so with this one.

Mr. BUSHNELL. That is true.

The normal procedure was to have the first installment appropriated before we signed up for the total amount.

IDB CALLABLE CAPITAL

Mr. PASSMAN. If the gentleman will yield further, on page 6 I note that you do not plan to request any appropriation for the Inter-American Development Bank interregional callable capital amount which is present y to be authorized for $930 million.

You answered in the affirmative. Do you feel that you can commit the United States to this interregional callable capital without an appropriation? I believe again you answered in the affirmative.

Where do you people get the idea that you can obligate and be prepared to make available $1 billion if you don't have an appropriation for it? Where do you get that authority?

Mr. BUSHNELL. Mr. Chairman, as you know, there is an authorization which is passed and becomes the law of the land.

Mr. PASSMAN. An authorization is not an appropriation. That is only an authority to get an appropriation.

Mr. BUSHNELL. That is correct.

Mr. PASSMAN. You said it is correct, but here you are proposing to make this available. You get an authorization and in the event that you have to call upon this $930 million you can do it and utilize it without an appropriation?

Mr. BUSHNELL. No, sir, I did not say that.

Mr. PASSMAN. I asked you specifically if you expected to do it and you said yes.

Mr. BUSHNELL. We expected to make a commitment to the institution for this callable capital. In the unlikely event that there should be a call on the callable capital, we would then require appropriations.

Mr. PASSMAN. Actually you are reversing it. Previously you would get the appropriation and then make the commitment. Now you are going to make the commitment and ask for the appropriation.

Is that true?

Mr. BUSHNELL. No; Mr. Chairman, we don't anticipate asking for an appropriation of this callable capital. Since it is a highly contingent obligation.

Mr. PASSMAN. If you had to have it—the purpose of the authorization is that you may need it—previously you asked for the appropriation, and then you made the commitment. Now you are going to make the commitment and if they should call upon you to deliver then you are going to ask for an appropriation.

You have reversed the procedure, haven't you? Don't be afraid to say yes. You know it is true, and I don't like it a bit in the world and I hope this committee desn't like it. If there is anything we should do it is to bring these international organizations under control

Mr. Shriver, I will return to you because I know you have other questions.

U.S. CONTRIBUTIONS TO IFI'S

Mr. SHRIVER. The United States input into these institutions ranges from a third up to nearly 60 percent, does it not?

Mr. BUSHNELL. A bigger range than that. In the African Fund we will be contributing 5 or 6 percent.

Mr. SHRIVER. That hasn't been appropriated yet.

Mr. BUSHNELL. That has not yet been appropriated but that is the proposal. The only contribution which is more than a third is the Inter-American Development Bank because that has been a hemispheric bank. But in general our contributions are a third or less.

Mr. SHRIVER. What are they? List them.

Mr. BUSHNELL. Well, in the latest replenishments, and some of these go back some years, to the IBRD it was 28 percent, to IDA it was one-third in the fourth replenishment, to the IDB ordinary capital it is 32.4 percent in the proposed replenishment, for the Fund for Special Operations it is 57.4 percent, and in the ADB our share of the ordinary capital was 18.2 percent, and our share of the special funds, 28.6 percent.

That is historical. Our share in the replenishment of the ADB's special fund which is currently under consideration will be less than 25 percent.

PROCUREMENT FROM U.S. SOURCES

Mr. SHRIVER. In terms of procurement from U.S. sources what is the percentage and dollar figure for each of these institutions for the last year for which that information is available? Put it in the record.

Mr. BUSHNELL. I will put that in the record, Mr. Chairman.

[The information follows:]

U.S. SHARE OF PROCUREMENT COMPARED TO U.S. SHARE OF TOTAL SUBSCRIPTIONS AND CONTRIBUTIONS

[In milions U.S. dollars]

	U.S. share of subscriptions and contributions through 1975 (percent)	United States procurement in 1975		United States procurement through 1975	
		Amount	Percent	Amount	Percent
Fiscal year 1975:					
World Bank:					
IBRD	25.3	$272.4	[1] 19.4	$3,695.7	[3] 29.9
IDA	34.7	118.4	[1] 14.7	609.2	[3] 16.9
Calendar year 1975:					
IDB:					
OC	38.8	60.9	[2] 35.8	279.6	[4] 34.4
FSO	69.2	71.1	[2] 67.0	335.8	[4] 67.7
ADB:					
OC	11.3	14.4	[2] 6.3	92.3	[5] 10.6
SF	15.5	3.1	[2] 4.4	7.9	[5] 3.8

[1] Fiscal year 1975.
[2] Calendar year 1975.
[3] Fiscal years 1964–75.
[4] Calendar years 1968–75.
[5] Calendar years 1966–75.

Sources: World Bank, Inter-American Development Bank, Asian Development Bank.

Mr. PASSMAN. Will the gentleman yield?

Mr. SHRIVER. Yes.

Mr. PASSMAN. Even though possibly a small percentage is for U.S. procurement, it is a one-way street. The goods go out to the high seas. The bills go to the IFI responsible who pays with money contributed by the donors. None of this money when it is repaid to the IFI's is ever reverted back to the donor treasuries, in our case the U.S. Treasury?

Mr. BUSHNELL. That is correct, sir.

Mr. PASSMAN. Thank you.

IFI LOANS TO OIL EXPORTERS

Mr. SHRIVER. A little while ago I was looking at a list of some of the loans the development-oriented banks are making to the oil-producing nations. Are we continuing to do that even for those nations that have reserves to finance what they need?

Mr. BUSHNELL. Mr. Shriver, we have been urging the banks to reduce their funding, their loans, to the OPEC countries. They have done that in a number of cases. I think I should explain there is a certain momentum here. The work on a loan begins up to 3 years before it is finally approved in order to develop the project and prepare all the documentation and so forth. As a result there were a number of loans on which work was quite far advanced at the time that the oil price was increased so substantially in fiscal year 1974. Many of those loans were subsequently approved. However, since that time lending to such countries as Iran and Venezuela has stopped, and in fact at

least in the case of Venezuela, they have been willing to make very substantial contributions to the Inter-American Development Bank, including contributions of concessional funds.

Now, in the case of the poorest OPEC developing countries, such as Indonesia, the World Bank stopped making highly concessional loans from IDA. However, they continued to lend, and in fact increased the amount of lending to Indonesia from the ordinary capital resources of the bank because Indonesia continues to be a very poor country even with its oil revenues.

The same, to a more limited extent, is true of Nigeria. Our position in the bank has been to suggest that they be moderate in giving loans to these countries when there are other countries in the world with a more immediate and more desperate need for this sort of financing, and I think if you look at the table attached to my testimony you will see the trend over the 3 years has been to reduce the level of activity and to shift out of the soft funds for these OPEC countries.

Mr. PASSMAN. Will the gentleman yield?

Mr. SHRIVER. Certainly

Mr. PASSMAN. It follows, nevertheless, foreign aid as such is continuing to increase, isn't it?

Mr. BUSHNELL. Yes, sir.

U.S. CONTRIBUTIONS TO IDA

Mr. PASSMAN. So, after all, you can bake it, fry it, stew it, and it is still foreign aid going up every year either under one spigot or another. I want to thank you for giving me an affirmative answer. I don't know whether we have the capacity to bring it under control or not, gentlemen, and if the gentleman will yield further, for verification of this, it has been my privilege to chair this committee for 22 years and I do recall in 1961 you people wanted $73 million, a little seed capital. That was your first commitment to the International Development Association.

Isn't that true?

Mr. BUSHNELL. Yes, sir, I think so.

Mr. PASSMAN. Then you subsequently came in and said we are going to need to increase this but it will be just for a limited duration so you asked the committee to provide $61 million for 4 years, didn't you?

Mr. BUSHNELL. I believe the record will verify that.

Mr. PASSMAN. Then you came in and you asked this committee to provide $104 million a year for 3 years, did you not?

Mr. BUSHNELL. Yes, sir.

Mr. PASSMAN. Then you subsequently came in and you asked this committee for $160 million a year for 3 years, didn't you?

Mr. BUSHNELL. Yes, sir.

Mr. PASSMAN. Then you asked the committee to jump it to $320 million for 3 years, and you did that, didn't you?

Mr. BUSHNELL. Yes, sir.

Mr. PASSMAN. Now you have jumped it to $375 million for 4 years, haven't you?

Mr. BUSHNELL. I don't think that is really a jump, sir, because during the time——

Mr. PASSMAN. I am going to get to that. It is a jump.

Did I state it correctly, $320 million, then you jumped it to $375 million? Let me use my terminology. You are increasing it from $320 million to $375 million, are you not?

Mr. BUSHNELL. The basic appropriation, yes.

Mr. PASSMAN. The basic appropriation. I am glad you recognize you are not going to get all you request. Where in the world are you going to stop this thing? You have gone from $61 million up to $104 million, to $160 million, to $320 million, to $375 million. Is all of this increase because of inflation?

Mr. BUSHNELL. Because of changes in exchange rates.

Mr. PASSMAN. Whatever it is. You refer to inflation, the loss of purchasing power, but you had to sweeten the pot a little more to offset the loss of the purchasing power of the dollar.

Where are you people going to stop this thing? You started up in 1961 and now it is $375 million, and we both admitted foreign aid is getting bigger every year. We lost control of it, but as it would apply to IDA, is your ultimate goal to finally exhaust all the credit of the United States and the people lose faith in their Government to run its business?

Mr. BUSHNELL. I don't think we have any ultimate goal. We try to look at the requirements, the utility of the IDA program, every 3 or 4 years.

Mr. PASSMAN. What do you mean 3 or 4 years? It started in 1961 with a small amount, $61 million a year. And you led us to believe then if we would furnish you this money for 4 years, then you had it made, you wouldn't come back, but we were so easy you jumped it to $104 million, then to $160 million, to $320 million, and $375 million.

Just where are you heading?

Mr. BUSHNELL. It is our view that IDA has done such a good job that we should continue to provide more support.

Mr. PASSMAN. That is one answer.

Is it not true that some of the donors become the recipients?

Mr. BUSHNELL. That the donors become the recipients?

Mr. PASSMAN. Oh, yes.

I believe for every dollar India puts in they get out $67 million in aid, don't they?

Mr. BUSHNELL. I don't——

Mr. PASSMAN. I want to know if I am making a correct statement that for each dollar that India contributes they get out $67 in aid.

Mr. BUSHNELL. Yes, sir.

Mr. PASSMAN. That is a good deal. It is a club I want to join. I don't want to be ugly about this but I tell you I think we are stupid. Who wouldn't like to belong to a club like that, put in a dollar and get out $67.

Mr. COOPER. They have to meet a per capita income requirement.

Mr. PASSMAN. That is the easiest thing in the world.

Mr. COOPER. Fortunately, we could never meet that requirement.

Mr. PASSMAN. We are not the recipients of any of these programs, are we?

Mr. COOPER. No, sir.

Mr. PASSMAN. Certainly not. It is a one-way street. Thank you, Mr. Shriver.

LOANS TO ECUADOR

Mr. SHRIVER. I am about through, but we were talking a little while ago about those oil countries. Is Ecuador an oil-producing nation?

Mr. BUSHNELL. Yes, sir, it is. It has been one of our more difficult problems because it is a Latin American country and it is a fully integrated member of the Inter-American Development Bank. It contributes funds to the Fund for Special Operations and we have felt that as a member of the Bank it should be able to borrow back at least the money it itself contributes.

Ecuador is still quite a poor country. It does not have large amounts of reserves.

Mr. SHRIVER. Regarding loans to Ecuador from the Fund for Special Operations of the Inter-American Bank—are those loans fully financed by funds other than those the United States contributes?

Mr. BUSHNELL. Yes, sir.

Mr. SHRIVER. How does that work? Are there different accounts within the Fund?

Mr. BUSHNELL. They do maintain separate currency accounts. Ecuador contributes in local currency to the Bank. Those accounts are maintained in sucres and to the extent that the Ecuadorians borrow those back they are borrowing back their own contribution.

There are also some contributions, for example, made by Canada which are controlled in a special way and those are the sorts of funds that have been used for the small soft loans to Ecuador from the FSO in the last couple of years.

DONOR GOVERNMENT OVERSIGHT OF IFI'S

Mr. SHRIVER. Let me ask a general question.

Do the officers of these institutions appear before congressional or parliamentary committees of any other donor nation?

Mr. BUSHNELL. No; they do not, sir.

Mr. SHRIVER. How do they get their contributions? Take Canada.

Mr. BUSHNELL. The situation is the same in all of the donors and, for that matter, the recipient countries. Some part of the executive branch of each government is responsible, as the Treasury is in the United States, for its relations with these institutions. That part of the executive branch pursues the appropriations, testifies, according to procedures in the various countries. If the managements had to go themselves to all 25 or 30 or 40 donors, not to mention the recipient countries, which are also members of these banks, they would obviously be doing nothing but testifying before the various legislatures and it would be an impossible situation.

They would also be outside the context of their role as international civil servants. They are not responsible to any one government executive or congress, but responsible to all of their member governments.

Mr. SHRIVER. I think that is all.

Thank you.

Mr. PASSMAN. Mr. Conte?

Mr. CONTE. Why should the United States become involved in the African Development Fund (AFDF)?

Mr. BUSHNELL. There are several reasons why it is in the interests of the United States to become a member of the AFDF. Africa has a growing economic significance for the United States. Until the United States joins the Fund we will be unable to compete for procurement of goods and services for projects financed by the Fund, a potentially substantial source of export earnings. Moreover, our export sector and service firms will be at a major disadvantage in terms of followup business and will not have incentives to establish markets in some African countries.

Looking at the African continent from a long-term perspective, the extent to which we can assist, in raising the living standards of Africa's poor, is clearly in the U.S. interest. We believe that the AFDF, as a regional development organization, has a special contribution to make to the African development process because of its capability to respond to the particular conditions of the continent.

Mr. CONTE. How would this initial contribution compare with other donors?

Mr. BUSHNELL. Since the Fund's establishment, donor country members have pledged about $145 million in concessional loan resources and the African Development Bank has contributed another $7 million. The proposed initial U.S. contribution of $15 million represents about 9 percent of the contributions so far pledged by members and would bring the level of total contributions to about $167 million. The United States would be the fourth largest contributor, after Canada which has pledged $25 million, and Japan and Germany, each of which has pledged $16.7 million.

The AFDF is currently seeking additional resources for its 1976–78 lending programs through enlistment of new members and the increase in contributions from present donors. As the contributions of the other donors are increased over the next 3-year period, it is likely that the U.S. share would drop substantially in donor ranking.

Mr. CONTE. Would the United States have only one of the board of directors?

Mr. BUSHNELL. It is unlikely that we would have an exclusively U.S. executive director on the Board of the AFDF. There are six directorships allocated to the donor countries which control 50 percent of the Fund's voting power. Directors of the AFDB hold the other six directorships. During the next election, which will take place at the Bank/Fund annual meeting this May, these six constituencies will be negotiated among the donor countries. If the United States has received the necessary congressional authorization and appropriation of funds, we will be able to participate in that election. If we are not able to contribute in May, we would be represented in whichever of the existing donor country constituencies we negotiate to join when we made our first contribution.

Because the membership and resources of the Fund are continuing to expand, it is extremely difficult to forecast the exact type of representation the United States will be able to negotiate when we join the Fund. It is unlikely we would have a sole U.S. director representing

only the United States because that would require either our having at least one-sixth of the voting power of the donor countries or the willingness of the other donors to form five constituencies among themselves, leaving the sixth for us. It might be possible for the United States to negotiate with other countries during the 1976 elections and convince them to accept an American director as head of a constituency, especially if we are prepared to assign an experienced man full time to this position.

Mr. CONTE. Does the Fund lend to all members of the Bank?

Mr. BUSHNELL. Although all the members of the AFDB are theoretically eligible to borrow from the AFDF, only the poorest in fact receive concessional resources from the Fund.

Mr. CONTE. What is the average per capita income of those nations which borrowed in 1974?

Mr. BUSHNELL. The average per capita income of the 20 countries the Fund lent to in 1974 and 1975 was $181.

Mr. CONTE. How much would be going to the Sahel in the next few years?

Mr. BUSHNELL. In 1974 and 1975 the AFDF made 16 loans, for $60 million, for long-term development projects in the 6 countries comprising the Sahel. The information we have on the Fund's lending program for the next few years indicates that approximately $134 million or 44 percent of projected lending will go to West Africa. We have no country breakdown of these figures, but because Mali, Mauritania, Upper Volta, Sonegal, and Chad are in West Africa we can assume that these countries will continue to receive substantial assistance from the Fund.

Mr. CONTE. What kinds of projects does the Fund undertake?

Mr. BUSHNELL. The Fund makes loans for small, high-priority projects predominately oriented towards social development. In 1975 the Fund directed 34 percent of its resources to the agricultural sector and 25 percent to the transportation sector. In the future the Fund plans to finance more health and education projects, although agricultural projects will continue to receive the most resources.

Mr. CONTE. Does it overlap with those of the African Development Bank?

Mr. BUSHNELL. No, the Fund's lending does not overlap that of the Bank. Although the two facilities lend funds to many of the same countries for projects in the same sectors, the Fund finances projects which would not be carried out if the Bank were the only available source of funds. Both institutions are engaged in promoting the economic and social development of their African members. The Fund's lending, however, complements the Bank's lending by picking up projects which could not be financed on the Bank's lending terms but require concessional resources.

ASIAN DEVELOPMENT BANK

Mr. CONTE. How close to the market are the lending rates of the Bank?

Mr. BUSHNELL. The ADB currently charges 8.75 percent on most loans and 9.5 percent to its more affluent borrowers. Long-term interest rates have declined slightly in the international market in the recent past so I believe the ADB rates are very close to the market.

Mr. CONTE. Did the United States participate in the resolution which approved expansion of authorized capital in November 1971?

Mr. BUSHNELL. The United States was a founding member of the ADB and actively participated in the discussions leading to the first replenishment of the Bank's ordinary capital. In November 1971 a resolution calling for a 1972–75 replenishment of the ADB was adopted by the Board of Governors. Although supporting the replenishment, the United States did not vote on the resolution. Congress authorized U.S. participation in the replenishment in fiscal year 1975. The requested fiscal year 1977 appropriation of $120.6 million would represent our final installment to this replenishment assuming fiscal year 1976 appropriations are obtained in full.

Mr. CONTE. What effect would decreased U.S. support have on Asian Development Bank lending?

Mr. BUSHNELL. Decreased U.S. support for the Asian Development Bank would reduce ADB lending directly by the amount not contributed and indirectly as other nations, reacting to this U.S. action, reduced their future burdensharing contributions.

As it is, the United States will not be contributing the $231 million suggested as our share of the 3-year ADF replenishment. Most other donors will contribute their first installments in 1976. A failure by the United States to contribute to the ADF replenishment in fiscal year 1977 could endanger the entire replenishment agreement.

Similarly with ordinary capital, a decision not to complete, in fiscal year 1977, our subscription to the first ordinary capital replenishment would require reduced ADB lending and call into question the long-term U.S. role in this regional institution. Other countries completed their subscriptions to the 1973–75 replenishment in 1975.

In each of the IFI replenishments, the U.S. share has been falling but this is the result of international negotiations often after consultations with Congress. A unilateral decision not to fund an IFI at a given level or time once that subscription has received an expression of congressional support could cause greater harm to the IFI and the U.S. interest in that institution, than we would benefit from marginally reduced expenditures.

Mr. CONTE. What was the total administrative budget for ADB for fiscal year 1975? What percent was that of disbursements?

Mr. BUSHNELL. The total administrative budget for ADB in fiscal year 1975 was $16.8 million which is 5.7 percent of disbursements during fiscal year 1975 and 2.5 percent of loans made during fiscal year 1975.

Mr. CONTE. Have O.P.E.C. nations—excluding Indonesia—participated in financing any ADB ventures?

Mr. BUSHNELL. Yes; they have. In addition to buying ADB bonds, OPEC nations have jointly invested $121.2 million in the following ADB projects:

1. Abu Dhabi: $11.2 million in equity of company in Multan fertilizer project—Pakistan—approved December 19, 1973.

2. Iran: $15 million equivalent in Ashuganj fertilizer project—Bangladesh—approved February 20, 1975.

3. Kuwait: $15 million in urea fertilizer project—Sri Lanka—approved September 18, 1975.

4. Saudi Arabia: $80 million in Mirpur Mathelo fertilizer project—Pakistan—approved December 18, 1975.

Mr. CONTE. Is any particular assistance offered to American firms interested in ADB projects?

Mr. BUSHNELL. Special emphasis was accorded the ADB during the past year when we engaged a consultant to investigate ways to increase U.S. procurement in Asian Bank projects. As a result of this study American embassies in Tokyo, Hong Kong and Singapore have special channels of communication with the bank through which they receive information on upcoming projects so that they may notify the regional sales offices of American companies in their areas. Additionally, an officer in the Commercial Affairs Office of the State Department has been assigned the special task of maintaining liaison with all the international development banks through the Office of International Development Banks in Treasury. When the final report is issued, some further special aid to American firms will be implemented. In the meantime, American firms interested in ADB projects receive the same assistance offered American firms interested in the other development banks' projects.

The U.S. Executive Directors to all the development banks play a key role in assisting American businessmen by referring them to appropriate project staff members in the banks; by providing them information on specific projects; and by assisting them on procurement problems or complaints.

The U.S. Department of Commerce has a range of services designed to aid American business in locating trade opportunities, including those generated by the development banks.

Upcoming potential export opportunities and projects may be identified in the "Monthly Operational Summaries" of the three banks. The "Summaries" are available for perusal and reproduction at the Commerce Department's Export Information Reference Rooms both in Washington and at Commerce Department District Offices.

Press releases issued by public information offices in each of the banks following individual project approvals contain pertinent details regarding the project including brief descriptions of the major goods and services to be procured in connection with the project. These offices also supply pamphlets concerning the details of their international competitive bidding and consultant selection guidelines for borrowers.

Mr. CONTE. How will decreased support affect our voting parity vis-a-vis Japan?

Mr. BUSHNELL. The United States currently has 9.53 percent of all ADB votes versus 15.56 percent for Japan. If the United States completes its subscription to the first replenishment by appropriating the full $120.6 million requested in fiscal year 1976 and again in fiscal year 1977, our voting share will equal that of Japan.

Mr. CONTE. What percent of ADB projects help agriculture? What types of projects are these?

Mr. BUSHNELL. The ADB has become heavily involved in agriculture and agroindustry projects. Lending to these sectors was over 37 percent of total ADB/ADF lending in 1975 compared with 24.5 percent in 1974. Projects financed by the ADB in these sectors include irrigation projects, fertilizer plants, integrated rural development programs, agricultural credit, feeder roads, and extension services.

Mr. CONTE. Does U.S. participation in the Bank have any effect on our relations with recipient nations?

Mr. BUSHNELL. Yes, I believe our indirect assistance to ADB borrowers has much the same impact on our relations with these countries as does our bilateral economic assistance. ADB borrowers are well aware that the United States is the second largest source of ADB funds. The United States played a big part in the establishment of the Bank and our participation is recognized as vital to the Banks continuing operations. There are also a number of indirect benefits to U.S. bilateral relations from participation in the Bank. Most importantly the ADB fosters economic growth and social change in Asia that is supportive of the international order we seek. The Bank stresses the role of market forces in economic decision making and supports the development of outward-looking trading economies while pressing the diffusion of development benefits to lower income groups. The ADB offers the expertise, institution building, and financial assistance to permit countries the opportunity to emulate the success of Japan.

Mr. CONTE. Do you think it is important at this time to stimulate or nourish these relations?

Mr. BUSHNELL. Yes. Following Vietnam I believe it particularly important that we show public support for free Asian nations and their various regional institutitions. U.S. participation in the Bank at this time signals a continued U.S. role in Asia and belies the claim that America is abandoning its allies and precipitously withdrawing from areas of legitimate national interest.

INTER-AMERICAN DEVELOPMENT BANK

Mr. CONTE. How much of the Bank's financing is provided by the Latin American countries?

Mr. BUSHNELL. As of December 31, 1975, the Latin American members of the IDB provided some $4,921 million or 43 percent of the Bank's total resources of $11,514 million. They furnished $3,263 million or 55 percent of total subscriptions to ordinary capital and $1,155 million or 27 percent of total contributions to the Fund for Special Operations. In addition the Venezuelans have made $500 million and the Argentinians approximately $2 million available to the Bank in the form of trust funds to finance loans.

Mr. CONTE. What portion of the IDB moneys go to the poorest Latin American nations? What portions to the poorest people within them?

Mr. PORGES. Of the cumulative IDB lending through 1975 of $8.7 billion, over half represents the use of the Bank's FSO concessional resources for projects primarily benefiting low-income areas or groups of people. A significant amount of these loans has been devoted to projects in small scale agriculture and fisheries, rural electrification, rural and urban water supply, sanitation and health facilities, housing and urban development, and technical and vocational education.

The ordinary capital of the Bank is composed mostly of resources borrowed in the international capital market through bond issues and other commercial borrowing and, therefore, must be loaned by the Bank in Latin America in projects that are economically viable and can bear interest rates reflecting market rates. Therefore, the

Bank's Fund for Special Operation is concentrated on social projects which carry a direct benefit to least advantaged sectors of the population and the least advantaged countries of the membership. Accordingly, and in concert with decision taken by the Board of Governors and the Board of Executive Directors, the Bank accords preferential treatment to the economically less developed countries and to those of insufficient market. Under this policy, concessional terms and conditions with respect to rates of interest, grace and amortization periods, share of total cost of projects, and so forth, have been established. The following table shows that the less developed member countries of the IDB [1] have benefited from an increasing share of IDB loans.

Year	Total bank loans	Loans to less developed countries	
		U.S. dollars	Percent
1971	652	146	22
1972	807	187	23
1973	884	239	27
1974	1,111	286	26
1975	1,375	387	28

Even more significant is the trend in recent years of the share of total loans granted to the less developed countries with the resources of the Fund for Special Operations (FSO) as well as their share in the foreign exchange component of total FSO loans. This can be seen in the following table.

FSO LOANS TO THE LESS DEVELOPED COUNTRIES

[In millions U.S. dollars]

Years	Total [1]		Foreign exchange component	
	U.S. dollars	Percent of total FSO loans	U.S. dollars	Percent of total FSO loans
1971	110	33	77	35
1972	161	48	116	49
1973	192	46	154	50
1974	234	51	195	59
1975	306	48	260	59

[1] Includes foreign exchange and local currencies.

Mr. CONTE. What proportion of the Bank's credits are used for procurement of American goods and services?

Mr. BUSHNELL. From 1968, the first year such records were kept by the Bank, through 1975, the combined ordinary capital and Fund for Special Operations proportion of funds used for procurement of American goods and services is 47 percent.

Mr. CONTE. Would the entrance of nonregional members, for examples the OPEC countries, affect our veto power in the FSO?

Mr. BUSHNELL. A proposed amendment to the IDB's charter and the general rules concerning the entry of nonregional members provide that the voting power of the member having the largest number of capital shares—for exemple, the United States—shall not fall below

[1] Bolivia, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Paraguay, and Dominican Republic.

34.5 percent. Our veto in the FSO depends upon the provision that FSO operations require approval by a two-thirds majority. Any country with more than one third of the voting power can bloc an FSO operation. With the guarantee in the charter that the U.S. vote will not fall below 34.5 percent, we are assured of retaining our veto power in the FSO.

Mr. CONTE. How much do nonregional donors contribute now?

Mr. BUSHNELL. As of December 31, 1975, countries from outside the Western Hemisphere have provided approximately 1 percent of the Bank's total resources. The Bank administers these nonmember country contributions in special individual funds. In addition, the nonregionals have provided extensive resources through their purchases of the Bank's bond issues. Of the IDB's total outstanding funded debt as of December 31, 1975, 12 European countries and Japan accounted for 52 percent.

Mr. CONTE. Can you outline a couple examples of successful FSO projects?

Mr. BUSHNELL. There are many successful FSO projects but two of them would certainly include the Universidad Catolica Madre y Maestra (UCMM) and the intergrated agricultural development program (PIDAGRO) in the Dominican Republic. I mention these two because they have been visited by several members of the Congress and Treasury staff.

The university loan, $3.4 million, was made in 1971 to finance the construction of classrooms, laboratories, library, a computer center, and administration buildings. UCMM, established in 1962, was set up to supply the technical and professional manpower requirements for the northern area of the Dominican Republic. The university was the first school in the country to offer majors in electromechanical engineering, industrial engineering, business administration, social work, and nursing—all fields where additional trained people were needed. Moreover, in order to attract and retain a high quality faculty, the UCMM hired young professionals and sent many of them abroad to do graduate work.

As a result, about 75 percent of the faculty have done graduate work and are employed full time by the university, in contrast to the widespread use of part-time professors in Latin American universities. So far over 1,300 students have earned degrees in disciplines required for the country's economic development, and it is estimated that 90 percent of its graduates have remained in the country.

The integrated agricultural development program (PIDAGRO) is a coordinated effort by several agricultural agencies to increase food production, diversify and increase agricultural exports, improve the utilization of resources, and change the distribution of rural income. The effort is to reach 10,000 Dominican farmers by combining into one integrated program all the inputs necessary to sncrease agricultural production. The specific subprojects include riesearch, extension services, and training, agricultural and livestock credit, an animal health laboratory and a cadastral survey. The congressional/Treasury group visited only the extension school, the animal health laboratory, and one of the cattle cooperatives receiving credit and training as part of the livestock breeding subproject.

The project, although not yet completed, is already demonstrating the value of the integrated approach. The provision of credit coupled

with 2 weeks of training at the extension school for each borrower and with the technical assistance provided by the animal health program and advice from extension agents in the field on improved seed and fertilizer, the project has resulted in substantial increases in output. For example, the individual heads are increasing from 6 or 8 heads of cattle to about 40. This is the maximum number the individual land parcels—30 acres—will support, Net ncomes from the sale of beef and milk production are increasing 50 percent. At the cooperative visited, the training is being made available to its 34 members in three separate stages. In the first stage 14 farmers received credits totaling $134,000 in 2 weeks of training at the agricultural extension school. In the second and third stages, the remaining 20 farmers are receiving training and credits totaling $178,000.

Mr. CONTE. What action has been taken on the applications by Bahamas and Guyana to join the Bank?

Mr. BUSHNELL. In order for the Bahamas and Guyana to become eligible for membership in the Bank it is necessary to amend the IDB charter; approval of such an amendment requires the favorable votes of at least 16 members representing 75 percent of the voting power. As of January 31, 1976, 13 members representing 31 percent of the vote had registered their affirmative votes with the Bank. As soon as the United States which represents 40.2 percent of the vote and at least 2 other members having 3.8 percent of the vote approve the charter amendment, the Bahamas and Guyana will be eligible for membership.

Mr. CONTE. To date, how much of the cumulative ordinary capital loan commitments have been disbursed?

Mr. BUSHNELL. As of December 31, 1975, $2,167.3 million or 55 percent of the funds committed from ordinary capital resources had been disbursed.

Mr. CONTE. Since the latest replenishment of the IDB, has the U.S. share decreased?

Mr. BUSHNELL. Yes it has. The U.S. share of the new resources which will be made available to the IDB during the 1976–79 replenishment period would be 30 percent compared with the 48 percent U.S. share during the last replenishment initiated in 1970.

Mr. CONTE. What would be the effect of an undersubscription of the U.S. share?

Mr. BUSHNELL. A U.S. undersubscription to the proposed replenishment of the capital resources of the bank would cause serious problems. In fact, a reduction in the U.S. share could result in jeopardizing the replenishment.

The proposed amendments to the bank charter and the general rules for admission of nonregional members provide that the voting power of the United States may not drop below 34.5 percent. To implement this principle, article VIII, section 4(b) of the charter specifically provides that no increase in the subscription of any member can become effective and any right to subscribe is waived which would have the effect of reducing the voting power of the United States below 34.5 percent. Since, according to our calculations, if the capital replenishment proceeds as planned and if the 12 nonregional signatories of the Declaration of Madrid take up the stock allocated to them, the U.S. voting power would, as of December 31, 1979, drop

to approximately 35 percent, any substantial reduction in U.S. contributions would, in the absence of a waiver by the United States of its minimum voting percentage, put a halt to the subscriptions of other members.

Moreover, because of the terms of the proposed capital replenishment arrangements, a substantial reduction in our share would prevent the subscriptions of other member countries from becoming effective. Under the proposed Board of Governors resolution, the obligation of each member to subscribe to each of the three installments of callable capital only becomes effective when there have been subscriptions to at least 75 percent of the proposed total of the respective installment. With regard to paid-in capital, members become liable for payment of the second and third installment only upon payment of not less than 75 percent of the total obligation of the members due for the first and second installment, respectively.

Finally, it must also be pointed out that if the United States decided to reduce substantially its share and waive its rights under the Charter to a minimum 34.5 percent of the total voting power, its loss of voting power would be permanent unless other countries subsequently agreed to waive their preemptive rights.

Mr. CONTE. Did the United States participate and fully concur in the decision to replenish the FSO?

Mr. BUSHNELL. The United States was a leading participant in the negotiations concerning the replenishment of the IDB's resources, and we fully supported the decision to replenish the FSO because we were able to secure agreement on a formula which insured greater burden-sharing among the Bank's members as well as greater participation by nonregional countries in financing Latin American development. Not only are the Latin American member countries providing a larger share of FSO resources in this replenishment compared to the last one but Argentina, Brazil, Mexico, Venezuela, and Trinidad and Tobago have agreed to make portions of their FSO contributions convertible. This shift toward effective donor status by these Latin American countries was one of our principal objectives in the negotiations. In addition, the contributions pledged by the 12 nonregional prospective members to the FSO represent the successful realization of a U.S. objective to increase the involvement of nations outside the Western Hemisphere in financing development in Latin America.

INTERNATIONAL FINANCE CORPORATION

Mr. CONTE. Why is such a large replenishment needed now?

Mr. BUSHNELL. First of all, it is necessary to reestablish the balance in support for the public and private sectors that was contemplated when IFC was founded in 1956. Since that time lending to the public sector through the international development organizations and bilateral aid programs has increased very rapidly. We need to reaffirm our commitment to private enterprise as the most efficient method of economic development by a significant input of resources to the IFC as the one multilateral institution that concentrates almost exclusively on the private sectors. Given the total flow of resources through the World Bank Group, this proposed replenishment is really quite small. Second, IFC investments are extremely effective in mobilizing private

capital—$4 for every $1 IFC puts in. Third, with a large capital increase the Corporation will have sufficient resources to take the risks involved in being more innovative, both in the nature of projects in which it is involved, and in countries where private enterprise has not historically flourished. Fourth, the scale of large projects, particularly for mineral projects, has increased enormously. This is an area where we believe IFC has a key role as a neutral intermediary between the host country and private investors, assuring a degree of fairer treatment for both. If the Corporation is to combine prudent diversification with a significant role in these projects it needs a substantial endowment of capital.

Finally, the endowment of resources should keep the organization going for a long time—5 to 8 years.

Mr. CONTE. The justification states that the U.S. share would be reduced from 32 percent to 25 percent if other countries took up their shares. How many will? What would happen if they did not?

Mr. BUSHNELL. At present, IFC expects most countries will take up their shares. There is, of course, always the possibility that some countries, where support for the private sector is not strong, might not take up their shares. In that event, our share might rise to 26 percent or 27 percent.

If a significant number of countries do not subscribe, we have a certain degree of protection in the fact that we will subscribe initially only to 40 percent of our quota with payments stretched over a 5-year period beginning August 1, 1977. If it appeared that our final share would be 32 percent or more again, then we could reduce our final payments.

Mr. CONTE. Have the U.S. negotiators given the corporation the required commitment to pay for not less than 40 percent of their total subscription?

Mr. BUSHNELL. The U.S. negotiators have not given the IFC the required commitment to pay for not less than 40 percent of our total subscription. The executive branch feels that such a commitment cannot be given until the U.S. Congress has approved authorization legislation and voted an appropriation of $45 million, or 40 percent of the total U.S. subscription, for the increase. When this appropriation has been approved, the executive branch will subscribe to the capital increase.

Mr. CONTE. How long would it be before we were again requested to replenish?

Mr. BUSHNELL. If the proposed increase is approved, IFC will not need another replenishment for 5 to 8 years. The timing will depend on the demand for IFC funds which is a function of private sector investment decisions that cannot be projected into the future with much accuracy.

Mr. CONTE. What type of oversight does IFC have over its projects?

Mr. BUSHNELL. IFC's oversight process is very thorough. An internal management review is made periodically of each IFC envestment. IFC periodically visits the enterprise in which it has invested and receives regular progress reports together with information on factors materially affecting, or likely to affect, the company's business. It also requires annual financial statements audited by independent public accountants. Two IFC offices supervise each

investment: the Office of Portfolio Supervision and the Investment Office which initially appraised the project and has continuing responsibility for it.

While IFC does not participate in the management of enterprises in which it invests, it frequently consults with these companies' managements and with its coinvestors and is thus able to direct attention to problem areas identified by its supervision.

IFC's oversight begins with careful selection of projects and screening of sponsors. In the process of evaluation, IFC examines the company's plans for acquisition of goods and services. IFC takes particular care to insure that the procurement methods are sound and that the capital costs are reasonable, with due attention to scale and efficiency of plant operation. IFC will not finance a project unless it believes its plans are economically, financially, and technically sound.

IFC continues to supervise after the initial appraisal and any departure from agreed arrangements requires IFC's permission under the loan agreements. In case serious violations of loan covenants occur, IFC has the right to call for prepayment of loans. IFC also insists on the sponsors taking the primary responsibility for raising financing for cost overruns. Since IFC never finances a company which is entirely owned by suppliers of goods and services, there is an incentive to control costs. The market is the ultimate protection as a project must stand up to competition.

Mr. CONTE. I noticed in going through the financial documents that loans have gone to local branches of large multinational corporations and fairly wealthy countries like Iran. What criteria do you use?

Mr. BUSHNELL. There are two overriding criteria in selecting IFC projects: the promise of a reasonable rate of return; and the benefits to the host country economy. Other specific criteria include: nonavailability of alternative financing, a sound financial plan, local participation, a substantial stake in the project by the sponsor, a market for the company's product, sound management, and acceptance by the host government of the project.

IFC operates in countries where its criteria are met by private sponsors. Essentially, the market demand determines where IFC will operate most of the time. In a small but increasing number of cases IFC will locate private sponsors and put projects together. Of course, IFC does adhere to such sound management principles as to insure sufficient diversification within its portfolio.

Within these criteria, IFC has not emphasized the wealthy LDC's but rather the middle range of developing countries. As of the end of fiscal year 1975, IFC had made only 10.5 percent of its total commitments in countries with a per capita income of more than $1,000 per year, while it had also made 11.5 percent of its commitments in most-seriously affected (MSA) poorer countries such as Pakistan and Ethiopia. IFC's operations have tended to gravitate toward such middle-income LDC's as Brazil, Korea, the Philippines, and Mexico where industrialization is well underway and government attitudes toward private investment are favorable.

While large multinational corporations are involved in some IFC projects, many IFC projects involve no foreign private investment and others involve only investors from other LDC's who would not normally be classified as multinationals. For fiscal year 1975, for example, 12 of IFC's 33 projects involved enterprises which were wholly

locally owned. There were also four joint ventures between investors in several developing countries such as a $2.6 million packaging plant in Zambia with a Pakistani partner. In short, IFC does work with multinationals where their participation is beneficial to the host country, but IFC devotes most of its efforts to local LDC investors.

BILATERAL AND MULTILATERAL AID

Mr. CONTE. Last year I attempted to explore the area of multilateral and bilateral aid compatability. I would like to go into that a little more. How do the aid programs you are involved with complement our bilateral programs?

Mr. BUSHNELL. Our bilateral aid program is operated in close cooperation with multilateral institutions through interchanges between AID and the development banks and participation in consultative groups. We do bilaterally what we are best prepared to do, and the multilateral institutions do what they are best prepared to do.

The international development banks in which the United States has membership are well-run institutions with excellent records in supporting economic development through the provision of technical and economic expertise as well as through the financing of top-priority development projects. The nonpolitical nature of these institutions as well as their expert staff from more than 100 countries enhance the acceptance of objective economic advice by borrowing countries. Thus U.S. support of these institutions complements our bilateral aid efforts which are essential for supporting our security objectives and other specific U.S. goals.

Mr. CONTE. Does having a mix of multilateral and bilateral aid permit a more efficient allocation of resources or accomplish anything that one or the other alone could not do?

Mr. BUSHNELL. In addition to a general division of labor according to what the multilateral banks and AID is best prepared to do, there are some important additional advantages to such a mix. The multilateral development banks use their expertise and reputation for objectivity to influence the economic policies of borrowing countries to straightforwardly encourage the critical self-help measures which developing nation's need to adopt. This enables the United States to support these constructive measures while lowering our direct involvement in such sensitive internal affairs of borrowing countries. Bilateral assistance allows us to focus more directly on our political relationships with other nations where our security or other vital national interests are involved. Consequently, a mix of multilateral and bilateral aid best serves the international economic and political interests of the United States.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. CONTE. What is the current share of the IDA replenishment borne by the United States? What are the other donors and their shares?

Mr. BUSHNELL. The U.S. share of the current IDA IV replenishment is 33 percent, down from 40 percent or higher in the first three replenishments. The following table gives the amounts and percentages of all donor contributions to IDA IV.

	Amount	Percent	Total
Resources to be provided			$4,501.30
Of which:			
Pt. I members			4,415.79
Australia	$90.00	2.0	
Austria	30.60	.7	
Belgium	76.50	1.7	
Canada	274.50	6.1	
Denmark	54.00	1.2	
Finland	25.20	.6	
France	253.55	5.6	
Germany	514.50	11.4	
Iceland	1.35	.1	
Ireland	7.50	.2	
Italy	181.35	4.0	
Japan	495.00	11.0	
Kuwait	27.00	.6	
Luxembourg	2.25	.1	
Netherlands	132.75	2.9	
New Zealand	11.74	.3	
Norway	49.50	1.1	
South Africa	9.00	.2	
Sweden	180.00	4.0	
United Kingdom	499.50	11.1	
United States	1,500.00	33.3	
Switzerland (nonmember)	66.18	1.5	66.18
Pt. II members			19.33
Israel	1.00	.1	
Spain	13.33	.3	
Yugoslavia	5.00	.1	

Mr. CONTE. I believe the U.S. contribution is made in the form of non-interest-bearing letters of credit which are drawn down only as needed to meet disbursements. Is this how the other nations contribute?

Mr. COOPER. Yes, most other countries make their IDA contributions in similar manner. Some other countries make their contributions in cash.

Mr. CONTE. How many disbursements have been made in fiscal year 1976 to date?

Mr. COOPER. As of the end of February 1976, $1,670 million had been disbursed in fiscal year 1976 on IBRD loans, $777 million on IDA credits and $152 million on IFC loans and investments. This compares with full fiscal year 1975 disbursements for IBRD of $1,995 million, for IDA of $1,025 million, and for IFC of $184 million.

Mr. CONTE. In going over the financial documents I find on appendix D that 41.97 percent of total effective and noneffective development credits went to India in 1975. The next largest recipient was Pakistan with only 6.33 percent. Now I think that here is where you run into problems with this committee. We decide not to have any program in India yet we are funding one through this back door. Will you comment on that for me?

Mr. BUSHNELL. It is correct that we have no bilateral economic aid program in India at present although we do furnish Public Law 480 assistance. India is an incredibly poor country, and we feel that it is appropriate for India to receive this food aid and assistance from IDA, both technical and financial, in support of its top priority development projects.

Continued support from other countries for IDA lending to India relates in large part to the acute poverty of most of India's 600 million people in a country which has a per capita income of $130. The rationale for such a large share of its resources going to India is that it has by far the largest population of IDA's eligible borrowers.

Moreover, on a per capita basis, India received loans of about one dollar per person last year, less than all other IDA borrowers with the single exception of Pakistan which borrowed slightly less per person.

Mr. CONTE. Could you estimate how much of the money that goes through IDA to less-developed countries returns to the United States through import purchases?

Mr. BUSHNELL. The percentage of goods and services purchased in the United States by IDA since its inception has been 16.9 percent. Thus we can expect about half of our contribution to IDA's fourth replenishment, for which our share is 33 percent, to be spent on U.S. goods and services.

BILATERAL VS. MULTILATERAL ELIGIBILITY

Mr. CONTE. What countries which receive multilateral aid would not, for political or other reasons, receive bilateral economic aid from the United States?

Mr. BUSHNELL. There are a number of countries which did not receive bilateral U.S. economic aid in fiscal year 1975 but did receive loans from the IFI's including Finland, Ireland, Greece, Papua New Guinea, the Peoples Democratic Republic of Yemen, Romania, and Yugoslavia. Some of these countries may receive U.S. assistance in fiscal year 1976 or fiscal year 1977, that is, Greece. Some countries, that is, Finland, Iceland, and Ireland, have subsequently been phased out of IFI loan eligibility.

MULTILATERAL AID TO THE POOR

Mr. CONTE. How much of the multilateral assistance actually gets to the relief of the poorer people in the nations reserving it? This is a difficult question to answer with precision, particularly since many of the large infrastructure projects—in electric power, irrigation, and urban water supply benefit the poor industry.

Mr. BUSHNELL. As I said in my testimony, there is clear evidence that in all of the international development banks increasing attention is being given to, and a greater volume of loans are being made for, the direct benefit of the urban and rural poor. Concessional assistance is being directed increasingly to the poorest countries and to lower income groups in all borrowing countries. In recent years the banks have placed greater emphasis on agriculture, the family farm, and cooperatives, with increasing emphasis on reaching low income farmers.

It should be noted that low income groups benefit indirectly from many of the large infrastructure projects, such as irrigation, electric power, and water supply.

The World Bank and the International Development Association (IDA) are encouraging primarily those high priority projects which will have an impact on the poorest 40 percent of a country's population; they are giving increased emphasis to agricultural and integrated rural development projects which have an impact mainly on lower income groups. Recently almost half of IDA's loans have been in this sector. A typical example is a recent rural development project in Niger which involves an integrated approach to the poverty problem. The IDA, has also made loans for the drought-stricken Sahel region of Africa, where the per capita income of beneficiaries is extremely low.

The IDB has done a considerable amount of lending to benefit the poor directly. Lending in the agricultured sector, which is primarily for low-income groups, totalled about $2 billion, almost 23 percent of total IDB lending through 1975. Between a quarter and perhaps as much as a third of the Bank's total commitments for agriculture have benefited small farmer cooperatives and other types of small farmer groups. Also, the IDB has helped improve living standards of low-income sectors in Latin America's cities through loans totaling more than $1.2 billion for water and sewerage systems, housing, and urban renewal.

Similarly, the ADB has been paying increasing attention to the social impact of its operations. In 1975, loans were approved to help create employment opportunities and to increase the income of the rural population, as in the Fisheries Development project in Thailand and the Agricultural Credit project in Bangladesh. Bank lending for agriculture and agro-industry, much of which benefits the small farmer directly, was over 37 percent of total ADB/ADF lending in 1975 versus 24.5 percent in 1974. A good example of ADB lending for the rural poor is the 1975 loan for the Pulangui River Irrigation project in the Philippines. This project included the improvement of the land tenure system and other farm services including credit, fertilizer, and other farm inputs for small landholders.

Many of the same concerns are also being addressed by the ADB in other sectors for the first time. For example, in 1975 the ADB provided financial and technical assistance for the Bandung Urban Development and Sanitation project, which included water supply, housing, sanitation, and health clinics. This project, together with other water supply projects are now a part of the ADB's efforts to increase the direct impact of its operations on lower income groups in the urban areas.

COMPETITIVE BIDDING IN WORLD BANK

Mr. CONTE. Is open competitive bidding required in World Bank projects?

Mr. BUSHNELL. Yes; and the strictly competitive practices required by the IBRD and IDA have served as a model for guidelines used by other assistance donors as well as by the developing countries themselves which have widely adopted the World Bank's international competitive bidding procedures for their general procurement of goods and services.

IFI INVESTMENT IN THE UNITED STATES

Mr. CONTE. How much do the IFI's have in investments in the United States? What kinds of investments are these?

Mr. BUSHNELL. As of December 31, 1975, the International Development Banks had long-term investment in the United States of $737 million, and over $5 billion of short-term investments. Long-term investments are defined as those securities issued with an original maturity of more than 1 year and are mainly long-term U.S. Government securities. Short-term investments are those issued with an original maturity of less than 1 year and include Treasury bills, bank certificates of deposits, bankers acceptances, commercial paper, and other money market instruments.

The development banks borrow long-term capital in our capital market for their lending programs, but for liquidity purposes also hold large amounts in short-term investments in the United States. The World Bank and Asian Development Bank are in fact net lenders to the U.S. capital market.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. CONTE. What is being done to increase the American share of development bank-financed procurement of equipment, and so forth?

Mr. BUSHNELL. We have intensified efforts in the last year to obtain a larger share of procurement in all the development banks. A consultant investigated ways to increase U.S. procurement in Asian Bank projects and will issue a final report shortly. During the past 9 months, Treasury has had on loan from the State Department a senior Foreign Service officer who is preparing an in-depth study on increasing U.S. business interest in IFI-financed procurements.

Our main emphasis in increasing American share has been in the area of better communication to the business community of potential opportunitites arising from development bank-financed projects. Some of the measures thus far undertaken include:

Increased personal contact between our executive directors at the banks and interested U.S. businessmen with a view to putting these businessmen in contact with the proper people at the banks.

Speeches and presentations by Treasury officials to business groups and trade associations;

The publication and distribution of a booklet by Treasury, "Export Opportunities for American Business Through the International Development Banks";

Attendance and participation of Treasury representatives at the annual action conferences of the International Engineering and Construction Industries Council which concentrates on the need to increase the exports of U.S. engineering and construction services;

Attendance and participation by Treasury officials at State and Commerce Department-sponsored commercial officers' conferences which bring together commercial officers from all over the world to discuss ways of improving U.S. business opportunities abroad and problems involved in doing so;

Membership of a Treasury representative in an intergovernmental working group which serves as a focal point in the bureaucracy to deal with the needs of the engineering and construction sector in improving their share of foreign business; and

Continuing contact and information sharing with other Government entities involved in improving U.S. business opportunities abroad, particularly the Departments of Commerce and State.

Mr. CONTE. Will hesitation on the part of the United States to pay its full committed share have a negative influence on participation by OPEC nations?

Mr. BUSHNELL. Without doubt, even a token reduction in the amount the United States is committed to provide this year would have a seriously adverse effect on the potential new OPEC country donors which we are actively encouraging to contribute to the fifth replenishment. Beyond that, it would raise critical doubts in the minds of the traditional industrialized donor countries which have

been honoring their commitments to the current fourth replenishment.

Mr. CONTE. Has the Bank made any specific progress in achieving a more equitable income distribution in recipient countries?

Mr. COOPER. As you know, the poorest members of the population in the Bank's and IDA's borrowing countries live in rural areas. As a result the Bank has pioneered in developing rural development projects with a focus on providing direct benefits to the rural poor. A typical project combines components from several different sectors—roads, electricity, water, education, family planning, and nutrition—and integrates these with agricultural inputs into a development package to be applied to an entire region. As an example, two credits totaling $44 million were approved a year or so ago for dairy development in India. Their objective is to increase the cash incomes and living standards of some 400,000 households—2.2 million individuals—the majority of whom currently have holdings less than two hectares, or are landless. The projects are expected to boost milk production by 760,000 tons a year, substantially improving nutrition, creating 14,000 new jobs, and yielding a return of some 30 percent.

Though these rural development projects are innovative, they are designed to provide a substantial economic rate of return at a low investment per individual served so that they can be readily extended to other areas as additional resources become available. By increasing the production and living standards of the poorest groups, projects of this nature can have a marked effect in achieving a more equitable distribution of income. Their impact, of course, will only be felt gradually, but the effort is being given priority attention.

Mr. CONTE. How much do you allocate to agricultural development and how much to vocational training projects?

Mr. COOPER. In fiscal year 1975, the Bank and IDA committed a total of $5.8 billion. Of this amount, $1.9 billion was for agricultural development projects, and $224 million for education. Approximately 70 percent of the education projects embodied a major emphasis on vocational training.

Mr. CONTE. Last year you provided a list of countries who had received IDA credits but had risen to a level which no longer made them eligible. Have any new nations joined that list?

Mr. BUSHNELL. Of the 66 countries which have received IDA credits to date, the 18 countries named last year have graduated out of IDA eligibility. Although no countries have been added to this list during the past year, we expect additional countries to reach per capita income levels which would lead to their graduation from IDA borrowing eligibility over the next few years.

Mr. CONTE. Does our participation in this apolitical institution help our relations with the developing countries?

Mr. BUSHNELL. I firmly believe that our relations with the developing countries are well served by our continued support for IDA. Countries which borrow IDA funds are quite aware that we are by far the largest contributor of IDA's resources, even though our share is gradually declining as other donors increase their contributions. Therefore, with respect to our relations with developing countries, strong U.S. support of IDA has the same positive impact as does our bilateral assistance. IDA's apolitical nature enhances the institution's excellent reputation for sticking to technical and economic

criteria on the identification, preparation and supervision of IDA projects.

Mr. CONTE. As I understand it, the fourth IDA replenishment was negotiated in 1973 by 26 donor countries. Have they all lived up to their respective commitments?

What will be the effect if we do not live up to our pledge to appropriate $375 million for the next 4 years?

Mr. COOPER. Yes, all of the other donors but one (Italy) have lived up to their pledges under the IDA IV agreement reached in 1973. If the United States does not fulfill its pledge to contribute $375 million per year to IDA over 4 years, a serious question will arise as to whether it will be legally possible for IDA to continue to call upon contributions of other donors, and IDA could be faced with a cessation of operations. It is critical, therefore, in order that this assistance to the world's poorest inhabitants continue, that the fiscal year 1977 request before you be fully appropriated.

Mr. CONTE. There was some controversy over a recent World Bank loan to Chile. Do you expect any other loan proposals to that country in the near future?

Mr. COOPER. In making the recent loan to Chile for improvement of capacity utilization in the copper sector, the Bank was aware of criticisms of the economic performance of Chile's present Government, and of accusations of political oppression. On the latter point, the Bank was governed in its action by article IV, section 10 of its articles of agreement which states that "The Bank shall * * * (not) be influenced * * * by the political character of the member or members concerned. Only economic considerations shall be relevant to (its) decisions * * *."

The Bank's assessment is that Chilean economic policy is not inappropriate and that Chile is creditworthy. Its report indicates although Chile has not recovered from the twin problems of an overheated economy in the early 1970's and the collapse of copper prices in 1975, the deterioration of the economic situation has been halted. The Bank's report emphasizes the lack of foreign exchange as the main factor depressing the Chilean economy and as the major problem faced in trying to improve the unemployment problem, which is causing so much in the way of social and economic hardship. The worldwide break in the copper market is the chief factor in the decline of the country's foreign exchange revenues but this market is expected to improve during the course of the year.

The Bank is currently undertaking preliminary steps for appraisal of a loan for agricultural credit and one for power rehabilitation. The timing of presentation of these projects to the Bank's Board of Directors is unclear.

Mr. CONTE. What are the prospects for World Bank lending to Indochina?

Mr. COOPER. Cambodia, South Vietnam, and Laos are members of the World Bank, and are thus, in principle, eligible to apply for Bank loans and IDA credits. Neither the Bank nor IDA has ever made loans to any of these countries. Future Bank and IDA activities in these countries would depend upon the expressed wish of the concerned government for the cooperation and assistance of the Bank, as well as the willingness of the government to abide by the conditions

which the Bank places upon its loans. It is far from clear whether these countries will be willing to grant to the Bank the necessary access to information and the necessary freedom of entry and movement in their countries. Members are expected to provide full information and data on their economy and to give freedom of access to project sites and project information to consultants and contractors of any nationality of Bank member countries. A standard provision is included in all the loan agreements which is designed to insure that the Bank's representatives have all reasonable opportunities to visit the project site and examine relevant records and documents. This enables the Bank to follow its standard practice to dispatch to borrowing countries periodic missions to review ongoing Bank projects to insure their effective implementation in accordance with agreed arrangements. The Bank must be given the opportunity to evaluate projects after completion.

If the governments of these countries decided to request Bank/IDA assistance, and a project loan/credit proposal was developed and recommended by the President of the Bank, such a loan/credit would be subject to the approval of the Board of Executive Directors. If the Directors representing a majority of the total voting power opposed such loans/credits, they would not be approved.

Mr. CONTE. Could you bring us up to date on the negotiations now underway to the fifth replenishment of IDA. The last meeting came shortly after this committee recommended a cut in IDA appropriations. What effect did that have on our European allies and Japan?

Mr. COOPER. Two international meetings have been held to discuss the fifth replenishment of IDA. IDA management has recommended a substantial increase in real terms in IDA V compared with IDA IV. Some countries have expressed support for this position but most countries have not yet agreed either as to their share or to the total amount of the replenishment. I have represented the United States at these meetings, and I have made it clear that the U.S. Government can in no way even begin to discuss these issues until action on our first appropriations for IDA IV has been completed. I have indicated that the United States expects to participate in IDA V but, the United States has not been committed substantively in any way—neither for the total amount of the replenishment, the U.S. share, timing nor signup procedure.

At the recent IDA V replenishment meeting, in London in February, all the other countries' representatives were fully aware of the appropriations cut recommended by this committee. They were most concerned and expressed their clear expectation that the United States would be able to meet the full amount of its contribution share in the IDA IV replenishment.

Mr. CONTE. Since the United States cannot expect to be the world's breadbasket for much longer, shouldn't we support IDA's efforts to promote food production abroad? A brief survey of a few projects suggests IDA is making some progress.

Mr. BUSHNELL. The World Bank Group believes that increasing world food production is of primary importance, as demonstrated by the fact that more than 29.3 percent of total IDA lending, or almost $2.7 billion has gone to the agricultural sector. Lending totaled $498 million in 1975. This assistance to agriculture has several aspects.

Land ownership and reorganization has proved important for directly increasing small farm income, and for improved productivity. The largest component of Bank lending is in construction of infrastructure investments. Loans are also made to finance agricultural credit, fertilizer, extension services, and other elements designed to increase rural income and employment. Several loans have also been made to help develop improved seeds and finance the introduction of the new varieties. The anticipated increase in per capita farm income in various projects has been estimated to range from 40 percent to 1,200 percent which, in addition, aids in bringing people into the monetary sector. Finally, the beneficiaries of these projects will usually pay from 20 to 40 percent of their incremental income to pay for the improved seeds, infrastructure, et cetera.

UNITED KINGDOM-INDIA TRADE TIES

Mr. PASSMAN. It is my understanding that there are very close ties between India and the United Kingdom and that they have very strong trade agreements.

Is that true?

Mr. BUSHNELL. There are certainly very strong historical ties.

Mr. PASSMAN. I mean economic ties. We made the record that the trade agreements between India and the United Kingdom were very strong and that the United Kingdom has very profitable trade agreements selling and buying from India.

Mr. BUSHNELL. There is certainly a lot of trade; yes.

Mr. PASSMAN. It is my understanding that when they go before Parliament to justify their 12 percent they come on strong that they are the recipients, as you just verified for the record, so the 12 percent they put up they really get back in a hurry, do they not, on account of these strong trade ties?

Mr. BUSHNELL. In the case of India, they do. In the case of some other countries, we have close trade ties and the United States benefits.

Mr. PASSMAN. I am talking about the United Kingdom because they contribute 12 percent to IDA and it is my understanding they get theirs back almost immediately because of the strong trade ties they have with India. They are smart. You ought to look into these things. And they can justify their 12 percent. So they are the recipients.

In reality we are not.

Mr. Coughlin?

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

COST OF IFI'S TO TAXPAYER

It is always difficult for me to figure out the real exact cost of these institutions to the taxpayer. Let me pursue a line of questioning along that line if I might.

You stated on page 6 of your statement that the $296 million of callable capital will not likely require outlays of the Treasury.

Has the United States ever had to pay on any of its guarantees to the international financing institutions?

Mr. BUSHNELL. No, sir, we have never paid a cent.

Mr. COUGHLIN. And since they are on a concessional basis, some having a repayment term of 50 years, do you have any estimate of how many you might have to pay on guarantees?

Mr. BUSHNELL. Let me say all the 50-year loans are financed out of concessional fund. There is no callable capital for that. Callable capital applies only to the ordinary capital which is, by and large, lent to the more creditworthy countries.

Standing between the potential nonrepayment of the loans by these countries and a potential call on capital to meet the Bank's obligation to bondholders, we have first of all the reserves of the Banks because all of these Banks have been making money.

The Inter-American Development Bank made more than $50 million last year, the IBRD more than $275 million. They don't pay a dividend back to us but put that money into reserves that would be available should they have some bad loans. The IBRD also transfers part of its profits to IDA.

Then, of course, they have the paid-in capital which has already been provided which would give additional protection. So the protection is very strong, particularly when we consider that in the whole history of these Banks extending back to 1947 there have been fewer than six bad loans, in all the Banks together, on which the banks ever had to take any losses, and on none of these loans did they take a total loss. Most of these losses came about because in the early days there was some lending to the private sector without Government guarantees so that when there was a bad loan, the Banks had to write it off.

Mr. COUGHLIN. So you don't have any estimate or expectation of the $296 million ever resulting in a Treasury outlay?

Mr. BUSHNELL. That is right.

It is most unlikely that short of a sort of world catastrophe and change which would give us a great deal more problems than this that there would ever have to be any outlay from the Treasury on the callable capital of any of these Banks.

Mr. COUGHLIN. Of the $734 million which will require Treasury outlays, those funds are monies that are lent to other countries on a concessional basis; is that correct?

Mr. BUSHNELL. The majority of the funds are contributed on a concessional basis. Some of the funds are for the paid-in portion of the ordinary capital of the ADB and IDB. In that case they are lent out as nonconcessional funds.

But the great bulk of those funds are concessional funds.

Mr. COUGHLIN. Technically, once the Banks get them, those funds are all repayable in the long run to the Bank?

Mr. BUSHNELL. Yes.

Only on disbandment, breaking up of the Bank, or the payment of a dividend would we get any of that back.

Mr. COUGHLIN. Have you had to extend or would that come back to us?

Mr. BUSHNELL. That would technically come back to us. The balance sheets of the Banks are healthy balance sheets. The money is there. It has not been our choice to ask for the money but, if in the long run this exercise is successful and the development of the poorer countries is successful, then potentially that money would come back to the United States.

Mr. COUGHLIN. So then the real cost to the taxpayer really, since they don't pay any dividends or anything like that, is the interest on the $734 million?

Mr. BUSHNELL. That is correct.

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OPEC CO-FINANCING

Mr. COUGHLIN. One other line of questioning, Mr. Chairman, and it follows Mr. Shriver's line of questioning.

On page 12 you indicated that some of the OPEC countries paid part of the financing burden. Which OPEC countries do this?

Mr. BUSHNELL. We have indicated here that there is a good deal of parallel financing, and there is a table attached as Annex 5 which lists over a billion dollars of credits from various OPEC countries, made in connection with credits from the institutions themselves.

At the moment Kuwait is the only OPEC member which contributes to IDA but other OPEC countries are participating in the discussions on the next replenishment——

Mr. COUGHLIN. Only Kuwait is actually participating in that?

Mr. BUSHNELL. Participating in IDA to date. In the Inter-American Bank in the last replenishment the Venezuelans have agreed to a very large contribution to the replenishment and in addition have established a half-billion-dollar trust fund to be administered by the bank in connection with its other operations.

Mr. COUGHLIN. Are Kuwait and Venezuela the only two countries that contribute directly to any of the international banks?

Mr. BUSHNELL. Up to this point, that is correct, keeping in mind that IDA IV negotiations were concluded before the OPEC price increase and IDA V negotiations have not yet been concluded.

A number of these, particularly Saudi Arabia, have in effect assisted IDA and the World Bank by doing parallel funding instead of contributing. Instead of putting their money into the same pot, they finance separate discrete parts of the same project.

Mr. COUGHLIN. Cofinancing specific projects?

MR. BUSHNELL. Yes, as indicated in annex 5.

Mr. COOPER. And also a number of the OPEC countries have purchased the bonds of the World Bank and so forth which is a kind of financing——

Mr. PASSMAN. At 2 percent.

Mr. COPPER. No, no; at the normal interest rates. I don't consider it charity.

On the other hand, it is a helpful financial measure.

Mr. COUGHLIN. Finally, Mr. Chairman, on page 3 of Mr. Cooper's statement is the comment that 40 percent of the IDA lending is for agriculture and about 30 percent for infrastructure loans, and then what is the balance, the 30 percent used for?

Mr. COOPER. For such things as education, telecommunications, population programs, et cetera.

Mr. COUGHLIN. Are these grants or loans?

Mr. COOPER. They are all IDA credits, 50-year terms, 10 years' grace, three-quarters of a percent service charge.

Mr. COUGHLIN. Thank you, Mr. Chairman. That is all I have.

Mr. PASSMAN. Thank you.

I think we have our experts from the State Department and Treasury and so on. Did any of you gentlemen read this subcommittee's March 1, 1976, report?

Mr. COOPER. Yes, sir.

Mr. PASSMAN. Do you know how many nations we furnish foreign aid to?

Mr. BUSHNELL. It is a large number.

Mr. PASSMAN. Do you know the total number we have given foreign aid to?

Mr. COOPER. No, sir.

Mr. PASSMAN. What part of the report did you read?

Mr. COOPER. I read the whole report but when the numbers get as large as that I sometimes have a hard time remembering.

Mr. PASSMAN. Would you like to have your memory refreshed?

Mr. COOPER. Yes, sir.

Mr. PASSMAN. You only have 151 nations in the world, haven't you?

Mr. BUSHNELL. I haven't added it up recently.

Mr. PASSMAN. We moved this program into 134 nations of the world. Isn't that all the proof you need that this thing is out from under control and needs to be brought under control? Do you know the net amount foreign aid has cost us?

Mr. COOPER. No, sir.

Mr. PASSMAN. The total foreign aid since inception of the program in 1946 is $447,297,100,000.

Mr. Bevill?

ASIAN DEVELOPMENT BANK COORDINATION BETWEEN IFI'S

Mr. BEVILL. What kind of communication and coordination goes on between your bank and the other international lending institutions?

Mr. BUSHNELL. The ADB maintains regular communications with the other international lending institutions through the exchange of documents including economic reports, project loan documents, and policy papers, staff visits, and consultations between senior IFI officials at the IBRD–IMF annual meetings. The ADB and IBRD also cofinance development projects and work together in various aid coordination meetings sponsored by the World Bank for borrowing countries such as Korea, Thailand, and the Philippines.

BILATERAL DONATIONS

Mr. BEVILL. In gathering contributions for your special funds, why have you preferred to use bilateral arrangements rather than the multilateral arrangements employed by other international lending institutions?

Mr. BUSHNELL. When the ADB was established in 1966, it was recognized that it would have to provide financing on concessional terms to meet the needs of its poorest member countries. The ADB charter therefore authorized the Bank to accept contributions of special funds. These special funds were donated on an unscheduled basis through bilateral arrangements made by the Bank with donor countries. However, in 1973, the ADB's Board of Governors, with U.S. support, adopted a resolution creating a new multilateral special fund, the Asian Development Fund, to which all contributions would be made and used on the same terms and conditions. Most countries which had established special funds to be administered by the ADB have transferred those resources to the ADF. We believe that multilateral burden sharing arrangements are the best way to raise funds for the soft lending operations of the development banks. But I

am concerned that we are falling behind in contributing our reduced share and thus calling into question the viability of such multilateral arrangements.

U.S. SHARE OF REPLENISHMENT

Mr. BEVILL. You state that plans are underway for a multilateral replenishment, with non-U.S. contributions expected to be $600 million. While a decision on the size of the U.S. contribution has not been concluded, can you give us a general idea of how large it will mostly likely be?

Mr. BUSHNELL. Although no final decision has been taken in the executive branch on the amount to be requested, I do not believe we will seek the $231 million suggested for the U.S. contribution in the ADB Governors resolution. However, I do anticipate that we will want to contribute somewhat more than the $150 million authorized as the U.S. contribution to the original ADF resource mobilization.

INTER-AMERICAN DEVELOPMENT BANK ECONOMIC EFFECT ON BORROWING

Mr. BEVILL. How has the worldwide economic situation affected the ease of your borrowing?

How much of your borrowing is done within the United States?

Mr. PORGES. The present world economic situation has had an impact on the ease of the Inter-American Development Bank's (IDB) borrowing in the capital markets of the developed countries. Thus, the Bank experienced great difficulty in raising funds through new bond issues in the 1973–74 period which saw the succession of a series of major developments ranging from a world boom in production and commodity prices, an intensification of inflationary pressures, the sharp increase in oil prices, and the application of restrictive monetary policies that led to the surge of a broad spectrum of interest rates to historic highs in 1974 and early 1975. In most capital markets, including the United States, the Bank did not enter because of very high medium- and long-term interest rates during these years. In other markets, central banks and finance ministries limited the payment of interest on foreign deposits, required borrowers to convert the proceeds of foreign issues made in their markets, and adopted other restrictions and regulations on the borrowing activities of nonnationals. For example, the Bank placed long-term borrowings equivalent to only $65 million in 1974, compared with $131 million and $141 million raised respectively in 1973 and 1972. The low volume of funds raised in these years reflected both the difficulties of access to the markets and an unfavorable structure of interest rates.

In 1975 and thus far in 1976 the international financial markets improved somewhat. Encouraging trends were evident in that both interest rates and inflation receded below the peaks reached in 1974. But the persistence of still high inflation rates, coupled with large deficit financing on both budgetary and balance-of-payments accounts, made the task of the Bank's raising resources in the financial markets difficult. Nevertheless, the Bank was able to borrow $310 million on a long-term basis in 1975 and has thus far raised over $200 million in 1976. If capital market conditions continue to improve and inflationary pressures continue to decline, the Bank expects to benefit from easier access to the capital markets.

As of February 29, 1976, IDB outstanding long-term bond issues placed in the international markets amounted to $1.8 billion, of which about half was borrowed in 14 nonmember countries, Europe and Japan mainly, while slightly more than two-fifths was borrowed in the United States. About $130 million has been raised in Latin America.

NONREGIONAL CONTRIBUTION

Mr. BEVILL. How much do you expect the initial contributions of the nonregional countries to ordinary capital to total? Have these countries given indications that they will increase their capital contributions in the future?

Mr. BUSHNELL. The 12 prospective nonregional members have pledged to subscribe $373 million to the Bank's ordinary capital. These countries have made no formal declaration of their intentions to increase their capital subscriptions in the future. However, they have indicated that as members of the Bank they would accept the principal of participating in future replenishments which are mutually agreed among the members. I should also like to point out that the United States secured agreements from the nonregional countries on an amendment to the IDB's charter. This would permit, with the approval of the Board of Governors, the Bank or any member to exclude from procurement connected with Bank loans those members which do not participate in future replenishments under the terms and conditions specified by the Board of Governors. This provision is expected to provide an incentive for all members to participate in future replishments.

Mr. BEVILL. What problems have you had with default and delinquency on your loans?

Mr. BUSHNELL. The IDB has had few problems with either defaulted or delinquent loans. Only $1.8 million on two loans to the same borrower have been written off as uncollectable since the Bank's founding in 1959. These two loans were to an Argentine private enterprise which defaulted in 1966. In the foreclosure proceedings the Bank received $954,000 out of a total $2.8 million outstanding. The balance of $1.8 million was charged against the general reserves of the Bank's ordinary capital. A private enterprise in Brazil also defaulted on two loans in 1966. The foreclosure, however, has provided the Bank with sufficient assets to cover the payments of principal and interest to date. It is expected that the full amount outstanding at the time of default—$8.2 million—will be recovered on schedule. The Bank does experience overdue payments from time to time but the delays are usually no longer than a few weeks and are generally the result of procedural and administrative problems in approving transmission of documents.

LOANS TO ARGENTINA, BRAZIL, AND MEXICO

Mr. BEVILL. Your statement says that "several large Latin American countries continue to require increased amounts of capital loans." What are these countries and why do they continue to have these requirements?

Mr. BUSHNELL. Argentina, Brazil, and Mexico have experienced considerable economic growth in recent years which has enabled them to shift their borrowing from the IDB's concessional funds to borrow-

ing ordinary capital on harder terms. These countries are developing rapidly, they have a high absorptive capacity for external resources and consequently, the size of their requirements for external capital is increasing.

The current replenishment, which is characterized by a shift in emphasis from the FSO to ordinary capital, takes these factors into account. As a result, the United States would provide 73 percent of its contribution in the form of capital subscriptions, compared with 45 percent in the 1970 replenishment. This will provide the backing for increased ordinary capital lending to the move advanced Latin countries. On their part, Argentina, Brazil, and Mexico have agreed to make convertible 25 percent of their FSO contributions and have agreed not to borrow convertible currencies from the FSO during the replenishment period. This shift away from concessional borrowing will make available more convertible resources for poorer members.

INTERNATIONAL FINANCE CORPORATION CAPITAL INCREASE

Mr. BEVILL. Quite a substantial increase in total capital is projected, from $110 million to $650 million. Why is such a large increase needed at this time?

Mr. BUSHNELL. First of all, it is necessary to reestablish the balance between channelling resources through the public and private sectors that was contemplated when IFC was founded in 1956. Since that time lending to the public sector through the international development organizations has increased very rapidly. We need to reaffirm our commitment to private enterprise as the most efficient method of economic development by a significant input of resources.

Second, IFC investments are extremely effective in mobilizing private capital—$4 for every $1 IFC puts in.

Third, with a large capital increase the corporation will have sufficient resources to take the risks involved in being more innovative, both in the nature of projects in which it is involved, and in countries where private enterprise has not historically flourished.

Fourth, the scale of large projects, particularly for mineral projects, has increased enormously. This is an area where we believe IFC has a key role as a neutral intermediary between the host country and private investors, assuring a degree of fairer treatment for both. If the corporation is to combine prudent diversification with a significant role in these projects it needs a substantial endowment of capital. Finally, the endowment of resources should keep the organization going for a long time—5 to 8 years.

FUNDING OF PRIVATE ENTERPRISE

Mr. BEVILL. What types of private enterprises are the chief recipients of IFC loans?

Mr. BUSHNELL. The majority of the recipients of IFC investments have been medium-sized enterprises, controlled by indigenous groups in the developing countries and with indigenous management. Net worth of the medium company was about $5 million. Approximately three enterprises out of four financed by IFC are controlled by domestic owners. Most—76 percent—of the enterprises assisted are engaged in manufacturing—for example, in iron and steel, paper and pulp

products, cement and construction materials, or chemicals. Development finance corporations and mining enterprises each accounted for another 9 percent of IFC's activities. The remaining projects—6 percent—were in tourism, utilities, and money and capital market activities.

NEW MEMBERS

Mr. BEVILL. $60 million of the replenishment would be to loans for new members. What new members do you expect?

Mr. BUSHNELL. Under the replenishment, $60 million in shares would be reserved for capital subscriptions by new members. The exact identity of possible new members is not known, except that World Bank membership is a prerequisite for IFC members. Of the 127 World Bank members, there are currently 23 countries which are not presently part of IFC's membership of 104. Presumably some of these 23 countries will desire IFC membership, in addition to any new countries joining the Bank. Two Bank members—Bangladesh and the United Arab Emirates—are currently in the process of joining IFC.

OTHER MEMBER SUBSCRIPTIONS

Mr. BEVILL. What have been the responses from other member governments to your request for increased subscriptions?

Mr. BUSHNELL. The capital increase proposal has received widespread support from other member governments. All of the major shareholders have supported the increase. LDC members have expressed support, a number of them publicly at the annual meeting of the World Bank last September and in other meetings. A meeting of the IFC Board of Directors representing all member countries is expected in April to approve formally the capital increase proposal.

One indication of the positive responses of other countries is the reduction of the U.S. share of IFC capital from its present 32 percent to about 25 percent after the capital increase. This reduction is possible because other countries are taking up a larger share. For example, the combined shares of Germany, Italy, and Japan rise from 8 percent to 13 percent, while the OPEC countries, plus Brazil, move up from 4 percent to 10 percent.

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA IV)

Mr. BEVILL. How long do you expect this latest replenishment to be able to accommodate IDA's lending program?

Mr. BUSHNELL. The current IDA IV replenishment was negotiated to provide IDA with commitment authority from July 1974 through June 1977.

IDA TERMS

Mr. BEVILL. What is the average length of your loans?

Mr. BUSHNELL. IDA credits have a maturity of 50 years including 10 years of grace.

OPEC CONTRIBUTIONS

Mr. BEVILL. According to appendix E of your justifications, some of the oil-rich countries are not contributing very much: For example, Iraq, .01%; Algeria, .05%; Iran, .06%; and Saudi Arabia, .04% of

total resources. What efforts are being made to persuade these countries to contribute more?

Mr. BUSHNELL. The United States is actively encouraging OPEC countries to make significant contributions to IDA's fifth replenishment for which international negotiations began last November. We reiterate the importance of such contributions in bilateral discussions, speeches delivered in international organizations, and in other forums such as the current North-South discussions.

AFRICAN DEVELOPMENT FUND PROPOSED PROJECTS

Mr. BEVILL. What projects do you have in mind for these funds in fiscal year 1977?

Mr. BUSHNELL. We intend to make the initial U.S. contribution of $15 million available to the Fund in equal installments of $5 million each in fiscal years 1976–78. The AFDF will make use of these funds, along with contributions from other donors, as needed to finance the lending program which is projected to amount to $385 million over the 1976–78 period. We do not have details on specific projects which will be financed during this period, but we do know that at the end of 1975 the Fund planned to concentrate its future lending in the agricultural transport sectors.

CONCESSIONAL LOANS

Mr. BEVILL. What is the advantage of the concessional loans to be made by this Fund as opposed to those made by other development funds, such as the International Development Association? Why should we put our money in yet another development fund?

Mr. BUSHNELL. While we recognize that African countries receive concessional loans from the IDA, we believe that we should also support the African Development Fund because it makes a unique contribution to African development. Our past experience with the Asian and Inter-American Bank leads us to believe that a smaller institution with a predominance of local citizens can do a better job of meeting certain requirements than the much larger, worldwide organization. The African countries concur in this belief, since the regional institution gives them more control over the course of their own development. Moreover, the work of AFDF and the World Bank/IDA in Africa are complementry. The World Bank concentrates on larger, more complex projects utilizing expertise gained from worldwide operations. The AFDF focuses on small-scale, basic projects and calls upon the firsthand knowledge and African expertise of its staff to meet problems unique to Africa.

U.S. CONTRIBUTION

Mr. BEVILL. With the $25 million requested as the total U.S. contribution, what percentage of the Fund's resources will be from U.S. contributions?

Mr. BUSHNELL. The U.S. percentage share of the Fund's total resources depend upon the amount of appropriated funds which the United States will make available to the Fund. The administration is proposing to request an amendment to the fiscal year 1976 budget

providing for appropriation of $15 million to the AFDF. Appropriation of the remaining $10 million of the $25 million contained in the authorizing legislation (H.R. 9721) will be requested at a later date.

Because the membership of the Fund and the size of its resources are continuing to increase, it is difficult to determine what proportion of total resources the initial U.S. contribution of $15 million would represent. The contributions of the donors totaled $152 million at the end of 1975; had the United States joined then we would have contributed a 9-percent share of total resources. But since then a new member has joined the Fund and other members have pledged additional resources for the 1976–78 period. If a calculation were made on the basis of these latest developments, the U.S. initial contribution would represent only 5.2 percent of the total. By the time we are able to commit the full $25 million to the Fund, the contributions of new members and increases in existing members' contributions will probably have reduced the U.S. share even further.

Mr. BEVILL. Than you, Mr. Chairman.

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

PROGRESS IN INDIA

Mr. LONG. Mr. Cooper, Mr. Shriver got us started on a pertinent question and I want to go into it a little more because it leads into some other questions I want to ask you.

I have already pointed out the rather sorry economic record in India and from data I gathered on my own. I have just been given an article by Ashok Mitra, former chief economic adviser to the Government of India, one of India's most distinguished economists, a fellow at Sussex University in England, who has compiled a devastating balance sheet of Indira Gandhi's 10 years as Prime Minister.

Mr. COOPER. I read that in review.

Mr. LONG. A negligible gain of income in that period, from 334 rupees to 337 rupees in constant purchasing power, industrial production having risen less than 3 percent a year compared with 8 percent in the decade before she took over; farm output only 1 percent a year.

These, generally speaking, pretty well conform to the data I had gathered:

This rural stagnation was achieved despite the fact that the high-yielding seeds of the so-called Green Revolution came into use soon after Gandhi took power. The "revolution" has been a success only in the Ludhiana district of the Punjab and a few other places.

Since her suspension of civil liberties last June, Gandhi has claimed she has launched a series of "reforms." Mitra says they are hollow.

Two-tenths of 1 percent redistribution of land, which is her big claim, two-tenths of 1 percent of India's land under cultivation.

The inflation has been rampant. Corruption is rampant.

He goes on to say that the proportion of population below the poverty line has grown over this decade.

Between mid-1972 and mid-1975, prices in India rose by some 80 percent; the burden of inflation is generally borne by the poor.

Over the 10-year period the compound rate of growth of farm output, despite the much-heralded green revolution, works out to barely 1 percent a year; industrial growth too has shrunk markedly—by two-thirds—compared with the preceding decade. Availability of food is lower per head than it was 10 years ago, and production of cotton textiles—a pivotal consumer item—has fallen absolutely.

[Her main international support, even for policies directed against the working class, continues to come from the Soviet Union.] If her current economic experiment proves a damp squib, as it well might, India would either be condemned to a continuation of the present state of quasi-stagnation—a grim prospect for a sixth of the human race poised at about the barest level of living—or its people would have to think in terms of extricating themselves from her clutches.

That, of course, is why she took over the dictatorship.

I want to put these two articles, one in the Post, and the other in the London Economist, in the record.

Mr. PASSMAN. You may insert them in the record at this point.

[The information follows:]

[From the Washington Post, Mar. 13, 1976]

POVERTY SAID TO GROW UNDER GANDHI

(By Bernard D. Nossiter)

FALMER, ENGLAND—Ashok Mitra, one of India's most distinguished economists and a fellow at Sussex University here, has compiled a devastating balance sheet of Indira Gandhi's 10-years as prime minister.

Gandhi, he says, has presided over a "quasi-stagnant" economy and transformed "India's bumbling democracy into a highly personalized, centralized, authoritarian machine." She has failed, Mitra calculates, to expand income per person, the single best economic indicator of well-being. But she has succeeded in enlarging the share of the nation falling below India's austere poverty line, from 48 percent under her father to 59 percent today.

Her current strategy, wooing multinational corporations with cheap and docile labor, is doomed to failure, Mitra believes. Foreign firms will not invest in india, he says, because Gandhi ruthlessly holds down the increases in mass purchasing power that might attract them.

Mitra, a 48-year-old Bengali, served as the government's chief economic adviser from 1970 to 1972. He has held other important government posts, as well as working for the United Nations and the World Bank's Development Institute.

In an interview at the Sussex faculty lounge, Mitra observed caustically that not everybody in India is discomfited by the regime.

"The industrialists are very happy, and the big farmers. They never had it so good. The socialist pretensions of the government have been dissolved."

Mitra has been using this academic year to finish his book on "terms of trade and class relations" and give a few lectures. He also wrote a brief and incisive article for the Economist of Jan. 24 that summarized his findings on India's economy.

He plans to go back to Calcutta next fall, despite the almost certain knowledge that his passport will be lifted. "It is very doubtful whether anybody will offer me a job," he said, but he hopes to find outlets in semi-scholarly journals.

Mitra also risks imprisonment, but he said he believes he has a moral responsibility to return. "There has to be a focalization of protest."

Mitra's box score for Gandhi's economic performance runs as follows:

• Income per person in 1975 was 337 rupees (measured in rupees with the buying power of 1961) against 334 rupees in 1965, a negligible gain.

• Industrial production was rising more than 8 percent a year in the decade before Gandhi took over; since then, it has risen less than 3 percent a year.

• Farm output in the earlier decade rose 3.4 percent a year and under Gandhi only 1 percent a year.

This rural stagnation was achieved despite the fact that the high-yielding seeds of the so-called Green Revolution came into use soon after Gandhi took power. The "revolution" has been a success only in the Ludhiana district of the Punjab and a few other places.

Since her suspension of civil liberties last June, Gandhi has claimed she has launched a series of "reforms." Mitra says they are hollow.

He calculates that she has redistributed to poor farmers about 700,000 acres, less than 0.2 percent of India's 400 million acres under cultivation.

She has also boasted of giving farmers a moratorium or postponement of their debts to the rural money lenders who are a main source of her support. Mitra contends that these debts could not have been paid on time anyway, that the real point is her failure to cancel them. Meanwhile, interest accumulates and the money lenders collect it.

Gandhi also claims to have stopped India's virulent inflation. Mitra, who is still in touch with Indian statisticians, asserts she has "fudged" the figures. He cites price rises in coal, steel, electricity, feed grains, cement, and textiles as evidence that inflation continues.

Mitra acknowledges, however, that since the June declaration of a state of emergency prices have risen at an annual rate of from 5 to 10 percent, far less than the 25 percent rate India was suffering in the 3 preceding years. Mitra attributes the slower rate to a bumper feed grains crop—India gets one about every 5 years—and a tight money policy.

Corruption, Mitra claims, is rampant, spurred by what he calls Gandhi's continued "criminal" occupation of office. He said a "parallel government," distributing favors, has sprung up under the prime minister's younger son, Sanjay, whom Mitra describes as a "29-year-old brat."

Underground protesters meet, Mitra says, but they are ineffectual. Opposition parties have been smashed by the massive arrests of their cadres so that no institutional basis for resistance exists.

"There is a certain moral decline," he said, "there has been a corrosion of values, a belief that nothing is worthwhile. This is the national tragedy."

[From the London Economist, Jan. 24, 1976]

THE GANDHI DECADE

SIR—On Tuesday Mrs. Indira Gandhi completed 10 years as prime minister of India. In the course of this decade she has succeeded in transforming India's bumbling democracy into a highly personalized, centralized authoritarian machine. Indian budgetary appropriations for police, defence and paramilitary forces have multiplied in recent years to facilitate this total concentration of power. When, some 5 years ago, this power was used to crush marxists and naxalite radicals, many social democrats and liberals stood on the sidelines and even applauded. That same power is being used today against many of these same liberals. The number of political prisoners is now the highest since independence amd the claustrophobia in the country exceeds anything which prevailed under the alien British.

There is no question that Mrs. Gandhi's regime is also exceedingly corrupt. The victory over Pakistan in the 1971 Bangladesh war provided a blanket legitimacy to all kinds of financial skulduggery. Baser elements usually come to the top in such an environment, which is what has happened both in the Congress party hierarchy and in the civil service. Noises are made from time to time about rooting out corruption but are not taken seriously either by the corrupt officials or by their victims.

It used to be argued that India's pluralist system was the reason for its sluggish growth, so much slower than its neighbour China's. Mrs. Gandhi's coup last June has now removed this particular excuse. According to official statistics, real income per head in India has increased little, if at all, since Mrs. Gandhi came to power. She has made great play of her so-called solitude for the poor, but the proportion of the population below the poverty line, official figures suggest, has grown over this decade. Between mid-1972 and mid-1975, prices in India rose by some 80 percent; the burden of inflation is generally borne by the poor. Mrs. Gandhi can scarcely claim that this inflation was a reflection of external developments; less than 4 percent of India's national output originates in the external sector.

The structure of India's economy today has changed very little since 1966. Over the 10-year period the compound rate of growth of farm output, despite the much-heralded green revolution, works out to barely 1 percent a year; industrial growth too has shrunk markedly—by two-thirds—compared with the preceding decade. Availability of food is lower per head than it was 10 years ago, and production of cotton textiles—a pivotal consumer item—has fallen absolutely.

Mrs. Gandhi is aware that the rising crescendo of opposition to her reign, which threatened to sweep her away last year, was the product of massive discontent stemming from economic failures. Her current set of advisers have persuaded her that she has to fall back on free-market institutions to foster growth. A spate of measures announced since her June coup are meant to reassure and encourage private capital, including foreign capital. Tax rates have been lowered, official restrictions on capacity installation and imports have been relaxed, strikes have been banned, bonuses legally payable to workers have been scrapped, and the program of selective subsidies to promote exports has been enlarged severalfold. The stress is on export-led growth, linked to a belief that a no-nonsense

union-busting stance would entice multinational corporations to consider India as a major base of operations. This is tantamount to a tacit admission that India's huge population, given the structure of income distribution, is incapable of providing an internal market for self-sustained growth.

Whether foreign demand could ever be a surrogate for indigenous demand in India's context remains doubtful. From the point of view of the multinationals, the major attraction of India is its internal market; if the prospects about the latter are less than rosy, they may well decide to stay away. Growth is crucially linked to the injection of investable funds; it is nearly certain that the role of external capital, whether private or institutional, can be only marginal, given the magnitude of India's needs. Mrs. Gandhi's plan to speed up economic activities could thus easily come a cropper in the absence of more equitable income distribution and fiscal arrangements in the domestic sphere; these are areas where, given her party's dependence on the urban rich and the big farmers, she may be able to do little.

This is Mrs. Gandhi's particular dilemma: on all accounts, she is a dictator, and yet a dictator who cannot flout the short-run interests of the classes who support her. (Her main international support, even for policies directed against the working class, continues to come from the Soviet Union.) If her current economic experiment proves a damp squib, as it well might, India would either be condemned to a continuation of the present state of quasi-stagnation—a grim prospect for a sixth of the human race poised at about the barest level of living—or its people would have to think in terms of extricating themselves from her clutches. The great danger is that an authoritarian regime, which is unable to come up with economic successes, may be sorely tempted to increase internal repression or launch diversionary foreign adventures. An even greater proportion of India's limited resources would then be wasted in low-priority pursuits; the possibilities for growth would dim correspondingly.

Brighton

ASHOK MITRA,
Former chief economic adviser
to the government of India.

Mr. LONG. Obviously, unless you can challenge those data, the vast treasure that we poured into India has been a waste of money, as I said in my report. What does it take the United States to do to decide on a different course for its foreign economic policy?

Mr. COOPER. I certainly don't know a simple answer to the question. I read that article with a great deal of concern. I don't think that anybody feels that India is a success story for foreign aid or economic development.

On the other hand, I don't really think that any of us have very simple ideas on how to turn India into a successful story.

Just a part of the underlying problem in India, as you well know and have indicated, of course, is the rate of population growth. I don't know a simple answer to that question.

Mr. LONG. I taught in a university for many years and when we had a student who couldn't absorb what we were giving out I can never remember a discussion in terms of, "well, gentlemen, what are we going to do to turn this guy around." We had a very simple solution. We flunked him out and took somebody in who could use the resources of the university to more profit, to himself and to us.

Why don't we do that in the case of India? There are countries all over the world teeming with misery and challenges for economic development. Why can't we just say we tried it, it doesn't work. Let us try somewhere else.

Why do people like you continue to defend pouring more money down this gigantic rathole?

Mr. COOPER. I don't think that there is——

Mr. LONG. I see our own administration has decided to suspend the bilateral aid this year to India.

Mr. COOPER. In connection with the international institutions, certainly in connection with IDA and the World Bank, the loans that are made are made in conjunction with a serious review of Indian economic policies and economic prospects.

For the first time this year, I think, there have been some feelings of optimisim, very muted, but certainly a far different picture than that presented by the former Indian official you quoted.

Mr. LONG. You had optimism 10 or 20 years ago.

Mr. COOPER. That is true, but it has not been true for many years. How much of this year's optimism is because it has been a good crop year I don't know.

Mr. LONG. We are supposed to revise our feelings about India because there is little optimism now?

Mr. COOPER. I am only saying this year there is some feeling of optimism and progress.

Mr. LONG. Why don't we look over the 10 or 20 year record and say this is not the place to put our resources; let's put them somewhere where they can be more productive in terms of human welfare? Why don't we do that? Do you try to do that sort of thing in your role in the International Development Institution?

Mr. COOPER. Yes, we do try to look at this.

Mr. LONG. Do you ever turn down loans and say, "Let's put these resources somewhere else"?

EFFECTIVENESS OF U.S. VOTE

Mr. COOPER. The way the system works, it is very hard to turn down a project. We have voted against projects. By the time they get to the Board they have usually been discussed and set in final form. Many projects start out that do not get to the end of the road.

Mr. PASSMAN. In many instances you are outvoted.

Mr. COOPER. Sure. In many cases the size of a program in a particular country is influenced by how well or poorly they feel the country is doing in carrying out development projects.

Mr. LONG. We are putting up the money and you are outvoted by countries that put up a very little bit of the money?

Mr. COOPER. I don't have a veto over the operations, on the other hand we don't put up the majority of the money.

Mr. LONG. You put up the largest single portion.

Mr. COOPER. I have the largest single vote.

Mr. LONG. The votes are weighted?

Mr. COOPER. Yes, sir.

Mr. Long. Would you tell us what percentage of the total vote you have alongside of our percentage which we contribute of all the resources that are contributed to the Bank and then do this with the other countries? Can you do this for us?

Mr. COOPER. Yes, sir.

[The information follows:]

IBRD AND IDA MEMBER VOTING POWER AND CONTRIBUTION SHARES (AS OF DEC. 31, 1975)

[In percent]

Member	IBRD		IDA	
	Voting power	Share of subscriptions	Voting power	Share of contributions [1]
Afghanistan	0.19	0.12	0.30	0.01
Algeria	.47	.43	.55	.05
Argentina	1.39	1.46	.57	.22
Australia	2.06	2.22	1.57	2.00
Austria	.89	.90	.65	.69
Bahamas	.15	.07	[2]	[2]
Bahrain	.12	.03	[2]	[2]
Bangladesh	.46	.42	.67	.06
Barbados	.13	.04	[2]	[2]
Belgium	2.02	2.17	1.24	1.62
Benin	.12	.04	.02	.01
Bolivia	.16	.08	.10	.01
Botswana	.10	.02	.07	[3]
Brazil	1.39	1.46	1.80	.23
Burma	.26	.20	.39	.02
Burundi	.14	.06	.09	.01
Cambodia	.16	.08	.30	.01
Cameroon	.16	.08	.03	.01
Canada	3.36	3.68	4.08	5.90
Central African Republic	.12	.04	.02	.01
Chad	.12	.04	.08	.01
Chile	.42	.37	.05	.04
China	2.70	2.93	2.76	.36
Colombia	.41	.36	.51	.04
Congo, People's Republic of the	.12	.04	.26	.01
Costa Rica	.12	.04	.23	[3]
Cyprus	.16	.09	.28	.01
Denmark	.86	.86	1.06	1.32
Dominican Republic	.14	.06	.25	.01
Ecuador	.15	.07	.09	.01
Egypt, Arab Republic of	.58	.56	.64	.06
El Salvador	.13	.05	.24	[3]
Equatorial Guinea	.11	.03	.08	[3]
Ethiopia	.13	.04	.26	.01
Fiji	.13	.04	.08	.01
Finland	.65	.63	.53	.49
France	4.54	5.00	4.37	6.51
Gabon	.13	.05	.08	.01
Gambia, The	.11	.02	.24	[3]
Germany, Federal Republic of	4.84	5.34	6.76	10.23
Ghana	.34	.29	.41	.03
Greece	.34	.29	.13	.03
Grenada	.09	.01	.22	.01
Guatemala	.13	.05	.25	[3]
Guinea	.16	.08	.09	.01
Guyana	.15	.07	.29	.01
Haiti	.14	.06	.28	.01
Honduras	.12	.03	.24	[3]
Iceland	.15	.07	.23	.01
India	3.22	3.52	3.61	.48
Indonesia	.85	.86	1.15	.13
Iran	.64	.62	.60	.05
Iraq	.33	.27	.28	.03
Ireland	.45	.40	.31	.14
Israel	.47	.43	.36	.03
Italy	3.05	3.33	.82	2.16
Ivory Coast	.21	.14	.30	.01
Jamaica	.24	.17	[3]	[3]
Japan	3.65	4.00	5.27	7.32
Jordan	.15	.07	.24	[3]
Kenya	.23	.16	.36	.02
Korea	.32	.27	.32	.02
Kuwait	.33	.27	.54	.51
Laos	.12	.04	.26	.01
Lebanon	.12	.04	.02	.01
Lesotho	.10	.02	.23	[3]
Liberia	.16	.08	.09	.01
Libyan Arab Republic	.16	.08	.30	.01
Luxembourg	.16	.08	.25	.05
Malagasy Republic	.16	.09	.03	.01
Malawi	.14	.06	.28	.01
Malaysia	.64	.62	.43	.03
Mali	.15	.07	.09	.01
Mauritania	.12	.04	.08	.01
Mauritius	.15	.07	.29	.01
Mexico	.88	.89	.09	.10

IBRD AND IDA MEMBER VOTING POWER AND CONTRIBUTION SHARES (AS OF DEC. 31, 1975)—Continued

[In percent]

Member	IBRD		IDA	
	Voting power	Share of subscriptions	Voting power	Share of contributions [1]
Morocco	.42	.38	.51	.04
Nepal	.13	.04	.26	.01
Netherlands	2.15	2.32	2.04	2.86
New Zealand	.68	.67	.33	.16
Nicaragua	.12	.04	.24	[3]
Niger	.12	.04	.02	.01
Nigeria	.49	.45	.16	.04
Norway	.80	.80	.87	1.07
Oman	.11	.02	.24	[3]
Pakistan	.78	.78	1.07	.12
Panama	.15	.07	.02	[3]
Papua New Guinea	.15	.07	.29	.01
Paraguay	.11	.02	.08	[3]
Peru	.34	.29	.03	.02
Philippines	.55	.52	.64	.06
Portugal	.37	.31	[2]	[2]
Qatar	.15	.07	[2]	[2]
Romania	.65	.63	[2]	[2]
Rwanda	.14	.06	.09	.01
Saudi Arabia	.48	.45	.05	.04
Senegal	.20	.13	.36	.02
Sierra Leone	.14	.06	.28	.01
Singapore	.20	.13	[2]	[2]
Somalia	.14	.06	.28	.01
South Africa	1.04	1.07	.42	.30
South Vietnam	.28	.21	.34	.02
Spain	1.26	1.32	1.15	.27
Sri Lanka	.37	.32	.47	.04
Sudan	.30	.23	.30	.01
Swaziland	.11	.03	.24	[2]
Sweden	1.05	1.08	2.80	4.09
Syrian Arab Republic	.23	.16	.30	.01
Tanzania	.21	.14	.11	.02
Thailand	.48	.45	.47	.04
Togo	.14	.06	.09	.01
Trinidad and Tobago	.27	.21	.03	.02
Tunisia	.22	.15	.11	.02
Turkey	.53	.50	.71	.07
Uganda	.20	.13	.36	.02
United Arab Emirates	.13	.05	[2]	[2]
United Kingdom	9.13	10.17	8.25	12.00
United States	22.61	25.32	24.26	37.13
Upper Volta	.12	.04	.26	.01
Uruguay	.23	.16	[2]	[2]
Venezuela	.77	.77	[2]	[2]
Western Samoa	.09	.01	.07	[3]
Yemen Arab Republic	.12	.03	.25	.01
Yemen, People's Democartic Republic of	.17	.10	.32	.01
Yugoslavia	.50	.46	.60	.13
Zaire	.42	.38	.15	.04
Zambia	.27	.21	.04	.03
Total	100.00	100.00	100.00	100.00

[1] As of June 30, 1975 latest available figures; includes confirmed IDA IV contributions.
[2] Not a member of IDA (Of the 127 members of IBRD, 116 are also members of IDA).
[3] Less than 0.005 percent.

Note: Totals may not add due to rounding.

Mr. LONG. I will be glad to yield to the chairman.

AID TO INDIA

Mr. PASSMAN. I think if we look at the record, the net contribution our country made to India was $7,803,400,000. Then we decided because of our Ambassador's commitment, that we were going to take something that we owned, and that was surplus rupees, and make them a present, a gift of $2,200,000,000. Now poorer nations today conceivably could be rich nations tomorrow, couldn't they?

Mr. COOPER. Yes, sir.

OIL PROSPECTS IN INDIA

Mr. PASSMAN. I read somewhere where they struck oil in India, that the prospects were good for bringing in a large oil field, is that correct?

Mr. COOPER. Yes; I think there are favorable oil prospects in India.

Mr. PASSMAN. You people who administer these programs, I would not say are guilty of trickery, but indeed there was some trickery pulled and it is causing me great concern.

I have been chairman of this committee 22 years. You never heard of me singling out an American as being dishonest and I am not going to do so at this time. But when this committee requested of AID a report on total bilateral assistance to India, someone saw fit to reduce this amount by the $2.2 billion rupee forgiveness which took place last year. This forgiveness in no sense reduced by one dime the fact that we had given them $7,803,400,000 in aid, is that correct?

Mr. LONG. Mr. Chairman, I have a charge of $9.3 million.

Mr. PASSMAN. But I am using what AID gives me. I don't trust AID's figures always but I want to take what they give me now.

But that can't change the actual amount we had given them. We had still given them $7,803,400,000, right?

Mr. BUSHNELL. That is AID's figure, yes, sir.

Mr. PASSMAN. Wouldn't we have accomplished the same thing if we said to India that, instead of forgiving $2.2 billion worth of rupees, that we would put a like amount in escrow and agree not to use them for say 25 years? Why didn't you work out something like that, because we may be begging aid from those people 25 years from now.

Would it have made sense to have frozen the funds, put them in a dormant account and forget we owned them for 25 years? Wouldn't that accomplish the same thing? Then we could have had a new look. What would have been wrong with that?

Mr. BUSHNELL. There is nothing wrong with that, Mr. Chairman, but I think you are being optimistic in the prospects for India.

Mr. PASSMAN. I will compromise. Freeze the funds for 50 years.

Mr. BUSHNELL. I am afraid given the other comments we have heard, even that may be optimistic.

Mr. PASSMAN. Then make it 75. But we could have frozen those funds and accomplished the same thing.

Mr. COOPER. For the immediate period, yes, sir.

Mr. PASSMAN. That is what we are talking about. We may be begging India 25 years from now.

Mr. LONG. That is either very optimistic for India or terribly pessimistic for us.

MULTILATERAL VERSUS BILATERAL

Mr. PASSMAN. We admitted earlier that the multilateral aid program has now outgrown the bilateral aid program. Isn't that right in your testimony?

Mr. BUSHNELL. The multilateral program is bigger than any single bilateral program this year.

Mr. PASSMAN. We know of many instances where we would cut bilateral and then they will turn around and offset our reductions out of multilateral.

Mr. BUSHNELL. Mr. Chairman, may I make two comments on what you said. I do have some concerns here. I find that in my job I

sit in an unusual position because on the one hand coming up here I hear the case that you made that we are doing too much. On the other hand I attend international meetings and meetings within the Government where a very strong case is made that we are not doing nearly enough in relation to our economy, our GNP.

Mr. PASSMAN. That doesn't surprise you, does it?

Mr. BUSHNELL. It is good to have a variety of views.

Mr. PASSMAN. The more you give them the more they want.

SUPPORT FOR MULTILATERAL LENDING

Mr. BUSHNELL. I am not talking about meetings with the people getting the money. I am talking about people donating money.

Mr. PASSMAN. Americans? Who would be sponsoring this except a bunch of bureaucrats? Can you tell me who would contribute?

Mr. BUSHNELL. I think there are quite a few groups.

Mr. PASSMAN. Can you give me one name?

Mr. BUSHNELL. I assure you we could give you a long list.

[The information follows:]

PRIVATE SECTOR SUPPORT OF INTERNATIONAL FINANCIAL INSTITUTIONS

The following are among the organizations and newspapers which have consistently supported multilateral financial institutions:

American Association of University Women
American Freedom From Hunger Foundation
American Friends Service Committee
American Jewish Committee
Boston Globe
Caterpillar Tractor Corporation
ChaseManhattan Bank
Chicago Tribune
Christian Science Monitor
Cooperative League of the U.S.A.
Denver Post
First National Bank of Chicago
Industrial Union Department—AFL/CIO
International Economic Policy Association
Interreligious Task Force on U.S. Food Policy
Kaiser Aluminum Company
Kansas City Star
L.A. Times
League of Women Voters
Louisville Courier Journal
Lutheran Council
Mennonite Central Committee
Milwaukee Journal
Minneapolis Tribune
NAACP
National Council of Churches
National Foreign Trade Council
National Rural Electric Cooperative Association
New York Times
Overseas Development Council
Presbyterian Church of the U.S.A.
United Auto Workers
United Nations Association of the U.S.A.
United States Catholic Conference
United States Chamber of Commerce

Mr. PASSMAN. You know very well some of the small donors to this program laugh at us. There is no government in the history of the world that ever so mismanaged its fiscal affairs as we have in the past 30 years.

UNITED STATES DEBT

So few people realize that our true Federal debt is $2,200 billion. You have $600 billion in borrowed money, but then you have $1,600 billion that we have obligated ourselves to with statutes, saying to Mr. and Mrs. America, this we are going to give you in subsequent years for some service you previously rendered and which neither the recipient or donor put up a dime. It is a statute.

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Veterans benefits are costing $17 billion a year. I voted for them. We didn't create any reserves. Retired military personnel is running about $8 billion a year. Interest on public debt is pushing $45 billion a year.

Do you realize that on our veterans benefits it will be 128 years before we meet our last obligation to the last living veterans and their dependents. The Civil War was concluded 120 years ago. Did you know we are mailing over 400 checks a month to the widows and children of Civil War veterans. That gives you an idea of how long these statutes run.

So each of the 213 million Americans, the man who will be 100 tomorrow and the baby born this morning, owes Uncle Sam $10,000.

Somewhere along the way we are going to have to cut back or else be perfectly willing to let them confiscate all the savings we have.

As I said today, I worked like a Trojan to build up a little nest egg. Now I can see my savings are only good for 32 cents on the dollar as compared to when I came to Congress. The government confiscated 68 percent of my savings, mainly because of foreign aid. Just look at your increase in the public debt. It is foreign aid. I think the time has come to be realistic about this thing and cut it back to programs we can justify.

I could easily embrace the Export-Import Bank. Certainly I would support technical aid. But if you look at the budget request and the report that you read, it is not just what you think it is.

You have to look at the figures. There is over $14 billion that is so fragmentized that the most astute scholars in the Congress can't put it all together because it is cleverly spread throughout the entire budget. Isn't that a statement of fact?

Mr. BUSHNELL. Yes, sir. There are several different foreign assistance programs.

Mr. PASSMAN. Whether it is by design or not, the purposes are the same. It is just lost. I don't know whether we can bring it under control or not.

Mr. Long?

Mr. LONG. Yes, sir.

LIGHT CAPITAL TECHNOLOGY

Mr. Bushnell, page 50 of the 1976 committee report states:

> The Executive Directors should, one, propose that a steadily increasing proportion of development projects by their respective banks be designed and funded which employ primarily light capital technologies and, two, consider the creation of institutions within their respective banks devoted to the promotion of intermediate technology.

Does the executive branch, including the Treasury Department and the U.S. Directors, accept unequivocally these two recommendations?

Mr. BUSHNELL. We certainly accept the first recommendation and we accept the intent, I think, of the second recommendation. We have a question, and this is one which I would like to discuss with you as to whether the best way to proceed within the institution is to create something that is separate from the operating part, to concentrate on intermediate technology or whether they should make an effort throughout their operations to work on this.

Mr. LONG. You understand the reason for the language of item 2, that this was done because it was felt that the existing bureaucracy of AID didn't sympathize with, or understand, and wasn't equipped intellectually to handle the problem. After all, they have been claiming for a couple of decades to bring about economic development, and this notion of light capital technology has had to come from outside and be rammed down the throats of the bureaucracy.

So the intent of this language is to try to create some sort of mechanism and institution within AID and within the multilateral banks that will promote this idea rigorously.

If I thought your system was better, I would agree with you, but I do not.

Mr. BUSHNELL. My concern is that there has been a history that something separate is created and it does its own thing off by itself and doesn't really bring to bear on the bulk of the ongoing activities of the institution the sort of imaginative and aggressive technological improvement that would be needed in this case.

So, while we have some reservations about that aspect, we completely agree and have pressed very hard in all of the banks of which we are a member for them to be much more interested, much more aggressive in this field.

The World Bank, as you may know, even had an exhibit here in Washington.

Mr. LONG. You understand the intent of that language?

Mr. BUSHNELL. Yes, but you asked if we were in favor of it without reservation. We are in favor of the intent and the purpose but with some reservation on the mechanism.

Mr. BUSHNELL. I think we have to examine whether over the last year we have made progress in the banks. The proof of the pudding is in the eating. I think you will recognize as we all do that appropriate technology is not always immediately available, in many cases it has to be invented. This requires a good deal of work and effort. We are not going to find something for every project the banks do.

I think by and large the effort that each of these institutions has made over the last year is encouraging, they are moving in this direction.

Mr. LONG. I know you have submitted a lot of information to me and we have given it a fairly hard look. Without having the time to go over each project in detail, I have been able to investigate enough of them to see that to some extent what you have done is simply claiming that what you are already doing is light capital technology.

Mr. COOPER. In some cases it has been.

Mr. LONG. I will give you an example. If you think this is light capital technology or intermediate technology, then you and I are parting company totally on this.

When I was in Liberia we visited a chicken farm where they were cutting up and freezing chickens. The investment in that was about in the order of magnitude of $10,000. That would not be what I call intermediate or light capital technology. There is not enough money in the world to do very much for the poor people if we start thinking in terms of $10,000 a business. That is a pretty good loan here in the United States.

I know a lot of small businesses who would love to get a $10,000 loan.

But further, let me point out that I asked a few questions when I was there. One of them was, what does the chicken sell for when it comes all frozen? The answer was $1.49 a pound. The purpose of the project was said to be to enable poor people to eat more protein. These are 2 pound chickens quick frozen and selling at $1.49 a pound. So it cost about $3.25 to buy one of these chickens.

I said how much do you workers get paid? The answer was $1.50 a day. Of course, people out in the rural areas probably get less money than that.

How on earth is this going to improve the level of nutrition? Obviously this chicken is being produced for the well-to-do middle class. The funding per enterprise is so great that not all the money in America, if we devoted it entirely to foreign aid, could possibly lift the level of income very much in the underdeveloped world.

This is what I mean by trying to slip by, and this is listed as one of the projects given to me as a good example of a development project. I think we have to come to an understanding of what we are talking about.

When I talked about light capital technology, I am talking about something like $100. When you get poor people in many of the underdeveloped areas of the world with incomes of $100 per year per capita, a $100 loan is probably equal to a year's earnings. I don't know what make, probably $40,000 or $50,000 a year when you count tax breaks. But a loan of $100 a year to them would be pretty substantial. That is how you have to look at it.

Mr. PASSMAN. Dr. Long, would you yield for a question?

Mr. LONG. I will be glad to.

GRAIN WASTE IN INDIA

Mr. PASSMAN. I think this will make a contribution. This came from AID, New Dehli: U.S. Agency for International Development estimates it would take a fre ght train 2,800 miles long to haul the grain to India that rats eat each year.

What kind of program do you have to eradicate the rats? They are consuming sufficient grain to load a freight train 2,800 miles long. What program or programs do you have for the eradication of rats?

Mr. COOPER. I would have to look into that and provide it for the record.

[The information follows:]

The World Bank in making loans in the agriculture and agro-industry sector has been aware of, and concerned about, the problems associated with rodent depredations, both in terms of crop production and storage. As an aid to Bank staff a handbook on the identification, assessment, and control of rodent depredations in grain storage facilities, prepared by a consultant to the U.S. Food and Drug Administration and AID, was distributed in 1972. Projects staff have been alerted to the need for including depredation control and/or prevention in the appraisal and supervision of projects. Additionally, with regard to rodent depredations on growing crops, the Bank's office of environmental and health affairs has arranged for consultations with technical experts in the U.S. Departments of the Interior and Agriculture, and the office itself serves as a source of technical advice and assistance. In 1973, for example, a credit to Bangladesh for foodgrain storage, provided for a rodent control program in and around the storage facilities. An Indian wheat storage project in 1973 contained a provision for a study of losses during storage and handling of foodgrains attributable to rodents, insects, birds, et cetera. In the case of a rural development project in the Philippines, an intensive

rat control component was included. It is designed not only to control the depredations on 90,000 hectares of lowland rice paddy area, but also to act as a pilot project for future control efforts in the Philippines.

The Bank also supports research work on rodent control through its financial assistance to national and international research centers.

With respect to the Bank's project-related health activities, rodent control is an element of the enviornmental sanitation provisions in rural development, agriculture, and urban projects. The role of rats as vectors of disease is well known, for example, plague, tetanus, sporotrichosis, rat-bite fever, et cetera; hence, its control is considered to be an integral part of environmental sanitation in Bank projects.

Mr. PASSMAN. Don't you think this is one of the first things you should do, to eradicate the rats? A freight train 2,800 miles long is a long freight train. You don't know of anybody in the rat eradication program?

Mr. COOPER. I don't know who is associated with that program.

Mr. LONG. From what I heard about the Indians, they don't want to kill things, except Pakistanis.

Mr. BUSHNELL. I am not sure we have found a program to get rid of all the rats in this country. It is not easy. There may be programs to work on that in India.

Mr. BOEKER. We have shown considerable interest in this problem which we call post-harvest waste. Secretary Kissinger has made a number of efforts to focus increased international attention on that problem. We have tried to use a great variety of international forums to get the countries themselves to support corrdinated works dealing with the problems. I think the heart of it is that it is complicated and terribly expensive.

One of the best ways to reduce losses of this kind is to make sure the grain is stored in areas that have concrete floors and reasonably air-tight sides as opposed to just piling it on the ground, Unfortunately, to deal with the problem that way is frightfully expensive given the large amount of grain that is stored on the ground in the developing countries.

GRAIN STORAGE FACILITIES

Mr. PASSMAN. I though we were supposed to teach those people techniques to have proper storage facilities.

Mr. BOEKER. The way we do it is very expensive. I think the problem is we have to find less expensive ways of dealing with the same problem that we deal with in this country by steel silos and concrete floors among other means.

Mr. PASSMAN. We have no such loss in this country. You are familiar with such figures. You talk about a 2,800-mile-long freight train, that rats consume that much grain. Don't you think we should do something more than talk about this?

We always talk about it, yet people spending billions of dollars have no conception of this loss and no program to eradicate the rats. Do you know of any way you can better spend money than to eradicate the rats if they are consuming this much grain?

Mr. BOEKER. I think your focus on that problem is exactly right.

Mr. PASSMAN. Thank you very much. I don't want to delay Dr. Long.

Mr. LONG. I don't want my dialog to get lost. It is a long series of questions.

Mr. PASSMAN. You can tie it into the loss of grain and how little the poor people get.

Mr. LONG. Can you tell me when we are going to get a decision on this question of institutions which would be devoted to light capital technology and what we are going to do about the question of solving the problem of light capital technology?

Mr. COOPER. I think there has been for almost 5 years a major research effort in the Bank focused on how do you get more labor intensive methods of civil construction. It is a part of the problem. It is not the whole part.

The initial results were not terribly encouraging. We found a number of the simpliest means of construction were not economic, even taking into account correct shadow pricing. They have now found several countries willing to participate in a second stage of the project and they are trying to implement some intermediate technologies in the construction effort. That work is now going on.

Mr. LONG. Who is doing this work?

Mr. COOPER. Mr. Jaycox at the Bank. The work is being directed from Washington. However, it is being carried out and implemented in two developing countries—Kenya and Honduras. It is still in process. The results are not in. They are experimenting with various kinds of technologies. They have found that usually what is needed is some collateral efforts.

One thing that turned out to be enormously helpful in construction, labor intensive construction, was simple improvements of the diet of the workers. Another thing was found to be helpful was a little different method of organizing the work gangs. This work is still going on. It was discussed at the board a month or so ago in connection with a particular project. We at that time asked for a better report on the status of it and where it was going and so forth.

We are going to try to get that. As soon as I can get a report on that, I would like to provide it to you. It is a major effort of the Bank. It has moved from just the study phase into trying out on an experimental basis different kinds of approaches to this problem, not in the general field of light technology but in the specific area of civil construction.

Mr. LONG. How does this differ really from what people have been claiming to do all along?

Mr. COOPER. It means building a road with a lot less in the way of expensive capital equipment.

Mr. LONG. But who develops the capital equipment? Could you really do it indigenously?

Mr. COOPER. There are simple wheelbarrows and that sort of thing.

Mr. LONG. Here we are coming to another difference of opinion, and that is this question of whether a pick and shovel and wheelbarrow has anything to do with light capital or intermediate technology.

Mr. COOPER. It turns out that there is a big difference between pick and shovels and varying——

Mr. LONG. It is primitive technology.

Mr. COOPER. Yes, but what they have tried to do is go all the way from very primitive, with just a shovel in the hand, that was quite inefficient. A wheelbarrow turned out to make a very big difference and in conjunction with some other changes of organizing work they have turned out to be quite efficient.

They have also moved up to a couple of other methods of building so they are trying to go from what you would call primitive all the way up the sort of scale trying to find out what level of technology becomes most optimal.

The results are not complete yet but I will be glad to provide an interim report on it to you. It is directed at the kind of problem you have raised and its results are mixed but encouraging.

Mr. LONG. With all respect, I don't see why it takes years and years to start experimenting with digging with shovels. I don't think you have have to start with picks and shovels and go to wheelbarrows. It seems to me that the intelligent people ought to be able to proceed a little faster to what is the appropriate type of technology than that.

Mr. COOPER. Civil construction is a little different than I think the agriculture or simple manufacturing you have talked about. Construction is by its nature a fairly simple activity.

Mr. LONG. I am talking about enabling individual farmers to produce something economically on very small plots of land with very small investments per person. What I want to find out is whether the banks are sincerely interested in this and want to move or whether we are going to get a lot of foot dragging and redefining of things already done.

Mr. BUSHNELL. Mr. Long, I might cite one project of the Asian Development Bank in June of this year for the Philippines, a $13.5 million project to help small farmers. Among the sorts of things that they financed under this loan are hand tractors, baby threshers which can be used on small farms, and small dryers for rice. They made an intensive effort in this loan to use the best available appropriate technology.

Mr. LONG. What was the size of the farmer credits and what were the purchase prices of these various machines?

Mr. BUSHNELL. I would have to supply this detail for the record. (The information follows:)

This ADB loan will help finance an integrated project to increase crop production which has a number of major components including construction of a dam, distribution systems, drainage lines, and various agricultural development programs. The ADB loan will, in part, finance the purchase of 70 hand tractors, 40 baby threshers, and 70 small rice dryers costing a total of $290,000.

These farm implements will be rented to individual farmers through a cooperative pool system. In order to assist farmers in renting, the Philippine government has agreed to include a Farm Credit and Farmers Organization Division in the project implementation office to develop the credit aspects of the project. Pending determination of the total credit needs of the program, it is anticipated that the government will provide credits of $100 to $120 per hectare for farm machinery rental, fertilizer, and insecticides.

Farms in the project benefit area range from 2.5 to 7.4 acres each with 5.6 acres (2.25 hectares) as an average.

With the provision of irrigation water, double cropping, and an effective rodent control program, besides the supervised credit facilities, agricultural production in the project area is expected to increase substantially with average yields per crop more than doubling. Annual net income per family from crop production is estimated to increase from a low of $191 at present to $1.572 for self owners and $1,365 for lease holders by 1982.

Mr. Long. You are not going to get any peace from me until you deal in those terms.

Mr. BUSHNELL. No; I think those are quite reasonable questions. I don't have the answers here.

Mr. LONG. I hope you will try hereafter to come closer to grips with the type of things we are talking about.

Mr. PORGES. In the Inter-American Bank I think there is a realization that this is not just a matter of redefining what we have been doing in the past.

I have had several talks with senior management of the bank and they have already begun to consider how they can best organize themselves to utilize the most appropriate technology in their projects. A working group has been formed to consider both organizational and technical aspects of the question.

This is a bank-wide effort, and it is going forward. The Controller of the Bank assures me that they are in the process of doing this and that they want to keep the possibilities of intermediate technology in the minds of all of the decisionmaking people in the bank.

In the second place, I can report that the bank last year made a technical cooperation arrangement with the Economic Committee for Latin America. The purpose of this project is to find, by studying individual cases of technology in Latin America, a framework for a Latin American scientific and technological research program to use appropriate technologies.

I have some information on this study which you might be interested in and which I will supply later.

[The information follows:]

Description of the Program. (a) The main objective of the Program shall be the execution of a series of economic research studies and the diffusion of its results, which will allow the definition of criteria of technological development policies useful to channel investment and necessary to ensure the better utilization of funds granted by the Bank or other loan and technical assistance financing organizations in this field.

(b) During the initial phase, the Program will concentrate its activities in the aspects of absorption, adaptation and generation of appropriate industrial technologies in respect whereof there is a notable lack of information and analysis in Latin America, and which are of priority interest taking into consideration the economic and social development objectives of the member countries of the Bank and the ECLA.

(c) It is anticipated that among the main topics of research in the initial phase of the Program will be the following ones:

(i) Choice of techniques and appropriate technology in relation with employment and other socioeconomic objectives (Microeconomic analysis).

(ii) Transfer and adaptation of technology. Study of cases at an industrial subsector and enterprise level.

(iii) Native technological development. Study of cases.

(iv) Native scientific development. Study of cases.

(v) Methodology for evaluating investment projects in the field of scientific and technological development.

(vi) Problems of technological forecasting in the region and the methodology for the assessment of its scientific and technological development needs as these relate, for example, to the demand for energy and the use of natural resources.

(vii) Analysis of the requirements of scientific and technological manpower for the future scientific and technological development of Latin America, in accordance with different projection perspectives.

Mr. PORGES. In the actual project stage we have several now going on and the biggest one is in Mexico. It is an integrated——

Mr. PASSMAN. Dr. Long, would you yield.

Mr. LONG. Glad to yield.

BORROWED WITNESSES

Mr. PASSMAN. I want to get this in the record precisely before you conclude the hearings on this.

You are testifying this afternoon for four international organizations. I believe Mr. Bushnell for Treasury, and then we have Mr. Cooper with the International Bank for Reconstruction and Development, and Mr. Porges for the Inter-American Development Bank, and Mr. Boeker from the International Finance and Development Section of the Department of State.

You gentlemen are here in capacities that have no actual relationship to the management of these IFI's. You are merely testifying for the funds but those who actually administer the programs are not here.

Mr. COOPER. Mr. Porges and myself are both on the board of directors of the respective institutions, which means any loan that comes forward has to be approved by the board of which we are members. We are not part of the administration.

Mr. PASSMAN. But those who administer the programs cannot appear before the committee and testify for the funds; is that correct?

Mr. BUSHNELL. That is correct.

Mr. PASSMAN. Neither do we have the right of annual audit by GAO. Again they will say it is an international organization and any organization within our Government does not have the right to audit; is that correct?

Mr. BUSHNELL. Yes, sir.

Mr. PASSMAN. The reason I make that observation is the mayors are in town from all over the United States for revenue sharing, and if you look at revenue sharing you can see where the money is being spent.

At this time there is some objection to revenue sharing because some of them want an annual audit of the actual books of municipalities, and if we ever enforce that, of course then we are doing what we are denying our people who administer these programs. I want to say, gentlemen, there has been nothing personal about this but I think we have almost agreed that we have gone too far afield and that somehow this program ought to be brought under control.

I am talking about the entire $14 billion foreign aid program, and you will cooperate to the fullest extent you can, will you, in helping to bring it under control?

Mr. COOPER. Yes, sir.

ADMINISTRATIVE PERSONNEL BEFORE COMMITTEE

Mr. PASSMAN. Can the people who actually administer those programs appear before the committee?

Mr. BUSHNELL. As international civil servants, they do not appear before the legislatures or parliaments of any member countries. If they were to testify before the U.S. Congress, they would also be called upon to testify before the parliaments of all member countries. This would not only mean that they would be exposed to conflicting pressures from the different member countries, but also that they would be spending much of their time testifying before various legislatures instead of administering their banks.

Our executive directors who testify each year before your committee represent the U.S. Government on the boards of the banks and are thoroughly familiar with the operations of the banks.

LOAN REPAYMENTS

Mr. PASSMAN. It is true that when these loans are paid back they go to the institution involved and are not paid back to the United States, as is the case with a bilateral program?

Mr. BUSHNELL. That is correct. When we make our contributions to these banks our funds become the banks' funds. Thus when loans are repaid they remain with the institution for the institution to lend out again. The banks' requirements for additional capital and soft fund contributions are, of course, reduced by the amount of loan repayments the institutions have to make new loans with. There would, of course, be a return of capital to the United States in the event that the institution phased down its operations, went out of business, or the United States ceased to be a member.

APPROPRIATION PROCEDURE

Mr. PASSMAN. Are all agreements entered into with these international organizations with the understanding that a subsequent appropriation will have to be made? Therefore, is it not correct that this subcommittee is acting completely within its legal rights to cut or reduce any appropriation that is presented to it on behalf of these international financial institutions?

Mr. BUSHNELL. When the United States agrees to subscribe or to contribute funds to one of the international banks, the executive branch always makes clear that no payments can be made without an appropriation from the Congress. I should like to note, however, that in the case of the fourth replenishment of IDA, for the reasons which I outlined earlier, the United States made an unconditional commitment to contribute $1.5 billion in four equal installments on the basis of authorizing legislation. Therefore, while I would not question the subcommittee's authority to cut an appropriation request, it must be emphasized that, if the Congress does not appropriate the funds which the administration is requesting for IDA, the United States would be in violation of its international commitments.

It is also important to recognize, in the case of IDA as well as with regard to those development lending institutions where we have made commitments to contribute subject to obtaining the necessary appropriations, that the terms of a replenishment are worked out with other donor countries after lengthy negotiations on the basis of each country's assumption of a fair share of the burden. Once the total figure and each country's share is agreed upon, it is likely that the reduction by any country of its share could jeopardize the whole multilateral effort.

IFI REPLENISHMENTS

Mr. PASSMAN. Could you please tell the committee if there are any replenishment negotiations presently being considered with any of these international financial institutions?

If there are, could you please list for the record which institutions are involved and the amounts the United States might be requested to appropriate at a later time?

Mr. BUSHNELL. Several of the international development banks have entered into discussions or are considering negotiations for replenishments of their resources.

I shall be pleased to list these as requested, and, where possible, I will mention the amounts the United States might be requested to appropriate.

INTER-AMERICAN DEVELOPMENT BANK (IDB)

As mentioned in my testimony, the IDB has negotiated a replenishment of its capital and concessional resources (Fund for Special Operations) for the 1976–79 period, totaling the equivalent of $6.145 billion. H.R. 9721, passed by the House on December 9, 1975, provides for the United States to make three contributions of $400 million per year to the replenishment of the capital resources of the IDB beginning in fiscal year 1976 and $450 million—all callable—in fiscal year 1979. The same bill authorized the United States to contribute $200 million per year to the IDB's Fund for Special Operations (FSO) for 3 years beginning in fiscal year 1977. Accordingly, in addition to the appropriations already requested for the IDB replenishment for fiscal year 1976 and fiscal year 1977, the administration plans to request—pending action by the Senate on H.R. 9741—appropriations for fiscal year 1978 of $40 million as paid-in capital, $200 million in callable capital, and $200 million for the FSO. The administration would also request $200 million for the FSO for fiscal year 1979.

ASIAN DEVELOPMENT BANK

A. ADB capital replenishment

The ADB management has proposed a $4.96 billion capital replenishment for CY's 1977–81. The executive branch is analyzing the ADB proposal and, as soon as an administrative position has been reached, we will consult closely with Congress concerning the replenishment proposal.

B. Asian Development Fund (ADF) replenishment

The ADB has proposed an $830 million replenishment for fiscal years 1977–79 of its soft loan facility, the Asian Development Fund—ADF. The Bank has envisioned a U.S. contribution of $230 milllion. The United States has indicated to the ADB that, given the recent pattern of $50 million a year appropriations, it is not likely that the U.S. contribution will be as high as proposed by the ADB.

INTERNATIONAL FINANCE CORPORATION (IFC)

As I mentioned in my testimony today, the IFC has proposed a $480 million capital increase, with a proposed U.S. share of about $112 million. This capital increase would be the first since IFC's founding in 1956. The proposed increase would more than quadruple the IFC's small capital base of $108 million. IFC's small capital base has impeded its equity operations, restricted its ability to borrow IBRD funds for relending, and resulted in IFC becoming a much more junior member of the World Bank than was contemplated when it was established 20 years ago.

The capital increase will enable the IFC to play a more substantial role in the development process in association with private capital.

In addition to the appropriation of $45 million request for fiscal year 1977, the administration plans to request the balance of the proposed U.S. share in two equal installments of $33.5 million each in fiscal year 1978 and fiscal year 1979.

WORLD BANK SELECTIVE CAPITAL INCREASE

The World Bank has proposed an $8–9 billion capital increase. This capital increase would be related to the increase in IMF quotas approved in Jamaica last January. [A request for a change in IMF quota for the United States will be submitted to the Congress in the course of this year.] For the same reason, the World Bank undertook a capital increase in 1970, in which the United States participated. Under the Bank proposal, subscriptions would be payable in three annual installments beginning in fiscal year 1978. The Bank is proposing that the U.S. share be about $1.5 billion, of which 10 percent would be paid in and the balance of the form of callable capital. No agreement has yet been reached on the Bank's proposal.

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) REPLENISHMENT

The donor countries have met twice, in November 1975 and February 1976, to discuss a proposed fifth replenishment for IDA—IDA V. The United States indicated its intention to join others in the proposed replenishment of IDA, after congressional consultations, if OPEC nations also make a significant contribution. The United States did not endorse any specific formula for establishing the size of IDA V. Any specific size would be determined on agreed contributions for traditional and new donors.

AFRICAN DEVELOPMENT FUND (AFDF) REPLENISHMENT

The AFDF has proposed a replenishment of about $350 million in its resources for the 1976–78 period. This amount would represent roughly twice as much as contributed since the ADF was established in 1973. The United States has not participated in the replenishment discussions although we have attended some meetings as an observer.

Authorization for U.S. membership in the African Development Fund—AFDF—is presently pending before Congress. The House of Representatives voted in favor of the authorizing legislation—H.R. 9721—on December 9, 1975. The administration has requested an amendment to the fiscal year 1976 budget to provide $15 million to be made available to the AFDF in three annual installments over the fiscal year 1976–78 period.

U.S. PARTICIPATION IN IFI'S

Mr. PASSMAN. Could you tell the committee the percent the U.S. contribution represents of the total contributions to each of these international financial institutions, the percent of goods and services purchased by these institutions from the United States, and what has been their impact on the U.S. balance of payments over the years?

Mr. BUSHNELL. The percentage of U.S. contributions to the various international financial institutions, the percentage of procurement from

the United States, and their impact on the U.S. balance of payments, as of June 30, 1975, are as follows:

Institution	U.S. contributions as percent of total	U.S. percentage of procurement	Impact on U.S. B.O.P. (millions)
World Bank (IBRD)	25.3	[1] 29.9	[2] $1,105
International Development Association	34.7	[1] 16.9	[2] —784
Inter-American Development Bank:			
OC	[3] 38.8	[4] 34.4	[5] —273
FSO	69.2	[4] 67.7	[5] —404
International Finance Corp	32.8	[6] 30.0	[7]
Asian Development Bank:			
OC	[3] 11.3	[8] 10.6	[8] 154
ADF	[3] 15.5	[8] 3.8	[8] 10
African development fund	0	NA	NA

[1] Fiscal year 1974 to fiscal year 1975.
[2] Inception to calendar year 1975.
[3] Dec. 3, 1975.
[4] Calendar year 1978 to calendar year 1975.
[5] Calendar year 1970 to calendar year 1975.
[6] Estimate.
[7] NA independently.
[8] Calendar year 1966 to calendar year 1975.

INDEPENDENT REVIEW PROCEDURE

Mr. PASSMAN. Could you please tell the committee what progress has been made in establishing an effective independent review system for these international financial institutions?

When these independent review systems are in operation, would the General Accounting Office be able to have access to the studies that are turned out from these organizations?

Mr. BUSHNELL. In accordance with a congressional mandate the United States is the strongest advocate for independent review systems in the IFIs. The World Bank, the ADB, and the IDB have all adopted review systems. The most comprehensive program is the one used by the World Bank where a staff group, separate from current project operations, prepares a report on the implementation and effectiveness of each project approximately 1 year after the final disbursement with conclusions applicable to future projects. To date the IBRD has issued 84 such reports. The ADB has adopted a similar approach but half of the projects are evaluated by a small staff group separate from operations and the other half are being evaluated by outside consultants employed to insure independence. To date the ADB has issued only 5 reports since it is a relatively new institution with few completed projects. In 1968 the IDB established the Group of Controllers to evaluate various aspects of the Bank's operations; it is independent of the management and reports directly to the Board of Directors. To date this group has issued 14 reports.

The number is small because they cover more than individual loans. They examine the Bank's overall country programs as well as internal administrative procedures. Nevertheless, the evaluations in all three institutions are providing important recommendations for current operations, for example, tracer systems, to determine the effectiveness of education projects, and so forth, and we expect these efforts to improve in the future.

Arrangements are being made to make the studies available to the General Accounting Office when they are produced, and in fact some have already been transmitted to GAO.

IDA TERMS

Mr. PASSMAN. Could you please tell the committee the terms and the interest rates of the credits to the various countries by IDA?

Mr. BUSHNELL. IDA credits are made available to the poorest developing countries with maturities of 50 years, including 10 years of grace. One percent of the principal is repaid annually in years 11 through 20, and 3 percent annually during the final 30 years of each credit. A service charge of three-fourths of 1 percent is billed semi-annually throughout the 50-year period on disbursed and outstanding principal.

CREDIT REPAYMENT TO IDA

Mr. PASSMAN. Are all the credits repaid to IDA in hard currencies?

Mr. BUSHNELL. Yes; all IDA credits are repaid in the currency in which the loan is disbursed, and loans are disbursed only in hard currencies.

IDA UNDISBURSED CREDITS

Mr. PASSMAN. Could you tell the committee as of December 31, 1975, how much IDA held in undisbursed credits?

Mr. BUSHNELL. As of December 31, 1975, the undisbursed balance of effective IDA credits was $2,933,479,952.

U.S. CONTRIBUTIONS TO IDA

Mr. PASSMAN. Could you tell the committee what percentage the U.S. contribution represents of the total contributions made to IDA?

Mr. BUSHNELL. As of December 31, 1975, the United States had contributed 37.7 percent of IDA's cumulative contributions from member countries and Switzerland. This reflects the declining U.S. share of IDA contributions, which was over 40 percent in previous replenishments, due to the lowering of the U.S. share of the current fourth replenishment to 33 percent.

OTHER COUNTRY REPLENISHMENTS TO IDA

Mr. PASSMAN. Could you please tell the committee if new replenishment talks have taken place by the other countries for IDA, and indicate if the U.S. has taken part in any sort of talks since we are behind in the current replenishment?

Mr. BUSHNELL. IDA initiated international discussion of a fifth replenishment by convening a meeting of more than two dozen traditional and potential new donors in November 1975. A second meeting was held in late February 1976. IDA hopes that the fifth replenishment will come into effect by July 1977 to avoid any suspension of IDA's ability to make commitments.

The United States attended these two donor meetings expressing our general intention, after congressional consultations, to participate in IDA V if the wealthier OPEC countries also contribute significantly.

The United States has made no commitment whatsoever as to the size or U.S. share of IDA V which we would endorse. So far, these discussions have been of a preliminary nature.

IDA OUTSTANDING CREDITS

Mr. PASSMAN. According to Appendix D in your justifications, IDA has increased its credits outstanding by $1,692 million from December 31, 1974 to December 31, 1975. Could you please project for the committee what sort of increase in total credits will be made by IDA in calendar year 1976?

Mr. BUSHNELL. Total effective IDA credits are expected to increase by a similar amount during calendar year 1976, The increase may be smaller, however, if exchange rate losses in terms of the U.S. dollar significantly decrease the value of IDA contributions from other donors which were pledged in terms of their national currencies. This slight uncertainty is one of the effects of eliminating maintenance of value provisions from the IDA IV agreement since IDA retains the U.S. dollar as its unit of account.

IDA CONCENTRATION IN INDIA

Mr. PASSMAN. As of June 30, 1975, IDA had effective credits on hand of $8,008,789,000, of which India had received an allocation of $3,498,068,000, or 44 percent. So in effect, for each $1 India contributed to IDA they got back $67. Could you please tell the committee why IDA has concentrated in India?

Mr. BUSHNELL. As you know, the United States votes against IDA loans to India as required by the Long Amendment because India has not signed the Nuclear Non-Proliferation Treaty since exploding its nuclear device. However, other member countries which have 75 percent of IDA's voting power continue to support IDA lending to India. This support stems, in large part, from the acute poverty experienced by most of India's 600 million people, India's need for development assistance on concessional terms given its external debt position, and its relative ability to productively absorb external capital. The most recent official estimates of India's per capita income place it at $102 per person. And on a per capita basis, IDA loans to India in fiscal year 1975 amounted to only $1 per person, lower than for all other IDA borrowers with the exception of Pakistan which was marginally lower. Thus IDA lending was not concentrated in India when assistance per capita for the poorest people in the world is considered.

OPEC CONTRIBUTIONS TO IDA

Mr. PASSMAN. Could you please tell the committee how much the OPEC countries have contributed to IDA since its inception and as of the last year?

Mr. BUSHNELL. The 10 OPEC countries which are members of IDA have contributed $92.7 million since its inception. Of this total, $28.4 million was contributed at the time IDA IV became effective in January 1975, having been negotiated in September 1973 well before the oil price increases. It is our strong hope that OPEC countries will contribute significantly to the fifth IDA replenishment which is currently under consideration.

IDA PURCHASES IN UNITED STATES

Mr. PASSMAN. Could you tell the committee what percent of all goods and services purchased or contracted by IDA since its inception have been purchased or contracted from the United States?

Mr. BUSHNELL. The percentage of goods and services purchased or contracted in the United States by IDA since its inception has been about 17 percent. Since our share of IDA IV is 33 percent, we can therefore expect about half of our contribution to be spent for U.S. goods and services.

IDA PROJECT LEADTIME

Mr. PASSMAN. Could you tell the committee how long it takes a project under IDA to receive funding after it has first determined the project should be considered?

Mr. COOPER. Once IDA has decided that a project is worth considering, extensive review by Bank staff and discussions with governmental authorities in the borrowing country are undertaken. This process can take from just under 1 year to 2 years depending on the complexity of the project, previous IDA assistance, et cetera. Funding for any specific project is only assured, however, when the board of directors, representing all member governments, has given its formal approval to a proposed project.

IDA PROFESSIONAL SALARIES

Mr. PASSMAN. According to a General Accounting Office report dated January 19, 1976, the adjusted salaries received by some of the professionals in IDA are quite staggering in amounts. It is noted that salaries range all the way up to $80,000 when the salaries are adjusted for their tax free status and certain dependency allowances are cranked in. Could you please tell the committee why these people receive such large salaries as compared with U.S. Government personnel doing essentially the same thing?

Mr. COOPER. While it is correct that on a tax-adjusted basis some World Bank salaries range up to something like this level, there are of course only a very few senior Bank officials near the top of this range. IBRD salaries are set by the board of directors acting on recommendations of the Bank management. They are generally in line with salaries at the U.N. and other international organizations, and by comparison with some multilateral institutions headquartered in Europe, they are lower. In recent years the United States has forcefully sought to restrain salary increases in the Bank and the IMF. We have had some success but less than we would have wished. A number of other directors and governments, however, have generally favored larger salary increases than have been approved in the past couple of years. Representatives of some Western European countries and Japan, for example, where salaries have increased more rapidly than in the United States, have taken this view, feeling that the Bank is beginning to encounter difficulties in recruiting competent staff from those countries.

Mr. PASSMAN. Has there been any thought to reducing some of these large salaries that are concentrated not only in the upper brackets but in the $50,000 and $60,000 ranges?

Mr. COOPER. We are making every effort to restrain increases in salary at the senior levels. In the last general salary adjustment we succeeded in obtaining Board approval that officials earning $38,500 and above, net, would not benefit from any salary adjustment. We have not, however, thought it realistic to seek any cut in the existing salary levels for senior Bank officials because there clearly would be no support for such a proposal from other members of the board of directors.

FISCAL YEAR 1977 REQUEST FOR IFC

Mr. PASSMAN. According to the budget appendix, it was indicated that a possible request in fiscal year 1977 would amount to $41,667,000, but I note in your justifications you are talking about an amount of $45 million. Could you please reconcile the difference for the committee?

Mr. BUSHNELL. The fiscal year 1977 budget submission figure of $41,667,000 for the IFC capital increase was estimated before international negotiations had been completed. It assumed a total U.S. contribution of $125 million paid in over 3 years. As a result of the negotiations, the total U.S. contribution has been reduced to about $112 million, and a four installment procedure established. The capital increase resolution states that countries—such as the United States—which cannot initially make a binding commitment to pay for all its subscribed shares, must make an initial commitment for a minimum of 40 percent of its quota in order to make their increased subscription effective. Therefore, an appropriation of 40 percent of $112 million, or $45 million, is necessary for the initial U.S. commitment. We intend to seek two equal appropriations for the remainder in fiscal year 1978 and fiscal year 1979.

Mr. PASSMAN. Could you please tell the committee what the U.S. contribution represents as a percentage of the total contributions received by the IFC?

Mr. BUSHNELL. After the replenishment, the U.S. share of total IFC capital will decline. The current U.S. share of IFC-subscribed capital is 32.5 percent, or $35.2 million. Of the $480 million increase in subscribed capital, the United States is being asked to provide $112 million, or 23 percent. After the increase, the U.S. share of IFC-subscribed capital is expected to be about 25 percent, or $146.7 million; perhaps slightly higher if a few countries do not keep up their shares. Increased shares will be provided by such countries as Canada, Germany, Italy, Japan, Iran, Saudi Arabia, Brazil, and Venezuela.

IFC MEMBERSHIP

Mr. PASSMAN. Could you please list for the record the total member countries that belong to the IFC, indicating their contribution and the percentage it represents of the total?

Mr. BUSHNELL. Yes, sir.

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[The information follows:]

TABLE I.—CURRENT IFC MEMBERS AND THEIR CAPITAL SUBSCRIPTIONS

Country	As of Jan. 28, 1976	
	IFC subscription	Percentage IFC subscription
Part I countries:		
Australia	2,215	2.04
Austria	554	.51
Belgium	2,492	2.30
Canada	3,600	3.32
Denmark	753	.70
Finland	421	.39
France	5,815	5.36
Germany	3,655	3.37
Iceland	11	.01
Do	332	.31
Italy	1,994	1.84
Japan	2,769	2.56
Kuwait	369	.34
Luxembourg	111	.10
Netherlands	3,046	2.81
New Zealand	923	.85
Norway	554	.51
South Africa	1,108	1.02
Sweden	1,108	1.02
United Kingdom	14,400	13.28
United States	35,168	32.44
Total, part I countries	81,398	75.08
Part II countries:		
Afghanistan	111	.10
Argentina	1,662	1.53
Bangladesh [1]	713	.66
Bolivia	78	.07
Brazil	1,163	1.07
Burma	166	.15
Cameroon	111	.10
Chile	388	.36
China	4,154	3.83
Colombia	388	.36
Costa Rica	22	.02
Cyprus	83	.08
Dominican Republic	22	.02
Ecuador	35	.03
Egypt	590	.54
El Salvador	11	.01
Ethiopia	33	.03
Gabon	55	.05
Ghana	166	.15
Greece	277	.26
Grenada	11	.01
Guatemala	22	.02
Guyana	89	.08
Haiti	22	.02
Honduras	11	.01
India	4,431	4.09
Indonesia	1,218	1.12
Iran	372	.34
Iraq	67	.06
Israel	50	.05
Ivory Coast	111	.10
Jamaica	148	.14
Jordan	33	.03
Kenya	184	.17
Korea	139	.13
Lebanon	50	.05
Lesotho	18	.02
Liberia	83	.08
Libya	55	.05
Malagasy	111	.10
Malawi	83	.03
Malaysia	277	.26
Mauritania	55	.05
Mauritius	95	.09
Mexico	720	.67
Morocco	388	.36
Nepa	55	.05
Nicaragua	9	.01
Nigeria	369	.34
Oman	36	.03

TABLE I.—CURRENT IFC MEMBERS AND THEIR CAPITAL SUBSCRIPTIONS—Continued

Country	As of Jan. 28, 1976	
	IFC subscription	Percentage IFC subscription
Part II countries—Continued		
Pakistan	1,108	1.02
Panama	2	(2)
Papua New Guinea	114	.11
Paraguay	16	.01
Peru	194	.18
Philippines	166	.10
Portugal	443	
Rwanda	100	
Saudi Arabia	111	
Senegal	184	
Sierra Leone		
Singapore	177	.16
Somalia	83	.08
Spain	1,108	1.02
Sri Lanka	166	.15
Sudan	111	.10
Swaziland	35	.03
Syria	72	.07
Tanzania	184	.17
Thailand	139	.13
Togo	83	.08
Trinidad and Tobago	148	.14
Tunisia	133	.12
Turkey	476	.44
Uganda	184	.17
United Arab Emirates [1]	86	.08
Upper Volta	55	.05
Uruguay	155	.14
Venezuela	116	.11
Vietnam	166	.15
Western Samoa	9	
Yemen Arab Republic	47	.04
Yugoslavia	591	.55
Zaire	332	.31
Zambia	295	.27
Total, part II countries	27,012	24.92
Grand total	108,410	100.00

[1] United Arab Emirates and Bangladesh have not completed membership formalities.
[2] Less than 0.01 percent.

IFC TERMS

Mr. PASSMAN. Could you please tell the committee the terms and the interest rates on the loans made by the IFC?

Mr. BUSHNELL. Article III, section 3(v) of the IFC Articles of Agreement states that:

> The Corporation shall undertake its financing on terms and conditions which it considers appropriate, taking into account the requirements of the enterprise, the risks being undertaken by the corporation and the terms and conditions normally obtained by private investors for similar financing.

IFC normally applies commercial terms to its loans which are for a term of 7 to 12 years and carry an interest rate determined by the circumstances of each transaction. IFC also considers money market rates and bond yields in the capital markets, as well as its own costs of borrowing. IFC's rates should be such as to attract private financial institutions as participants in the investments and should not be markedly different from the rates charged by private co-investors in the same project. IFC's average rate in fiscal year 1974 was 9.63 percent which increased to 10.58 percent in fiscal year 1975 and to 10.67 percent so far in fiscal year 1976. The weighted average rate for the 3-year period was 10.26 percent.

NEED FOR REPLENISHMENT

Mr. PASSMAN. You state in the justifications that the corporation has never had a replenishment. Could you please tell the committee why there is a need for a replenishment at this point since the IFC has been in existence since 1956 and has not required a replenishment thus far?

Mr. BUSHNELL. IFC followed a cautious policy in its early years because there was concern on the part of its founders that it make sure its operations would not in any way replace foreign or domestic private investment that would take place without IFC involvement. However, with its very limited capital reserves—less than $100 million—it wanted to be very selective in picking the highest priority operations. Although these initial problems were, in hindsight, resolved in the first decade of its operations, some of its major shareholders, including the United States, were hesitant to approve a replenishment because of the fear this would compete for funds with IDA and other programs. Further, IFC gained access to IBRD funds—for relending—in 1966 which postponed the necessity for an increase. This delay was, as we can see now, an error on our part. A capital expansion should have taken place earlier, perhaps 5 to 6 years ago.

Certainly, it is very clear today that IFC is an invaluable catalyst in mobilizing private resources and its strengthening is long overdue.

In respect to its current financial situation, IFC makes two kinds of investments—equity and loans. Purchases of stock can be made essentially only from capital and accumulated reserves. With no capital increase, the Corporation would have to cut back equity investments in fiscal year 1977—beginning July 1, 1976—and virtually eliminate them by fiscal year 1978 because all capital would be invested.

With respect to loans, the main source of financing, credits from the World Bank, is limited to four times unimpaired subscribed capital and surplus. That ceiling would be reached by fiscal year 1979. The corporation could go on functioning but its operations would be limited to resources arising out of loan repayments and portfolio sales. Participations from private financial institutions would diminish because IFC could afford to put in less of its own funds.

Since project planning precedes agreements by 1 to 2 years, the Corporation needs to know what its resources will be before the end of this calendar year. Otherwise it will have to start cutting back on project commitments.

IFC LOAN ACTIVITY IN CALENDAR YEAR 1976

Mr. PASSMAN. Could you please tell the committee what the projected loan activity would be for the IFC in calendar 1976?

Mr. BUSHNELL. The projected commitment level for IFC in calendar 1976 is $266 million, of which $231 million would be loans and $35 million would be equity investments.

LOAN REPAYMENTS IN CALENDAR YEAR 1976

Mr. PASSMAN. Could you please tell the committee what amount the loan repayments would amount to during the same calendar year?

Mr. BUSHNELL. Loan repayments to IFC during calendar year 1976 are expected to amount to $34.4 million. Equity sales from IFC's portfolio to private investors are expected to be $5.2 million at cost in calendar year 1976.

CAPITAL REPLENISHMENT OF IDB

Mr. PASSMAN. Since fiscal year 1976 is fast drawing to a close, when do you propose that the fiscal year 1976 request for the IDB would be transmitted to Congress?

Mr. BUSHNELL. We expect that an administration request will be sent to Congress within the next 2 weeks to amend the President's fiscal year 1976 and fiscal year 1977 budget to provide funds for a U.S. subscription to the capital replenishment of the IDB.

Mr. PASSMAN. If the authorization is enacted too late then would you propose to ask for two payments on the ordinary capital in fiscal year 1977?

Mr. BUSHNELL. We are hopeful that the authorizing legislation will be enacted in the very near future. As you know, the House of Representatives passed the bill—H.R. 9721—in December and it is presently pending in the Senate. In any case, we intend to submit a request for a supplemental appropriation in 1976 for the first payment to the IDB's ordinary capital which would remain available until extended. The appropriation would be made available only upon enactment into law of authorizing legislation. In this connection, I should like to point out that the fiscal year 1977 does not begin until October 1, 1976 and that the appropriation which we are seeing includes all our request for September 29, 1976.

Mr. PASSMAN. Could you please explain to the committee how this interregional capital will be used?

Mr. BUSHNELL. This new series of capital shares, called interregional capital, will be used by the IDB in the same way it uses its ordinary capital. These resources will be used for lending at near market terms to finance development projects. The callable portion of the interregional capital will provide backing for the Bank's capital market borrowings, as is the case presently for the callable capital of the United States available on demand.

Mr. PASSMAN. In the past all the borrowings that were made in the capital markets by the IDB were based on the amount of callable guarantee that was supplied by the United States. Is this still the case with the IDB?

Mr. BUSHNELL. Yes it is. The IDB is continuing to limit the total amount of its borrowings backed by callable ordinary capital resources to the appropriated ordinary callable capital of the United States. This will continue to be the case with regard to borrowings backed by the ordinary callable capital until all the bonds containing the covenant restricting the Bank from borrowing beyond the callable capital of the United States available on demand have been retired or redeemed. After inter-regional capital is created, the IDB will also be able to borrow against the inter-regional callable capital subscriptions of the countries contributing to inter-regional capital such as Canada, Venezuela and the nonregional members.

IDB NON-REGIONAL COUNTRIES

Mr. PASSMAN. Could you please list for the record the 12 nonregional countries that have joined the IDB?

Mr. BUSHNELL. 12 nonregional countries have declared their intention to seek membership in the IDB. These countries are: Austria, Belgium, Denmark, Germany, Israel, Italy, Japan, Netherlands, Spain, Switzerland, United Kingdom and Yugoslavia. The legal measures necessary to enable these countries to join the Bank are underway but have not been finalized.

IDB LOANS IN CALENDAR YEAR 1976

Mr. PASSMAN. Could you please tell the committee what the loan projections will be for the Ordinary Capital account in calendar 1976 and what were the similar programs for calendar 1975?

Mr. PORGES. In 1976, the Bank has applications under study which could result in a lending level of US$850 million in the Ordinary/Interregional Capital window, including US$100 million of cofinancing, if the replenishment and nonregional entry is approved and sufficient funds are appropriated by the United States and other countries. In 1975, the actual lending was US$646.2 million which includes US$30 million in cofinancing.

IDB TERMS

Mr. PASSMAN. Could you also tell the committee what the terms are and the interest rates are for the loans provided under the ordinary capital window and the FSO?

Mr. BUSHNELL. The IDB's terms for Loans from Ordinary Capital and FSO are contained in the following table:

	IDB lending terms			
	Maturity (years)	Grace period (years)	Interest rate (percent)	Commitment fee (percent)
Ordinary capital: All borrowers	15 to 30	1 to 5	8	1.25
FSO:				
Category A[1]	Up to 25	Up to 5	3 to 4[5]	.50
Category B[2]	Up to 30	Up to 7	2	.50
Category C[3]	Up to 35	Up to 8	2	.50
Category D[4]	Up to 40	Up to 10	1 to 2[6]	.50

[1] Argentina, Brazil, Mexico, and Venezuela.
[2] Chile, Colombia, and Peru.
[3] Barbados, Costa Rica, Jamaica, Panama, Trinidad and Tobago, Uruguay.
[4] Bolivia, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, and Paraguay.
[5] 3 percent for social projects and 4 percent for economic projects.
[6] 1 percent during grace period and 2 percent thereafter.

IDB UNDISBURSED LOANS

Mr. PASSMAN. Could you also list for the record the amount of undisbursed loans for the ordinary capital amount and the FSO as of December 31, 1975?

Mr. BUSHNELL. As of December 31, 1975, $3,661 million or 42 percent of the Bank's total loans, net of cancellations and exchange adjustments, were undisbursed. Of the loans made from ordinary capital resources, $1,756 million or 45 percent were undisbursed.

Of loans made from the FSO, $1,791 million or 44 percent were undisbursed.

The main reason that there is a large undisbursed amount on hand is that the total amount of any particular loan is not disbursed soon after the loan is approved. Disbursements of IDB loans take place only as needed to cover specific costs incurred as the project advances, and projects generally require 4 to 5 years complete. At any given time, therefore, there will be a large undisbursed amount on hand, even when all projects are progressing satisfactorily.

Mr. PASSMAN. Have the funds for the ordinary capital and the FSO been totally utilized as of this time?

Mr. BUSHNELL. The IDB ran out of commitment authority to make new loans in late 1975 and would have had to cease lending but for a change in its regulations that allowed it to make new commitments against loan reflows and certain reserves on a temporary basis until the new replenishment becomes effective. Even with this new arrangement the IDB had only $52 million in remaining commitment authority from ordinary capital at the end of January 1976. Since these funds have already been allocated for a couple of pending loans, the Bank is now unable to make new ordinary capital loans. Commitment authority available for FSO loans amounted to only $20 million at the end of January 1976.

IDB PROJECT LEADTIME

Mr. PASSMAN. Could you please tell the committee how much time elapses between the time the project is selected for funding and when the project actually receives funds?

Mr. PORGES. Strictly speaking, "selection for funding" only takes place upon final loan approval by the Bank's Executive Board. Between that moment and the actual start of flow of loan resources to the project, a normal lapse of time is between 6 to 9 months, which the borrower needs to negotiate and sign the loan contract and to meet contractual conditions precedent to first disbursement. Since the Bank reimburses borrowers for expenses actually incurred, it takes between 4 and 5 years for the project to be completed and the loan fully disbused. A typical Bank project will have been identified 3 years prior to Board approval. Once formal study of a project has been undertaken by the Bank's staff, the average time to bring a favorable recommendation to the Board is approximately 8 months. It must be noted that the essential elements determining the length of time required to analyze a project and recommend it for financing are the degree of project preparation and the complexity of the project itself. Since there is considerable variation of the above elements between projects, the time periods mentioned above cannot be taken as more than very rough estimates, representative of the majority of projects.

	Ordinary capital	FSO	OC and FSO procurement combined
1972	33.1	69.0	49.5
1973	36.9	65.5	47.4
1974	27.2	70.8	46.5
1975	35.8	67.0	49.7

IDB BAD DEBT EXPERIENCE

Mr. PASSMAN. Could you please tell the Committee what has been your bad debt experience since the inception of the Bank?

Mr. BUSHNELL. The Bank has had an extremely good record with regard to bad debts. Only $1.8 million on two loans to the same borrower have been written off as uncollectible since the Bank's founding in 1959. These two loans were to an Argentine private enterprise which defaulted in 1966. In the foreclosure proceedings the Bank received $954,000 out of a total $2.8 million outstanding. The balance of $1.8 million was charged against the general reserves of the Bank's ordinary capital. A private enterprise in Brazil also defaulted on two loans in 1966. The foreclosure however, has provided the Bank with sufficient assets to cover the payments of principal and interest to date. It is expected that the full amount outstanding at the time of default—$8.2 million—will be recovered on schedule. The Bank does experience overdue payments from time to time but the delays are usually no longer than a few weeks and are generally the result of procedural and administrative problems in approving transmission of documents.

IBD PROFESSIONAL PAY

Mr. PASSMAN. According to a General Accounting Office report dated January 19, 1976, the professional pay received by some of the members of the staff of the Inter-American Development Bank was rather high, ranging from $72,000 at the highest bracket down to $16,000 in the lower bracket, with a large concentration in the $40 to $50 and $60,000 brackets. Would you please tell the Committee why these people receive such large salaries when they are doing basically the same things as the staff members of the Agency for International Development?

Mr. PORGES. The U.S. Government considers that the salaries of the Inter-American Development Bank, as well as those of other international organizations are too high. Accordingly, on instructions of the U.S. Government, I have tried very hard to limit increases proposed over the past several years. There has been some success in limiting increases proposed for those in higher salary ranges. However, representatives of other governments have not shared our view on this matter because of high salary structures in their own countries and the practices of other international organizations such as the United Nations and the Organization for Economic Cooperation. The Bank recruits professionals from its developing countries where pay is at a premium because of a general shortage of skills. In addition, arguments are made that in the United States the Inter-American Development Bank must compete in a labor market which is considerably different from that of the U.S. Civil Service (e.g., commercial and investment banking fields).

ADB TERMS

Mr. PASSMAN. Could you please tell the Committee what the terms and interest rates are on the loans provided by the ordinary capital account and the special fund account?

Mr. BUSHNELL. Most loans committed from the ADB's ordinary capital resources carry an interest rate of 8.75 percent with maturities of 15 to 25 years including grace periods of 2 to 7 years. On loans to

the most affluent borrowers, such as Singapore and Hong Kong, the ADB charges a premium interest rate of 9.5 percent.

Loans extended from the ADB's concessionary special funds carry a service charge of 1 percent with maturities ranging from 25 to 40 years including 5 to 10 years grace period.

U.S. CONTRIBUTION AS A PERCENTAGE OF ADB FUNDING

Mr. PASSMAN. Could you also tell the Committee what the U.S. contribution represents as a percentage of the total contributions in in the ordinary capital account and special funds account?

Mr. BUSHNELL. As of December 31, 1975 the U.S. subscription represented 11.3 percent of ordinary capital funds and the United States contribution of $100 million represented 15.9 percent of contributed special funds.

ADB UNDISBURSED LOANS

Mr. PASSMAN. Could you please tell the committee how much in undisbursed loans were held by ADB as of December 31, 1975, in the ordinary capital account and the special funds account?

Mr. BUSHNELL. As of December 31, 1975, the ADB had committed $1,925 million from its ordinary capital resources. Of this amount $684 million had been disbursed leaving funds to be disbursed on these loans of $1,241 million.

As of the same date loans totaling $659 million had been committed from special funds resources of which $148 million had been disbursed leaving $511 million to be disbursed.

FUTURE U.S. COMMITMENT TO ADF

Mr. PASSMAN. In the justifications on the Asian Development Fund you indicate that a 1-year contribution of $50 million is being requested for fiscal year 1977 while a determination is going to be made on the future size of an additional U.S. commitment. Could you tell the committee if you have any idea of the amount this U.S. commitment might be?

Mr. BUSHNELL. No decision has yet been taken on the total amount to be requested from Congress as the U.S. contribution to the ADF replenishment. As indicated in the ADB annex to my opening remarks to the committee, the United States reserved its position on the suggested U.S. contribution of $231 million contained in the recently approved ADB Governors resolution. We continue to believe that figure is too high although most other ADF donor countries agreed to increase their contributions to the ADF by 150 percent. I anticipate that some increase over the original U.S. contribution of $150 million will be sought, although as I stated, no firm decision has yet been taken in the executive branch.

IFI OPERATIONS

Mr. PASSMAN. Could you please tell the committee if there is any thought being given by any of these international financial institutions to operate on its loan repayments or its interest earned on investments instead of constantly requesting increased replenishments?

Mr. BUSHNELL. Yes; it is our goal to reduce gradually and perhaps eliminate the paid-in portion of ordinary capital subscriptions. With the increasing maturity and financial strength of the ordinary capital operations of the IFI's the need for additional paid-in capital is diminishing. As can be seen from the table I have provided the committee, the proportion of paid-in capital has been falling in most replenishments as these exercises are increasingly used to raise callable capital to guarantee IFI borrowings. With continued prudent financial management and the buffer provided by reserves, it is highly unlikely that subscriptions of callable capital will ever require budgetary outlays.

As for the concessionary loan facilities of the IFI's, the longer maturities and lower interest rates charged will not permit continued lending at present levels without continued contributions from donor countries. However, we expect that an increasing number of countries will be able to advance their income and growth levels such that highly concessional assistance will no longer be needed. This graduation from concessional assistance is already happening in Latin America. We would expect this trend to continue. There have been several graduates of ADB and IDA concessional funding in Asia.

ADB LOANS TO HONG KONG OR SINGAPORE

Mr. PASSMAN. Is the ADB making any loans to Hong Kong or Singapore?

Mr. BUSHNELL. The ADB has reduced its lending to these members and since 1972 the ADB has only made one loan to each. One ordinary capital water supply loan to Singapore is in the ADB pipeline.

Mr. PASSMAN. Could you please tell the committee why the ADB has made loans to Hong Kong and Singapore when these two countries would seem to be able to finance their own transaction?

Mr. BUSHNELL. The ADB is making very few loans to these two developing ADB members. In order to help graduate its more affluent borrowers, the ADB has established a premium interest rate of 9.5 percent for borrowers with 1972 per capita incomes above $850. Hong Kong and Singapore must pay this rate. We expect increasing international market confidence in these two members will make it possible for them to finance their development without frequent use of ADB resources.

ADB PROJECT LEADTIME

Mr. PASSMAN. Could you tell the committee how long it takes a project under the ADB to receive funding after it is first determined the project should be considered?

Mr. BUSHNELL. The time taken varies from case to case. On average, the period from loan application to consideration of the loan proposal by the Board of Directors is approximately 9 months. Some projects have taken longer to process because of their complex nature and the preparatory work to be done on legal complications or problems in arranging counterpart or supporting finance.

ADB PURCHASES IN THE UNITED STATES

Mr. PASSMAN. Could you tell the committee what percent of all goods and services purchased or contracted by ADB since its inception have been purchased or contracted from the United States?

Mr. BUSHNELL. The percent of goods and services procured from the United States by the ADB since its inception through ordinary capital financed projects has been 10.62 percent. The U.S. share of combined ordinary capital and special funds financed procurement is somewhat lower, because the United States was not eligible for procurement opportunities from special funds financed projects until it became a contributor to special funds resources in 1974.

ADB CAPITAL COMMITMENTS

Mr. PASSMAN. Could you please tell the committee if you have committed all your capital at the present time for the special fund and the ordinary capital window?

Mr. BUSHNELL. As of December 31, 1975 the ADB had special funds available for new commitments totaling only $40.9 million. This figure takes into account contributed resources, repayments, and investment earnings.

As of the same date, if the Bank were to limit its new commitments to amounts which would be financed without additional capital, the ADB had ordinary capital resources available for commitments of only $184 million. This figure reflects repayments as well as subscribed capital.

WHY JOIN AFDF

Mr. PASSMAN. Let us now consider the African Development Fund (AFDF) for which the fiscal year 1976 proposed request is $15 million.

Could you please tell the committee why the United States intends to join this fund when Africa could use IDA credits?

Mr. BUSHNELL. It is true that the United States is already a member of the World Bank and IDA. Both are active in Africa and IDA lends on concessional terms similar to those of the AFDF. Our past experience with the Asian and Inter-American Bank, however, leads us to believe that a smaller institution with a predominance of local citizens can do a better job of meeting certain requirements than the much larger, worldwide organization.

The African countries concur in this belief, since the regional institution gives them more control over the course of their own development. Moreover, the work of AFDF and the World Bank/IDA in Africa are complementary. The World Bank concentrates on larger, more complex projects utilizing expertise gained from worldwide operations. The AFDF focuses on small-scale, basic projects and calls upon the first-hand knowledge and African expertise of its staff to meet problems unique to Africa.

In short the AFDF can handle smaller projects especially those requiring knowledge of local conditions and technology better than IDA. Finally, it is important for the overall U.S. position in Africa—

economic and political—that we show our concern with an African regional bank as we have with the regional banks in other parts of the world and direct a modest portion of our assistance through this African institution.

Mr. PASSMAN. Not only do they have the use of IDA, but they also receive a bilateral U.S. program, and I really don't understand why we have to join this particular fund. Could you provide the committee with the details on why we are requesting funds to join this Bank?

Mr. BUSHNELL. Economic development is a complicated, arduous process. External bilateral and multilateral funding do not provide all the necessary inputs. The key factors determining the success of development efforts are the policies and priorities followed by each country. We believe that the development banks have a special contribution to make in precisely such areas by encouraging the adoption of sound economic policies, by assisting in institution building and by supporting successful development efforts made by the countries themselves. The regional banks, because of their responsiveness to the particular conditions in their regions, are especially effective in this process. Moreover, the AFDF reaches a number of African countries where we no longer have significant bilateral programs.

Mr. PASSMAN. Thank you.

Dr. Long?

Mr. LONG. Thank you, Mr. Chairman.

I think the Chairman's questions illustrate that we have not followed what I call the golden rule and that is "he who has the gold makes the rule." We have been paying out all this money and then letting somebody else make the rules and we haven't supervised it enough. We assumed that somehow they would use the funds wisely. It is pretty clear that this vast sum of money has been dissipated with little product.

LIGHT CAPITAL TECHNOLOGY

Now, on the items that you talked about I have a list of these, an irrigation and agriculture credit project in the Dominican Republic an agricultural diversification productivity project in Colombia; the development and dissemination of an improved grain and legume seeds in Brazil, not requiring great quantities of fertilizer or irrigation; projects in Mexico involving road construction, irrigation, ditch lining, et cetera; a research program to promote artisan activity in Ecuador, Guatemala, and Bolivia.

In none of these examples which Mr. Porges named in his December 5 letter did he provide sufficient details to show whether the technology being used was in fact intermediate or actually primitive such as, say, pick and shovel roadbuilding.

Mr. PORGES. If I may, I can expand a little on the Mexican one, the integrated rural development.

This is a program that is taking place simultaneously in 15 different regions of Mexico. It is going to affect 13. million poor farmers. As you know, the concept of integrated agricultural development is that of a manyfold enterprise with all of the Government ministries involved. In the past land reform involved just giving land to people. They haven't known how to use it and they have deserted it and gone to cities to live in shanty towns.

The whole purpose of the integrated agricultural development program is to develop a stake for the farmer in the rural area, and part of it has to do with something in the way of creating income-producing activity for the wife, for the farmwife. In this connection the Mexican program envisages what they call sewing shops, the very simple sewing machines which the farmer's wife can use to make clothing. Equipment for canning operation is another element of the program.

Again, you may call it primitive but it is all that is needed for that particular type of program.

Mr. LONG. Let us get away from the word "primitive" because this is not what we are talking about.

Mr. PORGES. There are also quarries to obtain the local materials for roads and brickmaking operations of different types. Obviously the different areas require different techniques. You have arid areas and less arid areas, and irrigation is a greater or lesser factor, but I think in a program of this dimension that you do have the use of intermediate technology in a variety of ways. I can supply a more detailed description.

[The information follows:]

INTEGRATED RURAL DEVELOPMENT IN MEXICO

Description

The program which the IDB would partially finance consists in its entirety of specific investments and services to be executed in a coordinated and simultaneous fashion in 15 regions covering an area of approximately 85,000 kilometers and having 1.3 million inhabitants.

The regions show varying population and ecological characteristics. One factor common to all of them, however, is the high rate of poverty; the average per capita income is less than U.S. $100 per year.

Of these 15 regions, 5 have been identified as a representative sampling. The remaining 10 will be submitted to the IDB for approval within 6 months of contract signature. These are being analyzed in accordance with the criteria set forth above.

To achieve its objectives, the program envisages the following types of investments:

(*a*) *Directly productive investments*

Irrigation.—Plans call for the construction of minimum-size facilities (for livestock water troughs, home use, and irrigation) and small-scale facilities that would improve approximately 35,000 hectares and improve the irrigation of an additional 15,000 hectares.

Livestock development.—In ejido and rural communities approximately 150 beef cattle, 120 swine, 30 small livestock (sheep, goats, etc.), and 200 beekeeping units will be established. The basic investments consist of land improvement (clearing); seeding and fertilizing of pasture; construction of barns, fences and handling corrals; installation of watering facilities, dipping vats, and scales.

Soil and water conservation.—Construction of ditches, terraces, ponds, and other practices to protect and conserve soil and water resources over an area of approximately 85,000 hectares.

Fruit production.—Establishment of small orchards over an area of approximately 5,800 hectares, including land improvement, supplies of selected plants, hole digging, fertilizing, and cultivation during the first year.

Rural industries and handicrafts.—Establishment of small rural industries and handicrafts to take advantage of the labor and raw materials of the regions. Among these industries are brickmaking, development of quarries, fruit and garden produce processing plants, sewing shops, and shops for other handicraft operations.

Agricultural and livestock credit.—Medium- and long-term investment and operating capital loans will be provided to *ejidatarios* and small farmers so that they can make better use of investments in productive infrastructure.

(*b*) *Investments in production support*

Access roads.—Construction of approximately 1,300 kilometers of access roads to the communities located in the regions of the program, at an average cost of US$8,000 per kilometer. Of the total cost, 70 percent is for labor and 30 percent for materials, equipment, and other goods.

Agricultural and livestock research and extension.—Upgrading of farm research primarily for dry farming in support of the program's activities. The agricultural research and extension work will be executed in accordance with a plan that the borrower must present to the Bank prior to the first disbursement of the loan and through increased staffing of some 300 technical agents.

Rural electrification.—Construction of approximately 1,500 kilometers of transmission lines to provide electricity service to approximately 200 towns with a population of 115,000 inhabitants.

The cost of the transmission line from the principal system to the town and the distribution lines to customers will not exceed the equivalent of US$150 per person.

Organization and training of rural people.—Efforts to organize *ejidatarios* and to train their leaders will be stepped up. In addition, organization and training activities for small landowners and other farmers of the region will be supported. The SRA will assign approximately 180 professionals and technicians to this work.

Marketing.—Construction of approximately 70 rural stores and warehouses which are basically small depots to store the products bought by CONASUPO from the farmers and the technical inputs acquired by CONASUPO for subsequent sale to the farmers. The rural warehouses are small establishments for retail sales of foods and other basic products.

(c) *Investments in social infrastructure*

Water supply.—Construction of approximately 420 systems to serve a population of some 250,000. The cost of the units varies from US$16,000 to US$296,000. The beneficiaries will pay the cost of the home connections and an amount for water use sufficient to cover the operating and maintenance costs of the works.

School construction.—Construction or remodeling and equipping of 1,150 home-schools with a capacity of approximately 57,000 primary level children. The teachers and school materials will be financed by the regular resources of the Ministry of Public Education. This subprogram will be financed from the resources of the local counterpart funding.

Health centers and homes.—Construction and remodeling of approximately 100 health centers which will be set up in communities of 500 to 2,500 inhabitants at an average cost of US$4,000. A center will cost approximately US$50,000; the centers will be built in towns of approximately 8,500 inhabitants. This subprogram will be financed completely by local counterpart resources.

Improvement of housing and public spaces.—The provision of materials for the improvement of housing and public open spaces (primarily recreation areas) in ejidos and towns. These will be built using self-help and mutual help systems. The total cost of this subprogram will be financed by the local counterpart resources of the program.

Mr. LONG. Hereafter, when you submit projects to me please don't feel that you have accomplished the job of calling something intermediate or appropriate technology by using such words as "small" or "simple" or "primitive."

I think you have got to come up with far more explicit information than that.

Would you agree?

Mr. PORGES. I think we have to define our means and our ends.

Mr. LONG. For example, this business of the average loan. I begin to understand the project when I know what you are lending the average borrower. When you lend him $10,000 in a country where annual incomes are a few hundred dollars or less, that is not intermediate technology. I saw in Brazil two projects like that. One project involved poultry raising.

The other was a pig farm. One owner was a professor at the local university. The other fellow had a Ph. D. Obviously they were very

influential people and whoever was lending this money was not getting down to the kind of thing we are talking about. The borrowers are either lucky or influential. We have to find a way to get out into the rural areas and reach large numbers of small producers.

Are you considering means of getting credit in small amounts out into the rural areas so that a farmer doesn't have to walk for 3 days to get to a city bank where he then stands in awe before he screws up enough courage to go in.

Mr. BUSHNELL. Absolutely.

Mr. PORGES. That is what this Mexican project will do for 1.3 million very poor farmers.

Mr. BUSHNELL. If I may go back to the Philippine project I mentioned earlier, the average size of the farm under that project will be 2¼ hectares and the project is expected to increase the income of the farm family eight times, from $191 at present to about $1,500 after the project is fully effective.

Mr. LONG. How much investment per farm?

Mr. BUSHNELL. It would vary. I would have to have an average figure because there is a substantial part of the project——

Mr. LONG. What would the variation be, from what to what, and what would the average be?

Mr. BUSHNELL. It looks roughly from these figures that the typical investment on the farm itself, in terms of credit and other things, will be about $500. There will also be some associated infrastructure like farm-to-market roads and irrigation canals.

How many farmers you spread it over would determine the cost per farm, but about $500 for the investment on the farm itself.

Mr. LONG. When you say on the farm itself, what other investments are you talking about?

Mr. BUSHNELL. This investment includes some irrigation facilities, some feeder roads, extension service——

Mr. COOPER. This is a subject that has come up on a number of so-called integrated rural projects in the bank board. I have raised the same kind of questions about it. The costs are coming down. They still tend to be relatively expensive. Nobody has found quite the magic key to unlock a project that is both effective and cheap enough to be extendable across the whole range of farm families. You end up with just vast numbers if everybody had access to the same amount of investment.

Costs have been coming down. If you look at the average size in some of the new projects and the average cost per family benefit, they are a lot smaller than they were in some older projects, but I am not aware yet that the key has been found to unlock the secret of how you provide all the people you want to reach access to the kind of technology you are talking about at a price and with credit arrangements that make it possible for the great bulk of people to have access to them and to substantially increase their living standards.

Mr. LONG. I figured out just roughly it would run to about $2 trillion, and even the wildest-eyed liberal is not prepared to go to much more than about double what we are giving, I wouldn't think.

So we have to ask ourselves do we get a scale of technology that is going to really work to help the vast majority of people, or are we just going to help a few people and let the rest of them go?

What are you talking about per farmer?

Mr. BUSHNELL. For a farm family it looks like the total cost of the project per farm family would probably be about $5,000.

Mr. LONG. You realize, don't you, the number of farms there are in the underdeveloped world, and when you multiply them by $5,000 what you are going to run into?

Mr. COOPER. We have time in the sense that a project that is too expensive to give to everybody this year, if you can give to some people this year and sustain it and somehow keep ahead of the curve of population growth, you can keep extending that, so you don't necessarily have to get down to $100 a farm family level.

You can cope with a more expensive kind of investment. I don't know what the magic number is or what the right amount is.

Mr. LONG. I don't know what it is either, except if you are talking about $5,000 per family you can forget about solving the problem of economic development in this world. That is what people should have started doing 20 years ago, just taking some simple arithmetic and figuring out how many poor people there were and then figuring out what level of capital was going to deal with the problem, and we wouldn't be where we are right now.

What I want to get from you folks is some idea of what you plan to do, what kind of institutions you plan to create. You have just said you are not terribly sympathetic with the idea of institutions within your lending institution.

I would like to get some feeling of how you do propose to go about it. Can you sit down now and work up a plan or program and let me see it so we know what we are doing?

Mr. COOPER. We have discussed, at least I have discussed in my bank and I know John has in his, with the people, this whole issue and we have talked about various ways of getting at it and I think at this point what we need to do is to have further discussions with our institutions and get back to you with a statement of what is being done and what is proposed to be done to respond to your concern on this question, not just your concern, but the problem.

Mr. LONG. I know there are people in the banks—I met them out in the field—who are very enthusiastic about light capital technology. I know there are plenty of other people who couldn't care less. I think we have to get some people who are really dedicated and devoted to what, to me at least, is the main job of foreign aid—economic development.

I am going to do everything I can, in my small way, to steer the money in the direction of those aid institutions that I see show a real, genuine, sincere interest in developing, promoting, and institutionalizing intermediate technology.

I know one of the problems whenever you get a principle accepted is that of redefinition and so on.

We all know that. I don't want to see this happen. I don't want to see this happen to intermediate technology. We don't have the time.

Mr. BUSHNELL. We certainly agree with you on that. We have to press to get the banks to recognize the work of those people in the banks who are alert to this and to bring this forward and develop the plan so that their projects increasingly—although we are not going to solve this problem overnight—increasingly reflect this kind of attitude and this kind of approach.

I think it is a good idea for us, for the executive directors in each of these organizations, to work with their organizations and come forward with whatever plan they can work out with that organization for the next year. It won't solve the problem but it will be a program for the next year of what they will do, what sort of efforts they have in mind, and we will have to build on this.

Mr. LONG. Would you agree this has to be done in the countries by people very close to the production process and that it can't be done in the United States by a bunch of professors, however wise or intelligent?

Mr. COOPER. The successful examples have been done just that way. I don't know of any other way to do it.

Mr. LONG. It has to be done in the country indigenously. That is the way our own economic development came about.

Consequently it would seem to me that your banks have to develop institutions within the countries themselves, and it can't be done here in Washington or it can't be done in the United States in universities. I am not saying they can't do good work in these various places.

Would you agree it has to be somehow implanted in the countries themselves?

Mr. COOPER. It has to be implanted there. The idea of building institutions in the countries has come up. We had a project in Lesotho where they are concerned about possible large numbers of unemployed workers and they are trying now to set up a local project, to develop standby labor-intensive methods of construction. Again, this happens to be in the civil construction field, but this is beginning to spin off in a number of countries.

We are not very far along with it but we are beginning.

Mr. LONG. When could we get those plans?

Mr. COOPER. I would not want to promise anything within a couple of weeks or anything. All they would be is an evasion.

Mr. LONG. Would be what?

Mr. COOPER. They would be evasion if we gave you something in 2 weeks.

Mr. LONG. We have had plenty of those.

Mr. COOPER. I don't know. Let me talk more to the bank. I can't tell you at this point. I don't know how long.

Mr. LONG. At least I would hope we could have some declaration of intent with enough details to give us a feeling that your heart is in the right place and you know where you are going.

I don't know whether you would agree with me or not, but it seems to me that whether this works or not—maybe there is no hope for the underdeveloped world, maybe there is no hope for the planet—it would seem to me this is the only hope there is.

Would you disagree with that?

Mr. BUSHNELL. No; I would agree with you. But I think we have to recognize there are differences among countries. In a country such as India, or the subcontinent in general, where the proverty is so immense and the population growth rate is so fast, one must look for improvement at very low cost.

There are other countries, and an example that I have been using is the Philippines—the Philippines has made a good deal of progress in economic development and it may be that given their resources they can afford a couple thousand dollars per family in the Philippines to bring them along.

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The technology and the nature of the project should be appropriate to each country. There is a big difference among the developing countries and I think, if we work out this program in the banks a differentiation between countries should be worked out under which what would be appropriate in some countries might still be too expensive for others or the other way around.

Mr. LONG. I don't think there is any doubt about that, although it would seem to me then that the bank should be putting its resources in those countries that need it the most and in which the levels are lower.

Mr. BUSHNELL. But as we discussed earlier—and I think you were a participant in this—in some cases the self-help and policies are not there. Let us not take particular countries but let us take two countries, A and B, which were about at the same level 25 years ago. One country has progressed well and received a lot of aid and has improved and expanded its income and has now reached a higher level, while the other country has for one reason or another not made the progress. It is not clear to me it would be right for us to concentrate our aid in the second country rather than continuing the development of the first country. Even though they have made some progress, they still have a long way to go.

Mr. LONG. I would be inclined to agree with you. I think you have to use your intelligence or intuition.

In the case of India, I don't think the Indians have good faith in economic development, in terms of at least what I call economic development, and in terms of what most people would look at from the humanitarian point of view.

In the case of India I would say, "Look, we have given you a good trial for a long time. We have limited aid resources. We are going to try them somewhere else. You are on your own."

Mr. BUSHNELL. Most developing countries have made a great deal of progress. India is not a typical example.

Mr. LONG. I think there has been some progress around the world, particularly in the breeding of children. It is a very disheartening picture. It is pretty hard to convince my constituents that this has been very worthwhile in terms of the resources taken away from them.

Mr. Bushnell, I would like to reiterate a few points. Does the Executive Board—including the Treasury Department and the U.S. Executive Director of the multilateral development banks—accept unequivocally the committee's two recommendations on intermediate technology on page 50 in the committee report which state:

> The Executive Directors should (1) propose that a steadily increasing proportion of development projects by their respective banks be designed and funded which employ primarily "light capital" technologies and (2) consider the creation of institutions within their respective Banks devoted to the promotion of "intermediate" technology.

Mr. BUSHNELL. We certainly accept the first recommendation, with the exception of the IFC which I will discuss below, and we accept the intent of the second recommendation. We have a question, and this is one which I would like to discuss with you, as to whether the best way to proceed within the institution is to create something that is separate from the operating part that would concentrate only on intermediate technology, or whether they should make an effort throughout all their operations to work on this.

My concern is that there has been a history that when something separate is created it tends to go off on its own and doesn't really bring to bear on the bulk of the ongoing activities of the institution its expertise on the sort of imaginative and aggressive technological improvement that would be needed in this case.

In the case of the International Finance Corporation, it is very difficult to insure that a steadily increasing proportion of development projects are designed which employ primarily "light capital" technology. Although IFC occasionally takes an active role in project preparation, generally IFC operates in direct response to private sector proposals for its investment funds. In these cases, it can try to influence the use of "light capital" technologies, but as a small participant—usually about 20 percent but sometimes, only 5 to 10 percent of a project,— IFC cannot dictate such action. Often IFC is involved in projects where other investors feel they are aware of the most appropriate technologies commensurate with their profit objectives and cannot be swayed by a minority participant. Thus, while we agree with the thrust of the recommendation, we cannot reasonably expect and, therefore, cannot propose, that IFC will be able to accomplish the objective to an increased extent each year.

So, we have some reservations. However, we have pressed very hard in all of the banks of which we are a member for them to be much more interested, much more aggressive in this field.

Mr. LONG. Does the Executive Branch accept these recommendations for all of the following international institutions:

The World Bank;

The International Development Association;

The International Finance Corporation;

The Inter-American Development Bank;

The Fund for Special Operations of the Inter-American Development Bank;

The Asian Development Bank;

The Asian Development Fund (the soft-loan window of the Asian); and

The African Development Fund.

Mr. BUSHNELL. We accept the recommendations with the qualifications I mentioned above regarding the creation of a separate institution devoted to the promotion of "intermediate" technology and the applicability of the recommendation for IFC operations.

Mr. LONG. In other words, does the executive branch accept that light capital technology should be a major focus of both hard and soft loan financing by the development banks and also a major focus of the International Finance Corporation? If not, why not?

Mr. BUSHNELL. I can assure you that the Department of the Treasury and the National Advisory Council on International Monetary and Financial Policies—NAC—believe that the international development banks should place a major focus on employment of light capital technology. We believe that appropriate technologies should be employed in the case of both hard and soft loans.

With respect to the IFC, as I mentioned earlier, it is more difficult to place the major focus on light capital technologies, partly because projects are frequently formulated by investors in the private sector who are aware of the most appropriate technologies related to their profit objectives.

Similarily, the IFC expects to make a profit from its equity and charges near commercial interest rates on its loans. Financially they cannot afford to take the risks on their loans that development banks with government guarantees do.

There may be a conflict between profit expectations and the use of new technologies. However, we will urge the IFC to take an active interest in getting their clients to use light capital technology, wherever possible given its conflicting objectives.

Mr. LONG. I would like you to submit for the record a proposed timetable with concrete objectives—including numbers of loans and pilot projects by sector—for each lending institution by which the United States will propose that "a steadily increasing proportion of development projects * * * be designed and funded which employ primarily light capital technology."—as the committee report recommends on page 50.

Mr. BUSHNELL. Mr. Long, as I said earlier, I believe we should encourage the banks to do more in intermediate technology. I plan to write to each of our executive directors, asking them to ask their bank to provide us with detailed programs of what each bank is doing in this area and what it plans to do in the year or two ahead. I believe we should give the banks sufficient time to prepare plans that are fully responsive to the concerns raised here today, perhaps a couple of months. As soon as we hear from the banks, we will forward their replies to you.

Mr. LONG. Mr. Porges, you have provided me material on the Inter-American Bank's work in light capital technology. What evidence can you provide that these IDB projects are actually light capital projects?

(*a*) Dominican Republic—Irrigation and agricultural credit;

(*b*) Colombia—Agricultural diversification and productivity;

(*c*) Brazil—Development and dissemination of improved seeds;

(*d*) Mexico—Road construction, irrigation, ditch lining, etc., and rural industries;

(*e*) Ecuador/Guatemala/Bolivia—Artisan activity.

DOMINICAN REPUBLIC—IRRIGATION AND AGRICULTURAL CREDIT

Mr. PORGES. The Rural Development Project (PIDAGRO) is financed with loan 350/SF–DR, approved on December 21, 1972, and which is 50 percent disbursed. The program requires inumerable small works like tertiary canals, gates, land leveling, small ditch roads, community buildings, and so forth. It has been contemplated that such activities would be carried out utilizing labor-intensive self-help techniques designed to take advantage of the availability of labor from the families that are already settled in the area. The IDB's project also places great emphasis on the promotion and establishment of farmers' associations and cooperatives. This aims basically at providing the necessary organizational and administrative capability in order to enable the utilization of labor-intensive techniques for the construction of the small above-mentioned works in an efficient manner.

COLOMBIA—AGRICULTRUAL DIVERSIFICATION AND PRODUCTIVITY

The project was financed with loan 79/TF–CO authorized on May 21, 1964, and which now is fully disbursed. One of the explicit objec-

tives of the program was to increase significantly the utilization of labor in the low income population of the region, curbing the migration to the already congested urban areas of Colombia. Another one of the specific objectives of the program was the introduction of improved farm practices designed to employ the ample availability of labor in the area and encourage the use of locally produced inputs involving intermediate technology. An ex post evaluation of the project carried out in 1972 on a sampling basis showed that the above objectives were satisfactorily attained as follows:

Additional occupations have been generated by the program equivalent to one adult full time per farm. The total estimated labor generated by the program is equivalent to 14,000 man-years which is approximately 9 percent of the total work force of the region. At the same time the number of adults in a typical farm family increased by 18 percent as a result of a like reduction in the migration to congested urban areas. The adoption of new intermediate technological practices reached an average of 67 percent of the farms in the first year and 63 percent in the last year of the project.

BRAZIL—DEVELOPMENT AND DISSEMINATION OF IMPROVED SEEDS

The project (AGIPLAN) is financed with loan 327/SF–BR authorized on July 28, 1972, and is 60 percent disbursed.

The project's basic objective is to give Brazilian agriculture the opportunity to research, develop and produce seeds adaptable to the needs of the diverse agricultural regions of the country. From the point of view of the development and application of intermediate technology the project will enable a significant expansion of the research facilities of Brazil's regional agricultural technology centers to develop new seeds not only adapted to local soil and climate conditions but also compatible with the production techniques most suitable to the regions insofar as cost and availability of inputs and the type of agricultural equipment used by the local farmers. This means that the initial and most crucial step of development of improved seeds will not be based on the import of varieties designed for more sophisticated agricultural production techniques not available in the country.

MEXICO—ROAD CONSTRUCTION, IRRIGATION, DITCH LINING, AND RURAL INDUSTRIES

The program (PIDER) is a major integrated rural development effort by the Mexican Government which is jointly financed by IDB and IBRD. The IDB loan (443/SF–ME) was approved in October 1975.

The program is designed to alleviate the basic social and economic problems of the marginal rural areas of the country. Unlike the northern rural areas which benefit from commercial agricultural technologies and the areas benefitting from large irrigation works, the PIDER regions comprise densely populated and very backward rural settlements.

A major objective of the Mexican Government in this project is to improve the lot of such farmers by carrying out numerous small works required (dirt roads, minor irrigation projects, school and health center constructions, initial processing facilities for agricultural prod-

ucts, etc.) utilizing labor-intensive self-help techniques. Agricultural research and extension will also aim at the utilization of unsophisticated but efficient production practices.

In order to facilitate the construction of the small works described above with low-capital techniques the procurement of goods and services for the project may be carried out in justifiable cases without the requirement of public bidding procedures.

GUATEMALA, ECUADOR AND BOLIVIA—FOR ARTISAN ACTIVITY

IDB approved on July 1974, technical cooperation ATN/SF–1306–VA which is being implemented satisfactorily. It is foreseeable that by the end of 1976, IDB would be asked to finance a followup program to help build up artisan cooperatives and enterprises organized as a result of the initial effort.

The consultants that are working in the three countries are helping the individual artisans to group and organize themselves for the purpose of developing managerial skills required for developing, producing and marketing products domestically and abroad. The basic aim is to make commercially and financially viable, on a permanent basis, these activities while retaining the traditional very low intensive capital production techniques.

Mr. LONG. Please provide for the record for each of the eight lending facilities within the international financial institutions—that is, the World Bank, the International Development Association, the International Finance Corporation, the Inter-American Development Bank, the Asian Development Bank, the Asian Development Fund, and the African Development Fund—a list of projects, pilot projects, research programs, or other activities in the field of light capital or intermediate technology.

Please provide sufficient detail to make clear that the project is actually focused on intermediate, not primitive or capital-intensive devices or techniques.

Please provide a separate list for each of the facilities above, including separate lists for the hard loan and soft loan windows. If there are no projects, state that there are no projects.

If you include projects or activities that are not primarily focused on light capital technologies, state what proportion of the project or activity—with an estimate of the proportion of the funds—is devoted to light capital technology.

Mr. PORGES. Acting to organize and implement systems which employ large numbers of unemployed is not a theoretical problem for Latin America. Masses of deprived persons exist at barely subsistence levels in member countries, particularly in the rural area. Economic and social forces which have brought about large migrations to urban areas of rural poor have overtaxed already burdened inadequate municipal services and threaten to bring economic and social disorganization. The Bank is aware of this fact and of the crucial role of intermediate technology in coping with it. Where the needs are the greatest and the most difficult of solution, the Bank provides leadership through financing for technical cooperation, pilot programs, and projects encouraging methods and procedures appropriate to satisfying those needs.

In the past, the Bank has been an innovator in resource application in the social fields and rural areas. More recently the Bank has come to recognize that a total systems approach might be better suited to provide those objects and procedures necessary to employ greater numbers of the rural poor. Thus, the present "integrated" programs and investment financing of research and studies in the appropriate technology area have come about in response to Bank experience of Latin American needs.

In attempting to deal with such needs, the Bank has recently worked with the member countries and various technological institutes to provide an intellectual core of basic knowledge concerning development and application of appropriate technology on a local and regional basis. On the other hand, programs and projects have been approved to finance production activities involving large numbers of deprived persons capable of farming small lots with simple equipment and methods which are readily accessible and inexpensive. In another direct productive area, the Bank has commenced experimenting with handicraft programs once again employing simple tools and methods readily available and inexpensive. Further, through the encouragement of the formation of self-help organizations which incorporate shared decision making, the Bank has sought to provide incentives to individuals to produce and to expand useful employment of unsophisticated labor utilizing appropriate technology. In this manner it is thought that after initial resourcing, persons engaged in these activities will be able to sustain production with small additional capital inputs financed with the resources gained from their own production.

The Bank does not claim that all possible projects financed with Bank funds have appropriate technology components. However, the Bank sincerely believes that it and the member countries recognize that if the institution is to fulfill its mission, finding means and methods to employ large masses of deprived persons in Latin America is a necessity.

The following examples of Bank's activities are illustrative of the above-mentioned basic objectives.

I. Technology studies

This includes activities aimed at helping developing countries to choose, adapt or develop the most appropriate technologies for the local needs and conditions.

One; *Bolivia:* Textile industry.

(*a*) Type of project: Research study.

(*b*) IDB funding: US$177,000 Nonreimbursable Technical Cooperation (ATN/SF–R67–SS).

(*c*) Percentage devoted to intermediate technology: 100 percent.

(*d*) Project description and results: The research study analyzed the availability of indigenous raw materials, labor, existing facilities and alternative technology for textile production most suitable to local conditions. This study which has been completed and delivered to the Bolivian authorities recommends that plants be equipped with 1960 vintage equipment, and that neither 1965 semiautomatic nor 1970 automatic equipment be utilized in new plants or expansion of existing plants to generate increased employment of local inhabitants.

Two; Argentina: Adaptation of technologies for developing countries.

(*a*) Type of project: Research study.

(*b*) IDB funding: US$95,000 Nonreimbursable Technical Cooperation (ATN/TF–854–SS).

(*c*) Percentage devoted to intermediate technology: 100 percent.

(*d*) Project description and results: The project has been completed and resulted in six studies including a work by Jorge Katz on "The Impact of Technology, Local Apprenticeship and Development Industrialization," published in Argentina and Mexico that is considered the most important study of the process of industrial change available for any developing country, dealing with the problems of adaptations of technology and local inventive activities.

Three; Regional: Development of appropriate technology.

(*a*) Type of project: Research study.

(*b*) IDB funding: US$624,000 Nonreimbursable Technical Cooperation (ATN/SF–1329–SS).

(*c*) Percentage devoted to intermediate technology: 100 percent.

(*d*) Project description and results: This is a major regional effort in the area of appropriate intermediate technology carried out by the Economic Commission for Latin America. The research studies are in preparation through research teams stationed in Colombia, Peru, Venezuela, Mexico, and Brazil. Initial efforts are studies focusing on Latin American choices of technology for the construction and textile industries and the role of consulting firms and incentives to develop and use appropriate intermediate technologies available for the different regions.

II. *Local and regional centers for research and development*

This includes activities directed to the establishment or strengthening of national or regional centers dedicated to the development and adaptation of intermediate technologies, particularly in the agricultural field, suitable to the needs of the developing countries.

One; Regional: Agricultural Research Centers in Latin America

(*a*) Type of project: Research Program.

(*b*) IDB funding: US$1,250,000. Nonreimbursable Technical Cooperation.

ATN/TF–1292–VA(3); ATN/TF–1311–VA(1B); ATN/TF–1311–VA(2B); ATN/TF–1311–VA(3B).

(*c*) Percentage devoted to intermediate technology: 100 percent.

(*d*) Project description and results: IDB, the World Bank, United States and Canadian Governments and the Rockefeller Foundation have contributed to stimulate five regional agricultural research centers (IICA, CIAT, CYMMIT, CIP, ICAITI). The basic aim is to develop the capacity for adaptation and creation of agricultural production technologies and improved seeds so as not to depend on imported varieties designed for more sophisticated agricultural production techniques not available in Latin America.

Two; Brazil: Program for development and dissemination of improved seeds.

(*a*) Type of project: Investment Project.

(*b*) IDB funding: US$10 million. Loan with concessionary resources (327/SF–BR).

(*c*) Percentage devoted to intermediate technology: 40 percent.

(*d*) Project description and results: The project (AGIPLAN) financed with IDB loan 327/SF–BR which is 60 percent disbursed consists of an integrated program for the research, development, production, and distribution to farmers of seeds adaptable to the needs and availability of agricultural equipment and production practices most suitable to the conditions of the different subregions of Brazil. Four different centers are being expanded which will develop new seeds requiring less use of fertilizers and less sophisticated agricultural production techniques.

III. *Rural development programs*

This includes programs basically oriented to foster integrated and coordinated actions of the institutions having an incidence in the development of rural agricultural communities, with the objective of improving the socioeconomic conditions of the lowest income families.

One; Dominican Republic: Integrated rural development project.

(*a*) Type of project: Investment project.

(*b*) IDB funding: US$24,300,000. Loan with concessionary resources (350/SF/DR).

(*c*) Percentage devoted to intermediate technology: 50 percent.

(*d*) Project description and results: A program consisting of several projects oriented to generate production capacity for the small farmers of the regions of the country. The beneficiaries are mostly small farmers settled by the agrarian reform institute and organized into self-help associations and production cooperatives. An important element of the program is a large training program aimed at teaching the farmers how to make their parcels productive with relative simple techniques. Farmers participate in decision making through elected and appointed councils. Families are educated at extension centers and on-the-land extension work. Evaluations are made of experience in each region and coordinated by a trained group of Dominican agricultural specialists.

Two; Mexico: Integrated program for agricultural development—PIDER.

(*a*) Type of project: Investment project.

(*b*) IDB funding: US$40 million.

(*c*) Percentage devoted to intermediate technology: 60 percent.

(*d*) Project description and results: PIDER is a comprehensive rural development project with a total estimated cost of US$1.2 billion specifically designed to generate sources of employment and raise the income level and living standards of the poorest families of rural Mexican population ($100 annual income). The program is in its initial stages of execution and includes direct production investment for small agricultural units, rural industries and handicraft production. The program likewise will include investment in social infrastructure such as schools, health centers, and housing. The bulk of the program resources will be channeled through individuals organized into self-help units

benefiting no less than 100,000 individual farmers. A significant proportion of the construction work required will be accomplished through low capital investment methods that will generate temporary employment for 70,000 unskilled workers. The productive activities will also be oriented toward the utilization of unsophisticated techniques and will be generating employment for approximately 17,000 persons.

Three; Other projects: The Bank is presently giving consideration to integrated rural development projects in a number of member countries, which will contain components designed along the lines of the PIDER project mentioned above and in which the objective of employing large numbers of presently unemployed persons utilizing appropriate technology will be pursued.

IV. Identification and development of indigenous handicraft industries

Ecuador, Bolivia, and Guatemala:

(*a*) Type of project: technical cooperation.

(*b*) IDB funding: US$300,000 (nonreimbursable) AT–178.

(*c*) Percentage devoted to intermediate technology: 100 percent.

(*d*) Project description and results: The program will serve to identify handicraft enterprises indigenous to an area, assist in their development, promote production, and marketing. The long-term goal of the program is to alleviate unemployment and the prevalence of marginal groups and to strengthen social and cultural ties among the local populations. The establishment of a coordinated program for the benefit of the peoples of each region will facilitate the transfer of experience among regions and countries involved.

The program will concentrate on the following specific objectives: (1) Identification of indigenous handicraft enterprises; (2) identify methods, procedures and equipment for production; (3) of handicrafts and train artisans in management of enterprises select product lines that are efficient from a commercial and economic standpoint; and (4) develop artistic, typical, and popular handicrafts as well as utilitarian products which have commercial promise of acceptance and will generate employment of local populations in the regions.

The program will last 3 years, and is being implemented through a basic groups of experts, short-term consultants in handicrafts and management advisers coordinated by the Bank. The program has been initiated in Ecuador and will be extended to Bolivia and Guatemala.

Mr. LONG. Please provide for the record a list of IDA projects, pilot projects, research programs, or other activities in the fields of light capital or intermediate technology.

Please provide sufficient detail to make clear that the project is actually focused on intermediate, not primitive or capital-intensive, devices or techniques.

Mr. COOPER. As we have just discussed, it will take some time for us to work with the Bank staff to obtain the detail on intermediate technologies which you would like to see. However, I can say at this time that the Bank recognizes the importance of applying an appropriate intermediate technology.

The agricultural methods of wealthy nations in the temperate zone are frequently unsuited to the environment of many developing countries, where poor farmers are often struggling to subsist on semi-arid or marginal land. There is a critical need for agricultural technologies

tailored to these conditions. The Bank helps to meet this need through its chairmanship of the Consultative Group on International Agricultural Research (CGIAR) and its shared financing of 10 specialized international research institutes around the world, including one for the semi-arid tropics. The programs supported by the group include: the International Center of Tropical Agriculture (CIAT), in Colombia; the International Maize and Wheat Improvement Center (CIMMYT), in Mexico; the International Potato Center (CIP), in Peru; the proposed International Center for Agricultural Research in Dry Areas (ICARDA), in Lebanon, Syria and Iran; the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT), in India; the International Institute for Tropical Agriculture (IITA), in Nigeria; the International Rice Research Institute (IRRI), in the Philippines; the West Africa Rice Development Association (WARDA), in Liberia; and the International Board for Plant Genetic Resources (IBPGR), in Rome; besides centers for livestock research.

At the request of borrowing members, the Bank and IDA also help finance government efforts to consolidate and intensify specialized agricultural research at national levels (e.g. Indonesia and Malaysia).

The three Indian dairy development projects being financed by IDA belong to another category. IDA credits totaling $74.1 million are being devoted to spreading a successful Indian experiment—the Kaira District Milk Producers Cooperative Union in Gujarat State—to three Indian States of Karnataka, Madhya Pradesh and Rajasthan. This union of buffalo milk producers' cooperatives has helped to increase the incomes of its members through the development of effective technical and marketing services. Some 850,000 farming households, or about 4.7 million people will benefit.

Another important aspect of the technology problem is to achieve appropriate capital/labor mix. The Bank has undertaken a study of these problems with particular focus on India and Indonesia. One preliminary conclusion is that many forms of labor-intensive technology in India are not economic under any system of pricing one might conceive. On the other hand, there is a range of intermediate technology which can be effectively used to minimize costs while utilizing more labor than would capital-intensive technologies.

The labor/capital mix can also be determined by proper factor organization when technology is held relatively constant. One of the most effective methods is through agricultural credit, whereby small packages of capital are made available to individual farmers in kind; that is, fertilizers, seeds, and other inputs. This approach has been adopted in Bank and IDA lending through agricultural credit institutions in a number of developing member countries.

Mr. Long. Please provide for the record a list of ADB projects, pilot projects, research programs, or other activities in the fields of light capital or intermediate technology.

Please provide sufficient detail to make clear that the project is actually focused on intermediate, not primitive or capital-intensive, devices or techniques.

Mr. Bushnell. The ADB has become increasingly interested in the use of intermediate technology in rural development projects and subloans to small industry. Types of intermediate technology such as adaptation of mechanical equipment to small farm conditions, of

improved seeds, fertilizers, and pesticides, and of techniques such as land leveling, intensive use of unskilled labor and local materials in farming and fishing, and new institutional arrangements have received more attention as Bank staff have gained field experience.

The following are Bank irrigation projects which include components of intermediate technology.

Country and projects	Components		
	Research station	Pilot farm	Farm mechanization
Sri Lanka: Walawe Development	×	×	×
Nepal:			
Chitwan Valley	×		
Kankai Irrigation	×		
Korea: Imjin area development	×		×
Malaysia: Besut agricultural development	×		×
Afghanistan: Gawargan/Chardarrah agricultural development		×	
Philippines:			
Davao Del Norte Irrigation			×
Agusan Del Sur irrigation (TA)			×
Pulangui River irrigation		×	×
Bangladesh: Agricultural credit project		×	×

[In millions of U.S. dollars]

Country and projects	Loan amount	Year approved
Sri Landa: Walawe development	7.735	1969
Nepal:		
Chitwan Valley	8.000	1972
Kankai irrigation	4.500	1971
Korea: Imjin area development	19.000	1974
Malaysia: Besut agricultural development	.900	1970
Afghanistan-Gawargan/Chardarrah agricultural development	5.150	1970
Philippines:		
Davao Del Norte irrigation	4.200	1973
Agusan Del Sur irrigation (IA)	.495	1974
Pulangui River irrigation	13.500	1975
Bangladesh: Agricultural credit project	9.430	1975
Total	72.880	

Note.—The exact amounts of total investments allocated to project components of intermediate technology of the above listed projects are not available, but a sampling of irrigation projects indicates that about 8 to 10 percent of project cost would be a reasonable estimate.

Mr. LONG. Mr. Bushnell, what evidence do you have to support your assertion on page 4 on your statement that

the experts from developing countries on the staffs of the banks are particularly well equipped to adjust technology to the local conditions and to help find appropriate technologies where none previously existed?

Mr. BUSHNELL. The World Bank Group, for example, has a high quality staff with a wide range of professional skills. Agriculturalists, irrigation engineers, education specialists, telecommunications engineers, transport economists, et cetera are all thoroughly qualified and well experienced. Many of the staff from the developing countries have had broad experience in their home countries holding, for example, responsible positions in economic planning agencies, or national education or family planning programs. These staff members represent 29 percent of Bank/IDA staff and come from 70 developing member countries. The Bank Group draws heavily on their expertise and experience in adopting projects to local conditions and use of the most appropriate and efficient technologies.

In the case of the Inter-American Development Bank, 76 percent of its professional level employees come from the developing member countries. Their range of skills includes economists, operations officers, and technicians of various kinds, including engineers, agricultural specialists, et cetera. In many instances, these individuals have had prior experience in their own countries in government ministries, intermediate credit institutions and private enterprise. This experience on their part is extremely valuable in getting local country perspective on how the work of the Bank can best be applied in countries like their own which are at similar levels of economic development. Personnel from intermediate credit institutions can provide an especially helpful input because of their background in relatively small subprojects and subloans and their knowledge of how local inputs are organized in these cases.

Mr. LONG. Mr. Bushnell, if your statement is true, why haven't these experts from the developing countries developed appropriate technologies for use in their countries before now?

Mr. BUSHNELL. Well, we are talking about a relatively small group of people facing an immense task. As I mentioned in answer to a previous question, I think progress is being made. Technologies in use in the developing countries do differ significantly from those in the developed countries. The task is to increase their efficiency and productivity at minimum cost.

Mr. LONG. Mr. Bushnell, in cases where developing countries insist on utilizing inappropriate technologies copied from the developed countries, is the United States prepared to recommend that loans be withheld from these countries and instead provided to countries that show a willingness to use light capital technologies that are appropriate?

Mr. BUSHNELL. Under the system of reviewing loans within the U.S. Government, through the National Advisory Council on International Monetary and Financial Policies (NAC), all important aspects of loan proposals are considered, among them appropriate technologies as well as management competence and technical and financial feasibility of the projects. In many cases, we are in a position, even before NAC consideration, to influence the banks by recommending reformulation or the withholding of projects for a variety of reasons, among them the inclusion in loan proposals of inappropriate technologies. In all frankness, as you point out, there is still insufficient attention being given to this question in the banks. Partly in response to your urging, and also because we in the administration who deal with the international developments recognize that the application of inappropriate technologies, especially in poor countries, is counterproductive, we have stepped up our efforts in encouraging the banks to pay more attention to this subject. We would, of course, strongly support loan proposals in countries that show a willingness to use light capital technologies.

Mr. LONG. In cases where developing countries refuse to use appropriate technologies, will the United States vote against loans to these countries?

Mr. BUSHNELL. If a loan proposal from any of the international development banks comes forward in which it is clear that inappropriate technologies are to be used, we would consider voting against such a loan. If any of the banks propose all loans for a particular country

that refuses to use appropriate technologies in the projects in question we would consider voting against all such loans.

Mr. LONG. Mr. Bushnell, with regard to the $13.5 million loan by the Asian Development Bank to the Philippines for farmer credits for hand tractors, baby threshers, and small rice dryers, what part of the loan is allocated to credits for the purchase of these implements?

Mr. BUSHNELL. The ADB will finance the purchase of farm machinery and, as part of its contribution to the project, the Philippine Government will provide the farm credits. However, no specific figure has yet been determined by the Philippine Government on the amount of financing needed for farm credit. A farm credit and farmers organization division will be established in the project implementation office to determine the overall credit requirements of the project. It is anticipated that credits of at least $100 to $120 per hectare will be extended to finance farm machinery rentals, fertilizer, and insecticides.

Mr. LONG. Mr. Bushnell, with regard to the $13.5 million Philippines loan, what are the sizes of the farmer credits and what are the purchase prices of the various machines?

Mr. BUSHNELL. Pending determination of the total credit needs of the project, it is anticipated that the Government will provide credits of $100 to $120 per hectare for farm machinery rental, fertilizer, and insecticides. It is planned that 79 hand tractors, 40 baby threshers and 70 small rice dryers costing a total $290,000 will be purchased under this project. The farm machinery will be operated in a pool system and the loans available from the Government will permit individual farmers to rent the equipment.

Mr. LONG. With regard to the Philippines loan, what was the average size of holding for the farmers purchasing the machines?

Mr. BUSHNELL. Farm sizes range from 2.5 to 7.4 acres each with 5.6 acres as an average. The farm machinery will be purchased by the project office and rented to individual farmers.

Mr. LONG. With regard to the Asian Development Fund loan to Bangladesh, what part of the loan will go to finance small power tillers?

Mr. BUSHNELL. Of the $9.43 million ADF loan approximately $130,000 will go to finance small power tillers. In addition, facilities are being built for the maintenance of the power tillers and 5,500 shallow tubewells also financed by the loan.

Mr. LONG. With regard to the Bangladesh loan, what is the price of the power tiller? Where are the tillers produced and what are the sizes of the businesses that produce the tillers?

Mr. BUSHNELL. The price of the power tiller is $2,562 including trailer, spare parts, and import expenses. Since these tillers could accommodate work on farms up to 25 acres, the Bank in this pilot project will determine whether cooperative or individual ownership would be most effective. In Japan and Korea farmers cultivating 2.5 acres own their power tillers and supplement income by charging fees to do custom work for neighboring small farmers.

The tillers will be obtained through the ADB's international competitive bidding procedures, most likely from large companies in Japan or Korea.

Mr. LONG. With regard to the Bangladesh loan, what is the size of the loans to farmers for the tillers?

Mr. BUSHNELL. As no decision has yet been made whether individual farmers or cooperatives will own the tillers, data are not available on possible credits to farmers.

Dr. LONG. What is the average size of the land holdings of farmers who are purchasing the power tiller? What part of the population is estimated to have land holdings as large or larger than the farmers receiving credit to purchase the tillers? In other words, are credits going to mainly the larger farmers?

Mr. BUSHNELL. The average size of landholdings of farmers who will benefit from the power tillers is 2.3 acres. This is the average farm size in the project area.

Mr. LONG. Mr. Bushnell, how can you say that the Liberian-owned chicken farm that we visited in November was an example of how aid was "being used effectively to extend small loans to individual Liberians for productive purposes" ?

Mr. BUSHNELL. I believe that the chicken farm which you visited in Liberia was an example of effective lending by a development finance corporation, the Liberian Bank for Development and Investment, utilizing a line of credit from a regional development bank, the African Development Bank. It was for this reason that it was included in the project visits. The Baker Home Grown Poultry Farm was a productive commercial enterprise. The owner, Dr. Baker, a U.S. educated veterinarian, was not only producing and packaging chickens for market, but was also seeking to develop disease resistant strains of chickens which would be raised under less hygienic conditions by small farmers.

Mr. LONG. With regard to the Liberian chicken farm loan, what was the size of this small loan extended to the chicken farm?

Mr. BUSHNELL. Dr. Baker, the owner of the chicken farm, had received two loans totaling $260,000, one at 10 percent for 5 years and the other at 11.5 percent for 3 years, from the Liberian Bank for Development and Investment (LBDI).

The average size of the LBDI's loans has been about $38,000, and 80 percent of the loans by number have been for $50,000 or less. I recognize that the loans to Baker Home Grown Poultry, Inc. were larger than the usual loans extended by the LBDI and perhaps it was somewhat inaccurate to use the words "small loan" in connection with this particular project. It would certainly have been possible to visit other development projects in Liberia for which smaller loans had been made, but many of these were too far from Monrovia, for the limited time available to the Treasury-Congressional delegation.

Mr. LONG. Mr. Bushnell, with regard to the AFDF's loans for the operation wells program in Mali, how much do the wells cost?

Mr. BUSHNELL. As you know, the United States is not yet a member of the African Development Fund and thus we do not have access to this type of detailed information. We will seek this information, however, through our Embassy in Abidjan and transmit it to you as soon as we receive it.

Mr. LONG. Which of the multilateral development banks are engaged in preparing a fully authenticated, in-depth policy statement on intermediate or light capital technology which will include a proposed program?

Mr. BUSHNELL. At this time, all of the banks are intensively studying the possibilities of increasing the use of intermediate technologies but they have not yet arrived at a final, or formal policy statements.

This is an area in which the banks have been working for a number of years but progress to date does not justify the adoption of a final policy position.

Since 1972, for example, the World Bank and nine other bilateral donor agencies have funded a research project on the substitution of labor for capital in civil construction. As you know, the first phases of the project found that labor-intensive construction techniques, as traditionally practiced, are not economically competitive with modern equipment-intensive technology under most conceivable factor prices and environmental conditions. So far, the study has largely dealt with site related issues: The measurement and evaluation of traditional labor-intensive methods, and attempts to increase labor productivity at the site level. The conclusion now is that where the daily wage rate for unskilled labor is below $1, labor-intensive technologies suitably planned and properly executed are economically competitive with capital-intensive techniques. Nevertheless, research findings point to the importance of organizational and management issues for the successful implementation of labor-intensive projects. This work must continue for some time before definitive conclusions can be arrived at and a policy statement formulated.

The Inter-American Development Bank (IDB) is also studying intermediate technologies and it has charged the group of controllers with looking into the organizational and substantive aspects of utilizing intermediate technologies. The group is looking at how to incorporate such concerns into Bank procedures and is to make recommendations which, after review, could be developed into a policy position.

While many of the projects financed by IDB have utilized technologies most appropriate to particular country situations, only in recent years has the Bank decided to approach the problem systematically. Specifically, it has helped to finance several research studies to facilitate the definition of criteria for technological development policies. As Mr. Porges informed you in his letter of December 5, 1975, the Bank is carrying out a program concentrating on the absorption, adaptation, and generation of appropriate technologies for industry including agro-industrial processing. The purpose is to determine the best way each need can be solved, whether by borrowing technologies from the past, modifying available technologies from the advanced countries, or developing more appropriate technologies which do not now exist.

Finally, the Asian Development Bank (ADB) is approaching the problem in much the same way as the others. For example, all ADB irrigation projects are mainly for small holders of less than 3 hectares, and aimed at increasing basic food grain production through introduction of technology suitable for small farms. These projects usually include pilot farms, research stations, extensive training or mechanization with small and less sophisticated equipment. The types of intermediate technology utilized include the adaptation of mechanical equipment to small farm conditions, of improved seeds, fertilizers and pesticides, and of techniques such as land leveling, intensive use of unskilled labor and local materials in farming and fishing. The new institutional arrangements have also received more attention as the Bank's staff have gained more field experience with intermediate technologies.

Mr. LONG. Is the executive branch prepared to accept amendments similar to my amendment to the Inter-American Development Bank authorization bill on upcoming authorization legislation for the International Development Association, the Asian Development Bank, the International Finance Corporation, and any other international financial institutions?

Mr. BUSHNELL. Yes, sir; we are.

Mr. LONG. With regard to the Pulangui River irrigation project in the Philippines, please explain how incomes of small farmers will increase from $191 to $1,356 to $1,572 after 1982?

Mr. BUSHNELL. The provision of irrigation water, double cropping, an effective rodent control program, and the credit facilities will substantially increase agricultural production in the project area. It is estimated that crop production will more than double and the farmers will move from subsistence to market-oriented farming. Because of these improvements annual net income from crop production for the average farm of 2.25 hectares is estimated to increase from $191 to $1,572 for self-owners and $1,365 for leaseholders by 1982.

MULTILATERAL DEBT RESCHEDULING

Mr. LONG. What countries do you expect to require a multilateral debt rescheduling this year and next year?

What countries required a multilateral debt rescheduling in 1975?

Mr. BUSHNELL. It is extremely difficult to predict one year to a year and a half in advance whether a country will be facing imminent default and request a rescheduling of its debts. For calendar year 1976, it seems likely that debt renegotiations will be undertaken for Zaire, a country which has incurred a number of internal economic problems, as well as having to cope with a drastic fall in the price of its major export, copper.

Beyond Zaire, one can only point to a number of countries which have high debt service ratios and special problems, whose economic and financial situation should be watched closely. These countries include Argentina, Zambia, Chile, and several others. A brief review of their economic difficulties is contained in chapter II of the "Report on Developing Countries' External Debt and Debt Relief Provided by the U.S." which was sent to Congress on January 30, 1976. Pages 38–43 of this report also describe the major multilateral debt reschedulings in fiscal year 1975 for India and Chile.

With regard to debt rescheduling in 1977, there are three major factors which should be taken into account: First, LDC's have not undertaken massive drawdowns of their international reserves. In fact, very few LDC's have drawn more than their first credit tranche in the IMF. Second, the liberalization of access to IMF ordinary credits and to the Compensatory Financing Facility, along with establishment of the trust fund, should facilitate additional private borrowing by many LDC's. Third, as the economies of the OECD countries expand, exports of the LDC's are expected to increase, albeit with some time lag. Rising rates of exports growth should reduce debt service burdens for many LDC's and ease their debt management situations, compared to calendar 1975 when OECD countries were in the midst of the worst postwar recession.

Mr. LONG. Mr. Obey?

Mr. OBEY. If the Committee has no objection, I would like to insert in the record at this point additional notes relating to Chile.

Mr. LONG. If there are no objections?

[The information follows:]

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NOTES RELATING TO CHILE'S CREDITWORTHINESS DURING
THE ADMINISTRATIONS OF PRESIDENTS ALLENDE AND PINOCHET

1. The IBRD used the same purely economic and technical criteria in assessing Chile's creditworthiness during the administrations of Presidents Allende and Pinochet. Creditworthiness --a country's ability to repay its debts-- is measured by a number of indicators including, inter alia, the nation's economic and financial management, resource base, balance of payments and foreign reserves situation and actual record in repaying its obligations.

2. It is the general policy of the IBRD to refrain from lending to countries that have unilaterally ceased to meet their external debt service obligations. The Economic Report distributed to the Board of Directors of the IBRD on October 18, 1974 (551-CH) states (para. 14 on page 6):

> "Unable to finance the widening overall balance of payments deficit, the Government suspended payments on the bulk of the country's external debt as of November 1971..."

This suspension was unilateral. It preceded the agreement of April 19, 1972, in which nineteen creditor countries rescheduled Chile's debt. The United States Government --the single largest creditor country-- never sanctioned this decision, and a subsequent "parallel" agreement was made between the Government of Chile and U.S. commercial banks. After the rescheduling period expired in December, 1972, the Chilean Government again failed to meet its external debt service obligations and unilaterally deferred $356 million in debt service.

3. In contrast, the present Chilean Government's financial program has been endorsed by the IMF in the form of two Standby Agreements. The Government has sought and obtained --again with the help of the IMF-- the assent of Chile's creditors to the rescheduling of the country's debts. The Government of Chile has respected the terms of these agreements. An important sine qua non for IBRD lending thus exists now which did not exist before September, 1973.

4. A country's balance of payments prospects and particularly its export performance weigh heavily in a judgment on creditworthiness. In this respect, the policies followed under President Allende's Government tended to discourage non-copper exports, which in the long run are of decisive importance if Chile is to reduce its excessive dependence on a single export commodity. Non-traditional exports were not profitable at that time, owing mainly to the maintenance of a fixed exchange rate under inflationary conditions. Non-copper exports declined from $295 million in 1970 and 1971 to $200 million in 1972 and only recovered to $226 million in 1973 because of the flexible exchange rate policy followed during the last quarter of the year. In 1974 non-copper exports rose to $491 million, and last year they reached $658 million (as summarized in the IBRD Economic Memorandum on Chile, December 24, 1975, Table 14 and para. 16, page 13).

5. President Allende inherited an essentially good economic situation in late 1970 which his Government's economic policies caused to deteriorate rapidly. During both 1972 and 1973, the economy's real output declined and agricultural production fell below the average levels attained during the mid-1960s. Consumer prices, propelled by massive government deficits and monetary expansion, rose 35 to 40 times over their 1969 levels while real wages, by mid-1973, had fallen below the 1969 level. During these years, Chile suffered an accumulated reserve loss of about $850 million and ceased, unilaterally and without negotiation, to meet fully its external debt service obligations, as mentioned above. Finally, the wholesale expropriation without real compensation of private property owned by both Chileans and foreigners in the agricultural, industrial and mining sectors further disrupted the economy and resulted in a drying up of investment and in an exodus of much needed technical and managerial expertise. This deteriorating situation, brought on principally by government actions, compromised the country's future ability to repay its debt.

6. The present Government not only faced the difficult economic situation described above when it came to power in late 1973, but was also hit by the 1973 quadrupling of oil prices and by a drastic fall in copper prices in the second half of 1974 and through 1975. The fall in copper prices to their lowest levels in more than a decade was a particularly severe blow to the economy since Chile relies on copper for most of its foreign exchange earnings. Under these adverse conditions, which were outside the country's control, a reversal of economic and fiscal policies was essential and in April, 1975, the Government announced a series of measures aimed at curbing inflation, improving the country's balance of payments and reducing the deficit in the Government's budget. Through these measures, inflation has been halved from about 20 percent per month in early 1975 to about 10 percent per month now and the country's 1975 balance of payments deficit--expected to have been $800 million in early 1975--was reduced to approximately $250 million. The Government's budget was also cut back and its deficit was sharply reduced as a percentage of expenditures.

7. As the IBRD clearly states in its December, 1975, report, the present situation is very difficult but the low level of economic activity and real income which Chile is experiencing now is basically the result of an acute shortage of foreign exchange and not of any particular set of policies.

April 15, 1976

Mr. LONG. The committee will adjourn until tomorrow at 2 o'clock.

WEDNESDAY, MARCH 17, 1976.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

ASSISTANCE TO REFUGEES IN THE UNITED STATES

(CUBAN PROGRAM)

WITNESSES

RICARDO NUNEZ, DIRECTOR, CUBAN REFUGEE PROGRAM
PHILIP A. HOLMAN, SPECIAL ASSISTANT, REFUGEE ASSISTANCE PROGRAM
GLYNN W. BAKER, FINANCIAL MANAGEMENT OFFICER, REFUGEE ASSISTANCE PROGRAM
MS. ANNA PERKINS, DIRECTOR, BUDGET DIVISION, SOCIAL AND REHABILITATION SERVICE
WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY (BUDGET), DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

CUBAN REFUGEE PROGRAM

PROGRAM AND FINANCING [In thousands of dollars]

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Program by activities:				
1. Welfare assistance and services	68,921	70,200	18,100	67,500
2. Education	13,735	13,500	500	13,200
3. Other services	1,580	1,300	400	1,300
Total obligations	84,236	85,000	19,000	82,000
Financing: Unobligated balance lapsing	5,764			
Budget authority:				
Appropriation	90,000			82,000
Appropriation request pending		40,300	9,000	
Amendments transmitted herein		44,700	10,000	
Relation of obligations to outlays:				
Obligations incurred, net	84,236	85,000	19,000	82,000
Obligated balance, start of period	28,656	16,790	15,790	15,790
Obligated balance, end of period	−16,790	−15,790	−15,790	−15,790
Adjustments in expired accounts	−7,977			
Outlays	88,125	86,000	19,000	82,000

OBJECT CLASSIFICATION

Personnel compensation:				
Permanent positions	621	550	149	572
Positions other than permanent	14			
Other personnel compensation	15	5	1	5
Total personnel compensation	650	555	150	577
Personal benefits: Civilian	56	54	14	56
Benefits for former personnel	25	4		
Travel and transportation of persons	8	12	3	12
Transportation of things	11	5	1	2
Rent, communications, and utilities	264	275	157	278
Printing and reproduction	3	3		3
Other services	13,429	13,122	190	12,950
Supplies and materials	16	18	5	20
Equipment	8	2		2
Investments and loans	739	750	380	600
Grants, subsidies, and contributions	69,027	70,200	18,100	67,500
Total obligations	84,236	85,000	19,000	82,000

CUBAN REFUGEE PROGRAM—Continued

PROGRAM AND FINANCING [In thousands of dollars]

	1975 estimate	1976 estimate	Transition quarter estimate	1977 estimate
PERSONNEL SUMMARY				
Total number of permanent positions	39	35		35
Average paid employment	42	35		35
Average GS grade	9.68	9.68		9.68
Average GS salary	$18,523	$19,124		$19,830

Mr. PASSMAN. The committee will come to order.

We shall continue our examination of the budget request for foreign aid assistance for fiscal 1977.

The first item we will take up this afternoon is that of the Cuban refugee program. We have as our main witness the Honorable Ricardo Nunez, director, Cuban refugee program.

I would assume, Mr. Director, that you have a prepared statement you would like to submit for the record.

It will be inserted in the record at this point along with your biography.

[The statement follows:]

GENERAL STATEMENT

Statement by Director, Cuban Refugee Program

BUDGET REQUEST FOR FISCAL 1977

Mr. Chairman and members of the committee, I am very pleased to have this opportunity to present the appropriation request for the Cuban refugee program for fiscal year 1977.

An appropriation of $82 million is requested for 1977—a reduction of $3 million as compared with the amount of $85 million estimated to be needed for 1976.

The request for 1977 is based on the assumption that, as in recent years, relatively few new Cuban refugees will reach the United States and that present program policies will be continued during 1977. These basic policies are: (1) 100 percent reimbursement to the States for welfare and medical assistance to needy eligible refugees; and (2) continuation of the present level of aid to the Dade County, Fla., public schools to help offset part of the cost of education of refugee schoolchildren.

In formulating this request, Mr. Chairman, we have taken into consideration the fact that previous proposals calling for the phasedown and termination of the Cuban refugee program—which were presented for each of the last 3 years—were not accepted by the Congress.

FISCAL 1977 REQUEST ON NONPHASEOUT BASIS

Therefore, in lieu of presenting such a proposal again at this time, we have concluded that it is appropriate to recommend the continuation of the program on the basis of existing policies during 1977 while we reassess the economic situation of the refugees, their impact on the State of Florida and Dade County, where the major concentration is located, and the advisability of new, and possibly different, proposals for future reduction and termination of the refugee program.

TAX STUDY TO PROVIDE BASE FOR FUTURE PLANNING

In this connection, we are planning to have a study carried out of the tax base attributable to the Cuban population of Florida and Dade County. We believe that the results of such a study—accompanied by an analysis of the potential impact on State and local funding of possible policy changes in the refugee pro-

gram—will shed additional light on the advisability of alternative proposals for future program reductions. Upon its completion, this study will be provided to the committee.

DECREASES IN 1977 PROGRAM

The appropriation request for 1977 reflects a continuation of the general trend of decreasing program requirements which has accurred since the Cuban refugee airlift was terminated in 1973. The major factors in these decreases have been: (1) That relatively few new Cuban refugees have been reaching, or are expected to reach, the United States; (2) that, since January 1974, financial assistance to needy aged, blind, and disabled refugees has been provided under the program of Supplemental Security Income (SSI) rather than through the refugee program; (3) that substantial reductions were made in the staff of the refugee program concomitant with the interruptions in the airlift and its termination; (4) that major decreases have occurred in the resettlement program as the influx of new refugees has diminished; and (5) that the loan program for needy Cuban refugee college students has been phased down since September 1973.

USE OF PROGRAM FUNDS

As in previous years, most of the program's funds will be utilized for reimbursements to the States for welfare and medical assistance for needy refugees; this will account for about 82 percent of program costs in 1977. The second largest item, accounting for 15 percent of the budget, is aid to the Dade County public schools. The remaining 3 percent relates to overall operations and other program services, primarily training, which includes adult English and vocational courses, professional refresher training, and residual loans under the reduced loan program for college students.

Let me now turn briefly, Mr. Chairman, to each of the major activities of the program.

Activity 1: Welfare assistance and services

Nearly all of the estimated decrease of $3 million between 1976 and 1977 is accounted for by anticipated reductions in the funding requirements for the activity welfare assistance and Services, which comprises reimbursements to the States for welfare and medical assistance for needy refugees.

This activity will require an estimated $67.5 million in 1977 as compared with $70.2 million in 1976, a reduction of $2.7 million.

This decrease is expected to result from the fact that few new refugees are entering the United States and that improvements in the labor market will lead to a reduction in the number of refugees requiring assistance. As I have indicated, no change is planned in reimbursing the States 100 percent for welfare and medical assistance during 1977.

During 1977, we estimate that the Cuban refugee program will be responsible for both financial and medical assistance to an average of 24,400 needy refugees, of whom approximately 11,000 will be located in Florida and 13,400 in other States. In addition, the program will be responsible for the cost of only medical assistance for an estimated 40,000 refugees, including 25,000 in Florida and 15,000 in other States eligible for such assistance from the program; almost all of these would be persons who are receiving financial assistance through the SSI program.

Activity 2: Education

The education activity consists of aid to the Dade County public school system; loans to needy Cuban refugee college students' and adult English, vocational, and professional refresher training.

The estimate for these purposes in 1977 is $13.2 million, a reduction of $300,000 as compared with 1976. One-half of this reduction is expected to occur in loans to college students, and the other half in adult English, vocational, and professional refresher training.

As I mentioned earlier, a phasedown in the loan program for needy Cuban college students was initiated in September 1973. Beginning on that date, new borrowers were no longer accepted under the Cuban loan program but current borrowers were permitted to continue in order that their education would not be interrupted. At the same time, new applicants for loans were instructed to apply under the regular federally aided grant and loan programs for which the U.S. Office of Education had determined that refugees are eligible to apply.

The decrease in English, vocational, and professional refresher training is expected to occur as the result of few new refugees reaching the United States and training having been completed for most refugee professionals in Miami who were able to take advantage of an opportunity to qualify to practice their professions under a Florida law enacted in 1974. This law permits foreign-educated professionals to qualify for State licensing in their native language upon completion of 1 year of professional refresher training. We will continue to place emphasis on English and vocational training to help refugee welfare recipients to become self-supporting.

The request for 1977 proposes $12.4 million for assistance to the Dade County public schools to partially offset the cost of education of refugee pupils. This would continue the annual level which has been in effect since 1974, when this amount was set by the Congress in action rejecting the proposal to phase down the Refugee Program.

Activity 3: Other services

The final activity covers reception, registration, and orientation services for refugees; information and referral to appropriate community agencies; services provided by the voluntary resettlement agencies; and Federal direction and day-to-day operation of the program.

The request for this activity is $1.3 million for 1977, the same as in 1976.

Staffing in 1977 would be expected to remain at the 1976 level of 35 positions, with 31 located in Miami, Fla., and 4 in Washington, D.C. This level—which represents a reduction of four positions as compared with 1975 and a reduction of 135 positions as compared with the average employment of 170 in 1971—is considered to be the minimal level required for day-to-day operation of the program.

In 1977, increased staff emphasis will be placed on bringing the needs of refugees to the attention of other public agencies and nonprofit service organizations in order to seek greater cooperation of established community institutions in providing refugees with training opportunities and other types of needed services.

Mr. Chairman, that concludes my prepared statement. We will be pleased to try to answer any questions that you and the members of the committee may have.

BIOGRAPHICAL SKETCH

Name: Ricardo Nunez.

Position: Director, Cuban refugee program.

Birthplace and date: New York City, June 9, 1933.

Education: Graduate, Special Course for Cuban Lawyers, University of Florida; graduate, University of Havana; Doctor of Laws degree, Jose Marti University; certified real estate broker, State of Florida.

Experience:

1975 to present—Director, Cuban refugee program.

1971 to present—Controlling stockholder, NBS Development, Inc., Miami, Fla.

1971 to present—Controlling stockholder, Numar Enterprises, Inc., Miami, Fla.

1968–71—Executive vice-president, Gramco Sales Ltd.; director, Gramco Management Ltd.

1966–68—Editor, News Department, Latin American division, Voice of America, U.S. Information Agency.

1961–66—Purchase order vendor—writer, Voice of America.

1959–60 Editor, The American (English-language weekly newspaper), Madrid, Spain.

1958–59—Press attaché, Embassy of the Republic of Cuba, Madrid, Spain.

Other activities: Member, Board of Trustees of Founders Council, Florida International University; member, Citizens Board and Latin American Advisory Committee, University of Miami; member, Council of Advisors, State University of System of Florida; member, executive committee, Third Century USA (official organization for Bicentennial celebration), Miami, Fla.; member, Board of Trustees, Eleanor Roosevelt International Workshop on Human Relations, New York City; member, Governor's Council on Economic Affairs, State of Florida; and member, planning division, United Way, Miami, Fla.

Mr. PASSMAN. We will insert certain justification materials at this point.

[The material follows:]

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Obligations by Activity

Page Ref.		1976 Estimate Pos.	1976 Estimate Amount	1977 Estimate Pos.	1977 Estimate Amount	Increase or Decrease Pos.	Increase or Decrease Amount
11	Welfare assistance and services.....	--	$70,200,000	--	$67,500,000	--	-$2,700,000
16	Education.....	--	13,500,000	--	13,200,000	--	-300,000
18	Other services.....	35	1,300,000	35	1,300,000	--	--
	Total obligations.....	35	85,000,000	35	82,000,000	--	-3,000,000

Obligations by Object

	1976 Estimate	1977 Estimate	Increase or Decrease
Total number of permanent positions	35	35	--
Average number of all employees	35	35	--
Personnel compensation: Permanent positions	$550,000	$572,000	+$22,000
Other personnel compensation	5,000	5,000	--
Subtotal, personnel compensation	555,000	577,000	+22,000
Personnel benefits	54,000	56,000	+2,000
Benefits for former personnel	4,000	--	-4,000
Travel and transportation of persons	12,000	12,000	--
Transportation of things	5,000	2,000	-3,000
Rent, communications, and utilities	275,000	278,000	+3,000
Printing and reproduction	3,000	3,000	--
Other services	13,322,000	13,150,000	-172,000
Supplies and materials	18,000	20,000	+2,000
Equipment	2,000	2,000	--
Investments and loans	550,000	400,000	-150,000
Grants, subsidies, and contributions	70,200,000	67,500,000	-2,700,000
Total obligations by object	85,000,000	82,000,000	-3,000,000

Authorizing Legislation

	Amount Authorized	1977 Budget Request
Migration and Refugee Assistance Act of 1962, Public Law 87-510.....	Indefinite	$82,000,000

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Cuban Refugee Assistance

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1967	$51,000,000	$51,000,000 1/	$51,000,000 1/	$51,000,000 1/
1968 2/	49,000,000	49,000,000	49,000,000	49,000,000
1969 3/	72,665,000	72,509,000	72,509,000	72,509,000 4/
1970 5/	87,412,000	87,412,000	87,412,000	87,412,000
1971	112,130,000	112,130,000	112,130,000	112,130,000
1972	144,103,000	100,000,000	139,000,000	139,000,000
1973	161,000,000	145,000,000	161,000,000	145,000,000
1974	90,000,000	129,000,000	129,000,000	129,000,000
1975	78,000,000 6/	90,000,000	90,000,000	90,000,000
1976	85,000,000 7/			
1977	82,000,000			

1/ Plus $1,032,997 of prior year unobligated funds.

2/ Plus $4,500,000 of prior year unobligated funds for each of the amounts shown. Data also exclude $1,800,000 made available from the AID Contingency Fund.

3/ All data include $1,800,000 which was transferred to AID Contingency Fund to replace funds used to meet 1968 requirements.

4/ Includes an amount of $2,700,000 transferred from "Economic Assistance," Agency for International Development, and $35,000 for pay increase in fiscal year 1969 transferred from the Public Health Service in lieu of supplemental appropriation.

5/ All data includes $90,000 transferred from a PHS account and $40,000 made available as an indefinite appropriation under P.L. 91-305 for pay increases in fiscal year 1970.

6/ Includes a budget amendment of $18,000,000.

7/ Includes a budget amendment of $44,700,000.

BUDGET SUMMARY OF OBLIGATIONS AND POSITIONS -- CUBAN REFUGEE ASSISTANCE

Activity	1975	1976	1977	Decrease
1. Welfare Assistance and Services:				
Florida				
a. Financial assistance to needy refugees.....	$7,212,793	$7,350,000	$7,000,000	-$350,000
b. Medical assistance.....	25,804,086	26,000,000	26,000,000	---
c. Care of unaccompanied children.....	852,000	750,000	700,000	-50,000
d. Administration and other services.....	3,713,487	3,900,000	3,800,000	-100,000
Subtotal (Florida).....	$37,582,366	$38,000,000	$37,500,000	-$500,000
States other than Florida				
Financial and medical assistance to needy resettled refugees...	31,338,447	32,200,000	30,000,000	-2,200,000
Subtotal.....	$68,920,813	$70,200,000	$67,500,000	-$2,700,000
2. Education:				
a. Assistance to public schools in Dade County, Florida...	12,400,000	12,400,000	12,400,000	---
b. Assistance to college students.....	738,548	550,000	400,000	-150,000
c. English, vocational, and professional training.....	597,122	550,000	400,000	-150,000
Subtotal.....	$13,735,670	$13,500,000	$13,200,000	-$300,000
3. Other Services				
Subtotal.....	1,579,996	1,300,000	1,300,000	---
Total obligations.....	$84,236,479	$85,000,000	$82,000,000	-$3,000,000
No. of Positions (federal).....	39	35	35	---

Cuban Refugee Assistance

Activity 1. Welfare Assistance and Services

	1975	1976	1977	Increase or Decrease
I. Florida.....	$37,582,366	$38,000,000	$37,500,000	-$500,000
II. Other States.....	31,338,447	32,200,000	30,000,000	-2,200,000
Total obligations.....	68,920,813	70,200,000	67,500,000	-2,700,000

A policy of providing 100 percent Federal funds for welfare assistance to eligible needy Cuban refugees was established at the time that the Cuban Refugee Program was initiated in February 1961. Under this policy State/local welfare and health agencies have been offered 100 percent reimbursement for financial assistance, essential medical care, and certain other related welfare services provided eligible Cuban refugees; such assistance has been granted through regular Federal, State, and local welfare administration channels and, in general, has been based on need standards applicable in regular U.S. programs in the State where the refugee resides.

Although the policy set forth above has remained in effect throughout the years of the program, several major developments have led to decreasing funding requirements in the welfare areas in recent years: (a) the final cessation in April 1973 of the airlift from Cuba to Miami that began in 1965; (b) commencement of the Federal program of Supplemental Security Income (SSI) in January 1974 which now provides cash assistance for the daily maintenance needs of the needy aged, blind, and disabled, including refugees; and (c) the fact that as time has passed the vast majority of refugees have entered into the mainstream of American life as self-supporting members of the communities in which they live and do not require public assistance.

The Department has made proposals to the Congress in each of the past 3 years -- fiscal year 1974, 1975, and 1976 -- to institute a phasedown policy in the Cuban Refugee Program. The proposals have not gained the approval of the Congress -- each year action was taken in the Continuing Resolution (and in the final appropriation for fiscal years 1974 and 1975) to continue the program at a non-phaseout level. These phaseout proposals were identical in their most important aspects except for the difference in starting dates. They were designed to transfer from this special program, which provides 100 percent funding, to the regular domestic Federal-State-local public assistance programs, those refugee welfare and medical assistance cases in which the head of the family had been in the United States for 5 years or longer, except for certain cases in Florida. This type of phasedown was opposed by the States with the larger refugee welfare caseloads since such refugees would then depend on the programs of Aid to Families with Dependent Children (AFDC), General Assistance, and/or Medicaid, requiring some State/local funding.

The present budget request assumes the present policy of providing 100 percent reimbursement to the States for financial and medical assistance to eligible refugees will continue throughout fiscal year 1977. As the table above indicates, over half of these costs are required for the State of Florida where most of the Cubans in the U.S. reside.

It has been decided that a current study of the refugee situation will be undertaken before another phasedown proposal is formulated and presented. Present plans envision such a study to be focused on the economic impact of the refugees, principally in terms of the tax base attributable to Cubans in the State of Florida and Dade County, the major concentration of Cubans.

Estimates for 1977

The two tables at the end of this activity summarize the estimates for fiscal years 1975, 1976, and 1977 for Florida and for "other States" for the several categories of costs comprising the activity "Welfare Assistance and Services." The net reduction of $2.7 million projected for the welfare estimate in fiscal year 1977 as compared with the fiscal year 1976 estimate reflects a reduction of $0.5 million in Florida and $2.2 million for the other States currently claiming under the program.

Maintenance payments. -- The cost projection assumes a continued decrease in cases assisted, offset by small increases in average monthly payments, resulting in a net decrease of about $2.1 million in the 1977 estimate for maintenance payments to the refugees and State administration related thereto. The combined caseload for all States is expected to decrease by about 150 persons each month, resulting in a total caseload of 23,500 persons in September 1977 compared with an estimate of 25,900 at the end of fiscal year 1976. It is estimated that total maintenance assistance to be provided the refugees will total $23.7 million in 1977 compared with an estimate of $25.5 million for 1976, about 35 percent of the total welfare estimate each year, reflecting the fact that the largest portion of the program's welfare costs, nationwide, is now required for medical assistance, due to the high proportion of medical costs in Florida in relation to other welfare costs incurred under the program in that State. In addition, costs for the unaccompanied children program in Florida are estimated at $750,000 for 1976 and $700,000 for 1977.

Medical assistance. -- The shift of Cuban refugee welfare recipients to SSI affected only cash assistance payments for basic maintenance, not medical assistance. The program's funds continue to be available for needed medical care for all eligible refugees on a basis similar to the regular Federal-State Medicaid programs. Costs for medical assistance are expected to decrease less, proportionately, than for maintenance assistance in 1977 -- an estimated decrease of $2.1 million for the latter compared to a projected decrease of $0.6 million for medical care costs: the total medical estimate is $37.4 million for 1977 compared with an estimate of $38 million for 1976 -- each of these estimates includes $26 million for Florida. It is estimated that in addition to the refugees receiving maintenance assistance from the program, as many as 40,000 other refugees, primarily those receiving basic maintenance assistance through the SSI program, are eligible for medical assistance under this program.

Estimates for medical care costs are based on dollar trends as reflected by State's claims for reimbursements from the program, since it is not possible to predict with specificity the frequency, type, extent, and cost for various units of medical care that needy refugees, comprised largely of the aged and disabled, may require or that various States with differing and changing standards of coverage, etc. may provide and claim as costs to the program. The estimate of

$26 million in 1977 (the same as the 1976 estimate which compares with actual costs of $25.8 million in 1975) for medical assistance in Florida is almost 4 times as large as the 1977 estimate of $7 million for maintenance assistance, reflecting the larger aged Cuban population in Florida, as compared with other States. For all other States combined the medical estimate of $12 million for 1976 and $11.4 million for 1977 represents about 38 percent of the total welfare costs for Cuban refugees in these States.

Florida's administration of Cuban refugee medical assistance differs in several respects from other States. For about 6,000 refugees in Dade County not technically eligible for Medicaid, non-institutional care is provided through arrangements with the U.S. Public Health Service and the Florida and Dade County public health departments on a basis comparable to Medicaid through contractual arrangements. Medical care for all other refugees (some 32,000), as with refugee medical care in other States, is handled through the regular Florida Medicaid agency. Also, Florida's medical costs to the program are approved on the basis of services authorized, whereas other States' medical care claims are reimbursed on the basis of when medical bills are paid. Considerably more detail is also available on Florida's medical program than for other States. For example, in 1975, about 38 percent of medical care funds for Florida was for inpatient hospitalization, 22 percent for drugs, 17 percent for outpatient and physician visits, 10 percent for nursing homes, and 13 percent for all other medical services.

Selected Statistical and Cost Data Estimates
for Welfare Assistance and Services

FLORIDA

Fiscal Year 1975

Maintenance Payments

Average monthly number assisted	13,533
Average monthly cost per recipient	$44
No. of persons assisted, June 1975	12,896
Total cost (maintenance assistance)	$7,212,793
Medical Assistance	$25,804,086
Care of unaccompanied children	$852,000
Administrative costs	$3,713,487
Total obligations, fiscal year 1975	$37,582,366

Fiscal Year 1976

Maintenance Payments

Average monthly number assisted	12,250
Average monthly cost per recipient	$50
No. of persons assisted, June 1976	11,700
Total cost (maintenance assistance)	$7,350,000
Medical Assistance	$26,000,000
Care of unaccompanied children 1/	$750,000
Administrative costs	$3,900,000
Total obligations, fiscal year 1976	$38,000,000

Fiscal Year 1977

Maintenance Payments

Average monthly number assisted	11,000
Average monthly cost per recipient	$53
No. of persons assisted, September 1977	10,500
Total cost (maintenance payments)	$7,000,000
Medical Assistance	$26,000,000
Care of unaccompanied children 1/	$700,000
Administrative costs	$3,800,000
Total obligations, fiscal year 1977	$37,500,000

1/ Unaccompanied Children statistics:

	1975	1976	1977
Average monthly number	219	185	165
Average monthly cost	$324	$340	$354

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STATES OTHER THAN FLORIDA

Fiscal Year 1975

Maintenance Payments

Average monthly number assisted	17,046
Average monthly cost per recipient	$91
No. of persons assisted, June 1975	16,167
Total cost (maintenance assistance)	$18,605,827
Medical Assistance	$10,887,093
Administrative costs	$1,845,527
Total obligations, fiscal year 1975	$31,338,447

Fiscal Year 1976

Maintenance Payments

Average monthly number assisted	15,200
Average monthly cost per recipient	$100
No. of persons assisted, June 1976	14,200
Total cost (maintenance assistance)	$18,200,000
Medical Assistance	$12,000,000
Administrative costs	$2,000,000
Total obligations, fiscal year 1976	$32,200,000

Fiscal Year 1977

Maintenance Payments

Average monthly number assisted	13,400
Average monthly cost per recipient	$104
No. of persons assisted, September 1977	13,000
Total cost (maintenance assistance)	$16,700,000
Medical Assistance	$11,400,000
Administrative costs	$1,900,000
Total obligations, fiscal year 1977	$30,000,000

Cuban Refugee Assistance

Activity 2. Education

	1975	1976	1977	Increase or Decrease
a. Assistance to public schools in Dade County, Florida...	$12,400,000	$12,400,000	$12,400,000	--
b. Assistance to college students.....	738,548	550,000	400,000	-$150,000
c. English, vocational, and professional training.....	597,122	550,000	400,000	-150,000
Total.....	13,735,670	13,500,000	13,200,000	-300,000

Provision is made in the Cuban Refugee Program for meeting certain educational needs resulting from the presence of a large number of Cuban refugees in the United States as a result of the national policy granting asylum to those who have been able to leave Cuba since Castro came to power in 1959. These educational activities (1) assist in meeting part of the added cost related to refugee children in the Dade County (Florida) public school system where the number of such children represents a sizable portion of total enrollments; (2) provide loans to assist needy and eligible Cuban refugee students enrolled in institutions of higher learning in the United States; (3) provide English and vocational training to Cuban refugees in the Program's welfare caseload in Miami, Florida, in order that the refugee may acquire two basic requisites (English ability and job skill) for self-support; and (4) assist in the revalidation, through refresher training, of the credentials of Cuban refugee professionals in the United States.

Program decisions already in effect will result in a continued decline in the student loan program: Beginning with the 1973 Fall academic year the Program no longer accepted new borrowers in the student loan program. English and vocational training for which the program now pays is limited to those persons receiving welfare in Miami who are referred by the welfare services staff in Florida as part of an employment plan, and to enable the licensing of qualified professionals.

Dade County school assistance. -- Funds for the public school system of Dade County from this program in recent years have been based on the number of children enrolled in the system who have not been in any U.S. school system more than 5 years; Dade County school officials estimated that there would be about 19,000 such children in the 1974-75 school year.

For fiscal year 1974 it was proposed to effect a 20 percent reduction in funding for the Dade County school system from the prior year's funding estimate of $13 million, resulting in an estimate of $10.4 million, with subsequent comparable annual reductions planned after 1974. The Congress approved an amount of $12.4 million for the school assistance in the 1974 appropriation. This amount has been viewed as a ceiling for this item of cost in the Cuban budget since that time. It was the amount included in the appropriation approved by the Congress for 1975 when the Program's phaseout plans were

rejected, and is the same amount currently estimated for both fiscal years 1976 and 1977, $12.4 million.

In 1975 the Program's funding of $12.4 million included about $8.7 million to cover about 35 percent of the projected per-pupil operating cost of $1,313 for the 19,000 eligible children plus $3.7 million for special supplementary teaching requirements.

For fiscal year 1976, the Office of Education, which represents the Program in this area, had not completed its negotiations with school officials at the end of January. It is expected, however, that the full $12.4 million will be made available. The 1977 estimate is based on the same assumption.

As with welfare costs described in Activity 1, plans are underway to collect and analyze data in order to formulate a proposal on how to achieve an orderly phaseout of this segment of the program.

Student loans. -- Approximately 750 Cuban refugee college students received loans in 1975, averaging almost $1,000 per student. About 500 refugee students are expected to receive loans from the program in 1976, averaging $1,100 each. A further drop of about 150 students borrowers is projected for 1977. These reductions reflect the effect of the policy of not accepting new borrowers, completion of educational programs by the students, and greater utilization of other on-going student aid programs of the Office of Education.

Professional and English/Vocational Training. -- Professional refresher courses continue to be an important program service in terms of helping Cuban professionals to attain licensing in this country in their professional fields. Over the years, through such projects funded by this program, some 3,000 Cuban physicians have qualified to practice in this country and almost 2,000 refugees have qualified as teachers (of Spanish, primarily). Under a recently enacted Florida law it is now possible for additional refugees to prepare for and take examinations in a number of professions in their native language following 1 year of refresher training.

Costs included in the budget for retraining of Cuban professionals so that they can obtain Florida licenses in their professional fields approximate $500,000 for 1975, $450,000 for 1976, and $300,000 for 1977. The number of refugees for whom professional retraining is being funded totals about 360 in fiscal year 1975, 300 in 1976, and 200 in 1977. The funds also provide for about 1,300 professionals to receive English training, with emphasis on conversational English related to their particular professions; the Florida law requires this type of English ability for licensing.

About $100,000 each year represents the cost for vocational English training for some 350 persons receiving welfare assistance for whom there are employment plans; this training is provided through the Dade County public schools.

Cuban Refugee Assistance

Activity 3. Other Services

	1975	1976	1977	Increase or Decrease
Number of positions.....	39	35	35	---
Average employment.....	42	35	35	---
Costs				
Personnel cost and benefits.....	$731,543	$613,000	$633,000	+$20,000
Travel and transportation of persons (federal employees)...	7,606	12,000	12,000	---
Other costs.....	840,847	675,000	655,000	-20,000
	1,579,996	1,300,000	1,300,000	---

This activity provides for Federal direction and day-to-day operation of the program, including a variety of services for newly arriving refugees as well as those already in the U.S. Provision is made for reception, registration, feeding, lodging, etc., that might be necessary for any new arrivals by small boats or other means. For Cuban refugees in the Miami area, continuing emphasis is placed on training and employment and assuring that barriers to achieving self-support are dealt with as effectively as possible.

New registrations in fiscal year 1975 at the Cuban Refugee Center in Miami numbered 5,342. During fiscal year 1976, about 3,000 new registrations are anticipated, and, during fiscal year 1977, about 2,000.

Some of these services provided directly by the program in former years are now provided for in contractual arrangements with the four voluntary resettlement agencies that continue to help with the reception and planning for newly arriving refugees, as well as with pre- and post-resettlement problems encountered by many refugees, such as the need for emergency assistance in locating housing, job finding, etc. Selected resettlements out of Miami continue to be made, now averaging about 450 per year.

The table above showing a cut of 4 positions from 1975 to 1976 reflects the continuation of the downward trend in staff resources and related costs which has been occurring each year since 1971 when average employment in the program was 170. The continuation of the 1976 staffing level in 1977 reflects the belief that the program has now reached the minimal level required for its day-to-day operations.

As indicated earlier, additional attention will be given during the months ahead to the study and formulation of a proposal on how to achieve an orderly termination of the program. Increased emphasis will also be placed on work with public agencies and private nonprofit organizations to bring the needs of the refugees to attention of these groups, and to seek their cooperation, so that refugee interests are represented in the various functions they perform in areas such as stimulating and assisting in training opportunities, assisting in adjustment of immigration status, and providing information, counseling services, and other types of assistance to the refugees.

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Transition Quarter Analysis

	Budget Authority by Activity	
	1976 Estimate	Transition Quarter
1. Welfare services and assistance	$70,200,000	17,200,000
2. Education	13,500,000	1,400,000
3. Other services	1,300,000	400,000
Total	85,000,000	19,000,000

Explanation

The estimates for activities 1 and 3 represent approximately one-quarter of the fiscal year 1976 estimate. Activity 2, Education, represents about one-tenth of the 1976 estimate, primarily because the school year that begins in September will result in only one month's obligations during the quarter.

CUBAN PROGRAM'S ESTIMATES

Mr. PASSMAN. Let me say, Mr. Director, it has been my privilege to chair the Foreign Aid Subcommittee for 22 years, and when a budget request is made for something that is justified, I have always been very understanding and sympathetic. I think the Cuban refugee program, is one such program.

In 1976, the appropriation bill that passed the House recommended the full budget request of $85 million. and your estimate for fiscal 1977 is for $82 million, which of course is $3 million below the budget request for fiscal 1976.

NUMBER OF CUBAN REFUGEES IN THE UNITED STATES

May I ask you, how many Cuban refugees do we presently have in the United States?

Mr. NUNEZ. We have in all the States about 650,000 refugees; those estimated to receive welfare assistance in fiscal 1977 would total about 64,400.

Mr. PASSMAN. How many of the total refugees located in the United States are located in Florida?

Mr. NUNEZ. We have in Florida about 450,000, of whom about 36,000 are eligible for assistance.

REGISTRATION OF REFUGEES WITH PROGRAM, 1975–77

Mr. PASSMAN. On page 9 of the justifications, you indicate that 5,342 refugees registered at the Cuban Refugee Center during fiscal year 1975. Could you tell the committee what your estimates are for the fiscal 1976, and also fiscal 1977?

Mr. NUNEZ. In fiscal 1976, we estimate 3,000 Cubans will register, and for fiscal 1977, we estimate 2,000.

Mr. PASSMAN. Now, of the 5,342 refugees registering during fiscal year 1975 where did they come from?

Mr. NUNEZ. Out of Cuba we had 2,270 who came to the United States. Out of that 2,270 total, 1,478 registered with the Cuban program in Miami. In addition, approximately 3,900 had previously been in the United States but had not registered.

ADDITIONAL REFUGEES FROM CUBA

Mr. PASSMAN. Could you tell the committee how many refugees you estimate will actually come out of Cuba or a third country in fiscal 1976?

Mr. NUNEZ. Mr. Chairman, we really do not have the figure, but we do believe there will be very few—we believe there will be a reduction in the numbers of new refugees for 1976 and 1977.

Mr. PASSMAN. Do you anticipate that Cuba will again allow the refugees to depart from Cuba, and therefore this program would increase at some later time?

Mr. NUNEZ. Mr. Chairman, it is very difficult to answer that question as the behavior of Fidel Castro is very erratic. So it would be

sort of a guess to say if we can anticipate that or not. I really do not know.

FOREIGN AID IN GENERAL

Mr. PASSMAN. Is it not true that under grant foreign aid we head our ships with commodities and sail for foreign countries and the only thing we receive in return are bills to the U.S. Treasury? Would that be your interpretation of grant aid?

Mr. NUNEZ. No, Mr. Chairman. I would have a different interpretation.

Mr. PASSMAN. Well, let's hear your interpretation. If you send to sea $1 billion in foreign aid, representing American commodities, and it is grant aid, and the bills go to the U.S. Treasury, we get nothing back. So how do you interpret it differently than I do?

Mr. NUNEZ. Sir, I take into consideration the human aspect.

Mr. PASSMAN. I am talking about just the economics of the program.

Mr. NUNEZ. Yes, sir.

Mr. PASSMAN. All right. Now, let's bring my point home. The money appropriated for the Cuban refugee program is all spent in the United States?

Mr. NUNEZ. Yes, sir.

Mr. PASSMAN. There is a difference, do you agree?

Mr. NUNEZ. Yes, sir.

INTERNATIONAL FINANCIAL INSTITUTIONS

Mr. PASSMAN. I want to say this before yielding. When I went to my apartment last evening, I could not go to sleep. Over and over these words would just ring in my ear, and I quote:

> Mr. Chairman, last year the four International Development Banks made commitments for new loans totaling $8½ billion for 377 projects in 84 countries. This total is far more than the bilateral economic development program of the United States or any other country.

These people who administer these multilateral organizations are not privileged to come before this committee to testify for the funds. They have to borrow someone from the U.S. Treasury Department. Furthermore, we are not privileged to have these accounts audited. We have to accept whatever they give us, and none of our auditors are privileged to audit these books. You understand that, don't you? And we look into it and we find this unbelievable outpouring of our borrowed money, that there is no provision for one dime of it to ever come back to the United States.

Then we turn the page, and we see that the budget for fiscal year 1977 does not provide one dime for one single new public works construction project in the entire United States.

Then when I turn to the third page, I find—let's take one organization—the International Development Association. We provide funds to IDA. We know not when, where, or for what project the money goes for except after the fact, if ever. What are the terms? We borrowed

this money from the overburdened American taxpayer. They make it available to foreign countries for 50-year terms. You understand that, 50 years.

Interest rate is zero. When do you start paying it back, if ever? First you wait 10 years. That is known as a grace period. Then we want to be very, very good to you—you only pay back 1 percent per year for the next 10 years.

So those are the things that kept me awake. I hope you had a good night's rest.

Now, one or two other questions on this program.

NUMBER OF CUBAN REFUGEES RECEIVING ASSISTANCE

Of the Cubans entering the United States in fiscal 1976 and 1977, how many of these will actually require Federal assistance?

Mr. NUNEZ. In 1976, we estimate the total number requiring Federal assistance at about 71,450; in 1977, about 64,400. The number of new ones would be a very small portion of these.

Mr. PASSMAN. What percentage of the total number of refugees registered are on the assistance rolls?

Mr. NUNEZ. I would say that would be about 15 percent of the total of some 463,000 refugees now registered with the program.

WILLINGNESS OF CUBANS TO TAKE JOBS AND SUPPORT THE ECONOMY

Mr. PASSMAN. Well, let me say this: We have, may I refer to it as, a colony of Cuban refugees in Louisiana, in the city of New Orleans, and they have become supporters of the economy. They have not withdrawn from it.

Practically all of them are employed, everyone able to work finds a job, and he goes to work. It irritates some of the other people on the welfare rolls. But I have to applaud the Cubans. They do not all want to be bookkeepers or airplane pilots. They take these jobs. And they are doing a superb job supporting themselves, contributing to the economy, not taking from the economy.

You are familiar with that success story?

Mr. NUNEZ. Yes, Mr. Chairman.

Mr. PASSMAN. I understand that is usually true in other parts of the country.

Mr. NUNEZ. Yes, sir.

Mr. PASSMAN. That is why I wanted to make the point earlier. This is a different brand of foreign aid. Whatever we appropriate actually is disbursed here in the United States, and nothing moves to some foreign country.

Can you verify that?

Mr. NUNEZ. Yes, sir.

REFUGEES REGISTERED WITH CUBAN REFUGEE PROGRAM—NUMBER RECEIVING WELFARE AND NUMBER SELF-SUPPORTING

Mr. PASSMAN. Would you please provide the committee with an updated comparison, like that which appeared on page 428 of last year's hearings, showing the number of refugees who are self-supporting?

Mr. NUNEZ. Yes, sir.

[The information follows:]

CUBAN REFUGEE PROGRAM [1]

	Number of registrations	Number on welfare	Total number self-supporting	Percent of registration self-supporting
June of:				
1961	29,628	13,756	15,872	53.6
1962	122,212	55,084	47,128	46.1
1963	165,596	53,170	112,353	67.9
1964	172,572	32,110	140,462	81.4
1965	177,599	21,588	156,011	87.4
1966	207,147	19,882	187,265	90.4
1967	250,519	29,346	221,173	88.3
1968	290,353	39,370	250,983	86.4
1969	332,692	52,740	279,952	84.1
1970	379,229	66,178	313,051	82.5
1971	426,167	77,700	348,467	81.8
1972	445,150	90,747	354,403	79.6
1973	452,098	86,822	365,276	80.8
1974 (estimate)	456,699	[2] 76,000	380,699	83.4
1975 (estimate)	462,041	[2] 74,000	388,041	84.0
1976 (estimate)	465,000	[2] 70,000	395,000	84.9

[1] Number of persons registered with the program, number receiving welfare assistance and services, and the number and percentage self-supporting in relation to the number of registrations.
[2] Includes estimated number of Cuban refugees receiving financial assistance under program of supplemental security income (SSI) which began Jan. 1, 1974.

TOTAL COST OF CUBAN REFUGEE PROGRAM

Mr. PASSMAN. What has been the total cost of this program since it started?

Mr. NUNEZ. The total cost, from the beginning of the program in February 1961 through June 30, 1976, is estimated to be about $1.1 billion.

CONTINUED ASSISTANCE TO DADE COUNTY PUBLIC SCHOOLS

Mr. PASSMAN. I note that you have budgeted $12,400,000 for educational assistance to public schools in Dade County and this has been the level of funding for the last 3 fiscal years. Do you still feel that Dade County needs this level of assistance?

Mr. NUNEZ. Sir, we have continued to support that level of funding in our 1977 request. In total there are some 40,000 Cuban refugee children in the system. I should also point out that the percentage of funding provided by this program based on cost-per-pupil operating costs has declined since the ceiling of $12.4 million has been in effect; previously it was 50 percent; for 1977 it is estimated at about 38 percent for children covered under the formula under which the payment is made. This is an area, however, that we are concerned about and it wil receive attention in our evaluation and formulation of proposals for future program reductions based on the study we are planning related to tax contributions of the Cubans in Dade County.

Mr. PASSMAN. Is it not true that most of the Cubans living in the Dade County area are working and paying taxes, and, therefore, would help to support the local school system?

Mr. NUNEZ. Yes, sir.

ENGLISH TRAINING FOR CUBAN REFUGEES BY DADE COUNTY SCHOOLS

Mr. PASSMAN. Would it not be true that most of the Cubans living in Dade County now speak English and that, therefore, additional training is not required by the Dade County schools?

Mr. NUNEZ. This would be true to a greater extent than during the years when the Cuban refugee airlift was in operation, since most of the Cubans have been in Miami for a longer period of time now. We do have children in primarily Spanish-speaking families and in entirely, or almost entirely, Spanish-speaking neighborhoods, and when they reach school age, enter school with very little knowledge of English—so they do require special instruction. Also, we continue to provide for the purchase of English training from the Dade County school system for adults. In recent years we have limited the purchase of this service to those receiving welfare for whom there is an employment plan.

NEW CUBAN REFUGEE CHILDREN ENTERING DADE COUNTY SCHOOLS

Mr. PASSMAN. Are there any new Cuban children coming into the Dade County school system in the next 2 years?

Mr. NUNEZ. Yes; we would have to assume there would be. Dade County reports a total of 660 new children had entered the system during the current school year as of early December, mostly, of course, at the beginning of the year. You understand that these "new" children would be those we consider under the formula for counting children for whom the Federal payment related to operating costs is made, that is, those Cuban refugee children who have not been in a school system for more than 5 years. They would not all be recent arrivals in the United States but would include those reaching school age who enrolled as well as some who move into Dade County from other parts of the country.

CUBANS RECEIVING MAINTENANCE ASSISTANCE THROUGH THE CUBAN REFUGEE PROGRAM 1974–77

Mr. PASSMAN. You indicate that the total maintenance caseload will be 23,500 persons at the end of fiscal year 1977 and an estimated 25,900 at the end of fiscal year 1976. Could you please tell the committee what the caseload was for fiscal year 1975 and fiscal year 1974?

Mr. NUNEZ. Yes, sir. At the end of 1975 the maintenance caseload was 29,063, and at the end of 1974 it was 34,032.

AVERAGE MONTHLY MAINTENANCE PAYMENTS: DIFFERENCE BETWEEN FLORIDA AND OTHER STATES

Mr. PASSMAN. Could you please tell the committee why the average monthly cost per recipient for maintenance payments is so much higher for other States than for Florida? That is, it is $53 per recipient in Florida as compared to $104 in other States.

Mr. NUNEZ. Yes, sir. As you know, Mr. Chairman, the welfare payments in the Cuban refugee program follow the same payment levels as apply to other residents of the States in which the refugees are located, and these levels vary greatly from one State to another.

Florida is among the States with lower payment levels, and most of the refugees outside Florida are located in the States which have the higher payment levels, such as New York, New Jersey, and California. For example, in Florida the maximum payment for a 2-person assistance case under the program of aid to families with dependent children is $111 a month, while in California the comparable figure is $237.

NUMBER OF FEDERAL POSITIONS ADMINISTERING PROGRAM

Mr. PASSMAN. I note that you plan to have 35 positions to carry out this program in fiscal year 1977. Are there any plans for further reductions in this personnel number?

Mr. NUNEZ. No, sir. This is the minimum number we need to carry out the program's responsibilities.

Mr. PASSMAN. Could you please tell the committee how many people you needed during the peak period of the Cuban refugee program?

Mr. NUNEZ. The peak was 182 authorized positions in 1970 when the refugee airlift was in full operation.

TRAVEL COSTS

Mr. PASSMAN. Could you please tell the committee the details of the $12,000 you list for travel and transportation of persons?

Mr. NUNEZ. That is an estimate of employee travel costs related to various operations of the program, including supervisory and administrative travel between Washington and the Miami center, consultation visits to State agencies and HEW regional offices, meetings with Cuban and other voluntary groups in areas where sizable numbers of refugees reside, et cetera. Travel is also required in Dade County and adjacent counties by our Miami staff who work with various educational institutions, other Federal agencies, and State and local agencies on various matters pertaining to the refugees.

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

BLOCK GRANT PROPOSAL—MEDICAL

One of the reasons that Congress has refused to go along with the administration proposals to terminate this program has been opposition from the States which would have to pick up some of the costs now totally funded by the Federal Government. The major element is health care—medicaid—the cost of which is now shared by the States. The administration has now proposed a consolidated health block grant program, including medicaid, which would eliminate State matching funds. Do you think that might encourage the States to go along with the termination of this program, if Congress adopts the President's block grant plan?

Mr. FORBUSH. Frankly, I do not think so.

I think Dr. Keith Weikel, who is Commissioner of our Medical Services Administration, pointed out at the hearing on medicaid just a day or two ago that the rate of increase in costs in medicaid would

be cut back substantially if the block grant were enacted. In other words, they would go up about $500 million a year, whereas now they are going up at $1 billion a year. That means if the States don't take action to reduce costs, they would have to pick up a greater share of medicaid costs. Therefore, I do not think they would be interested in picking up a share of the Cubans' cost as well.

COMPLETION OF STUDY

Mr. SHRIVER. When do you expect to complete your study considering the possible termination?

Mr. NUNEZ. Sir, we expect the study itself—which will provide the basis for future recommendations—to be completed by the end of June; we will provide copies to each of you on this committee as soon as possible.

EXPENDITURES FROM OTHER PROGRAMS

Mr. SHRIVER. Can you estimate how much is now being spent on Cuban refugees in addition to this program?

Mr. NUNEZ. From $50 to $60 million, sir.

Mr. SHRIVER. In addition to this?

Mr. NUNEZ. Yes, sir; that would be primarily the SSI program.

NUMBER OF REGISTRATIONS: 1975–77

Mr. SHRIVER. The justifications mention that 5,342 Cuban refugees were registered in fiscal 1975. Do you have an estimate for 1976?

Mr. NUNEZ. Yes, sir; about 3,000 Cubans will register in 1976, and 2,000 in 1977.

Mr. SHRIVER. How are these people getting here?

Mr. NUNEZ. They are coming through third countries, some of them, and some are already here and are registering themselves when they have found out about the program.

MEDICAL ASSISTANCE

Mr. SHRIVER. Your medical assistance is similar to medicaid?

Mr. NUNEZ. Yes, sir.

Mr. SHRIVER. Certain efforts are now being made by the Department to control increases in hospital and physician costs paid under medicaid. Are similar efforts being made under your program, such as limiting to lower percentages the increases which will be reimbursed?

Mr. NUNEZ. Sir, the rates we pay are the regular ones being paid by medicaid.

Mr. BAKER. We are continuing to pay the States 100 percent for these costs.

PROGRAM REDUCTIONS

Mr. SHRIVER. What about other features of the program? Are there any efforts to reduce it?

Mr. BAKER. It is going down slowly, Mr. Shriver. As time goes on, the program is going down in terms of the number we are serving. Some are getting citizenship; some are dying; some on welfare are becoming self-supporting. Student loans are being phased out.

METHODS USED BY STATES IN CLAIMING MEDICAL COSTS

Mr. SHRIVER. The book mentions that Florida's medical costs are approved on the basis of services authorized, whereas other States' medical care claims are reimbursed on the basis of when medical bills are paid. You have no control over the way they want to handle that, do you?

Mr. NUNEZ. No, sir, we do not.

Mr. BAKER. Florida never wanted to go on a "when bills are paid" method. The rest of the States are just like medicaid, when bills are paid. Florida prefers to request medical money on the basis of services rendered. They don't draw the cash until bills are paid, but we do obligate funds for medical care in Florida on the basis of estimates of medical services authorized in the fiscal year.

Mr. SHRIVER. Is the Florida system more expensive than other States?

Mr. BAKER. I would say not.

Mr. SHRIVER. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Chappell?

PERCENT OF REFUGEES REQUIRING WELFARE ASSISTANCE AND SERVICES

Mr. CHAPPELL. The bulk of the money is still to go for welfare assistance and services. What percentage of the Cubans in the United States require such assistance?

Mr. NUNEZ. Approximately 15 percent of the refugees who have registered with the program.

MEDICAL COSTS IN FLORIDA

Mr. CHAPPELL. The largest part of the money spent in Florida goes for medical assistance. Do you expect the cost of medical assistance to remain this high for the next few years?

Mr. NUNEZ. Yes, sir, we would anticipate slight reductions in the number of persons receiving such assistance, offset by increased cost of medical services.

ASSISTANCE TO REFUGEES BY VOLUNTARY AGENCIES

Mr. CHAPPELL. How active are private voluntary agencies in aiding Cuban refugees?

Mr. NUNEZ. Four national voluntary resettlement agencies have been associated with the Cuban refugee program since the beginning—the U.S. Catholic Conference; Church World Service, the Protestant agency; United Hias Service, which is Jewish; and the International Rescue Committee, which is nonsectarian. They have been active through all of the changes in the refugee situation and in the size of the flow of refugees into the United States—from the very large-scale resettlement program which was carried out during the years of the Cuban refugee airlift to the very limited resettlement operations today.

CUBANS OUTSIDE OF FLORIDA

Mr. CHAPPELL. What States and cities outside of Florida have the highest concentration of Cubans? Are your programs administered any differently in these States?

Mr. NUNEZ. The largest concentrations outside Florida are in New York City, Northern New Jersey, Los Angeles, Chicago, New Orleans, and Boston. In all of the other States, as in Florida, the welfare assistance is handled through the State welfare agency, and in a few instances the medical assistance is provided through the State health agency, depending on how a State handles its regular medicaid program.

HIGHER WELFARE PAYMENTS OUTSIDE OF FLORIDA

Mr. CHAPPELL. Why is the average monthly cost of maintenance payments per recipient so much higher in other States than in Florida?

Mr. NUNEZ. This reflects the payment levels which are in effect in each State for nonrefugees. Florida is among the States which have lower payment levels in their public assistance programs, and most of the refugees outside Florida are concentrated in States which are among those with the highest payment levels.

Mr. CHAPPELL. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Conte?

POSSIBLE PROGRAM IMPACT IF RELATIONS WERE RESTORED WITH CUBA

Mr. CONTE. What do you feel the impact would be on this program if normal relations were restored between Cuba and the United States? Would there be a great influx?

Mr. NUNEZ. That is very difficult to foresee because it could depend on the specific arrangements of the relationship. If the relations were completely normal, it would probably mean that Cubans who came to the United States would, for the most part, be coming as immigrants rather than as refugees and would not have an impact on the program.

NUMBER OF NEW REFUGEES IS EXPECTED TO DECREASE

Mr. CONTE. Do you feel that the number of new refugees will decrease again this year?

Mr. NUNEZ. Yes, sir; we believe the number of new arrivals will be lower, and we estimate that the number of refugees who register with the program will be about 2,000 in fiscal 1977 as compared with 3,000 in fiscal 1976.

NUMBER OF CUBAN REFUGEES RECEIVING SSI

Mr. CONTE. How many refugees are presently eligible for SSI payments?

Mr. NUNEZ. The estimated number is about 40,000.

EFFECT OF NEW REFUGEES ON PROGRAM PHASEOUT

Mr. CONTE. If the present rate of entrants should continue, when would this program be phased out altogether?

Mr. NUNEZ. Although the number of new refugees reaching the United States is very small, most of the cost of the program derives from the refugees who are already here. While we would expect the program to continue to decrease during the next several years—

assuming that few new refugees arrive and that economic conditions continue to improve in the Nation—the program would not phase itself out completely as long as it is responsible for reimbursement to the States for welfare assistance. We would have to anticipate that there would be refugees who would need welfare and that the program would continue for many years, although at a reduced level.

CEILING ON DADE COUNTY SCHOOL ASSISTANCE

Mr. CONTE. The justification indicates that $12.4 million is considered a ceiling for education reimbursement in Dade County. Is that an arbitrary figure or is it how much it really costs them?

Mr. NUNEZ. Of the $12.4 million, about $3.7 million covers specific expenditures for supplementary services for Cuban pupils, principally the cost of Cuban teacher aides and other personnel. The remaining $8.7 million covers about 38 percent of the per-pupil operating cost based on the number of Cuban pupils who have been in a U.S. school system less than 5 years. The $12.4 million ceiling is actually an arbitrary amount which has been in effect since 1974 when this amount was set by Congress in action rejecting the proposal to phase down the refugee program. Previously, the formula for the aid to the schools was based on 50 percent of the per-pupil operating cost for the number of Cuban pupils in a U.S. school system less than 5 years.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Coughlin?

Mr. COUGHLIN. Thank you very much.

NUMBER RECEIVING MAINTENANCE ASSISTANCE

As I understand it from your justification, you provide, or expect to provide, maintenance assistance to an average monthly number of 11,000 individuals in Florida and 13,400 in other States.

Mr. NUNEZ. Yes, sir; that is correct.

Mr. COUGHLIN. So the total number of individuals you have on the average month would be about 24,400?

Mr. NUNEZ. Yes, sir.

NUMBER OF CHILDREN COVERED IN FORMULA RELATING TO DADE COUNTY SCHOOL ASSISTANCE

Mr. COUGHLIN. And you provide educational assistance to how many?

I don't see the numbers on that. How many children?

Mr. BAKER. As an estimate, there are about 16,000 in the Dade County school system for whom we pay operating costs. That is based on the number of Cuban children who have not been in a U.S. school system for more than 5 years.

Mr. COUGHLIN. That is the formula. Once they are over 5 years in the school system, they are off. So they should be getting off pretty quickly.

A child is born to a Cuban family, they go to the school—I guess once they get out of the child-bearing age——

Mr. HOLMAN. These would be children actually born in Cuba. So from the point at which a child starts in school, it would only be for a 5-year period.

Mr. COUGHLIN. They must be born in Cuba?

Mr. HOLMAN. Yes.

Mr. COUGHLIN. They must be all finished by now, most have been in the United States for 5 years.

Mr. HOLMAN. You may have had a very young child who came here. The 5-year period is the amount of time actually in the school system.

Mr. COUGHLIN. In any case, that should be phasing out fairly rapidly.

Mr. HOLMAN. It has been going down some. I believe last year it was 19,000, and this year's estimate is about 16,000. So that is a drop of 3,000 there, and 1977 will probably show a similar reduction.

Mr. COUGHLIN. The thing that interests me, is we are talking about 16,000 in the education field, 24,400 in other fields, under a special program, whereas in the Vietnamese case it is roughly 128,000.

STUDY TO BE UNDERTAKEN

Do you expect your study assessing the future need of the Cuban program to be done by this June?

Mr. NUNEZ. We hope the actual study report will be submitted by this June 30, sir. We will then have to evaluate the data and formulate proposals relating to the future of the program.

Mr. SHRIVER. Is HEW conducting this study, or a private firm?

Mr. NUNEZ. No, sir, a private firm.

Mr. COUGHLIN. A private firm outside HEW?

Mr. NUNEZ. Yes, sir.

Mr. COUGHLIN. How much will the study cost?

Mr. NUNEZ. We estimate under $50,000.

Mr. COUGHLIN. I would hope the program could be wound down, because it seems to me it is getting more and more vestigial, and it provides special services for a very limited number of people.

I have one other question.

REJECTION OF PHASEDOWN BY CONGRESS

You state that the phase down and the termination of the Cuban Refugee Program as presented in each of the last 3 years was not accepted by Congress. Where was it rejected by the Congress; in committee?

Mr. FORBUSH. Mr. Coughlin, the key factor was the continuing resolution. The continuing resolution in general authorizes spending of last year's level or the President's budget whichever is lower. If the continuing resolution had gone through normally, the phaseout as proposed by the administration would have actually gone into effect. But action was taken on the floor of the Senate to suspend that provision for the Cuban Refugee Program. Once that provision was suspended, it was virtually impossible for the Appropriations Committee to come along later and provide lower funding.

Mr. COUGHLIN. What provision was suspended on the Senate floor?

Mr. FORBUSH. The continuing resolution generally says that you are authorized to spend last year's level or the President's budget, whichever is lower. If that were applied to the Cuban Program, the phaseout would have gone into effect, because the President's budget

was lower than the previous year. A provision was added, though, on the floor—in the first year it was in the Senate—to suspend that provision, and provide special funding. It was a special provision, just covering the Cuban Refugee Program.

Mr. COUGHLIN. And that was passed in the Senate.

Mr. FORBUSH. And then it was agreed to in conference. And then I think the next year it was also reported that way in the House.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you.

STUDY WILL RELATE TO TAXES PAID

Mr. Director, do you actually feel there is the additional cost to the Dade County public schools should be covered by the taxes paid in by the Cuban refugee families who are working and contributing to the economy of Dade County?

Mr. NUNEZ. Sir, we are going to conduct a study on that matter to determine how much is being paid by Cubans in taxes.

Mr. PASSMAN. Then you cannot give me an accurate answer at this time? You have to furnish if after the study has been completed. Is that your answer?

Mr. NUNEZ. Yes, sir.

We expect to have the study by June.

Mr. SHRIVER. Is that the same study we have been talking about?

Mr. NUNEZ. Yes, sir.

Mr. PASSMAN. You asked questions on that?

Mr. SHRIVER. No, we just asked a question about the original study. I didn't know you were talking about the same study.

Mr. NUNEZ. Yes, sir.

Mr. SHRIVER. This has to do with education.

Mr. PASSMAN. Let me see if we can clear it up this way.

ACCEPTANCE OF JOBS

As I mentioned, in New Orleans they are making a contribution to the economy, and I would assume since these people don't all want to be bookkeepers and airplane pilots, they are willing to take any decent job. As a young man I used to walk 2½ miles every Sunday morning to milk an old cow, and walk 2½ miles back. That was 5 miles. And I only got 25 cents for it. It was a dignified job, and a gentle old cow. I didn't think I was too good to milk this old cow.

I find that these Cuban refugees have not reached the point to where certain jobs that they qualify for are below their dignity.

CUBANS IN DADE COUNTY; NUMBER WORKING

Now, let's go back, if we may, to Dade County.

How many Cubans do you have in Dade County?

Mr. NUNEZ. It will be approximately 450,000.

Mr. PASSMAN. What number of the 450,000 would you say are presently employed?

Mr. NUNEZ. I don't have the exact figure. I would say the number would be very high.

Mr. PASSMAN. We do not want to do too much guessing. Could you give us possibly an estimate of the percentage of the total that would be employed.

Mr. NUNEZ. I would say about 400,000.

Mr. PASSMAN. 400,000 out of 450,000.

Mr. BAKER. That would be the number of people in the families where there would be a breadwinner.

Mr. PASSMAN. Wouldn't it follow that they would be contributing as much or more to the economy than they have taken out?

ECONOMIC IMPACT OF CUBANS

Mr. NUNEZ. That might be the case, sir. This is what we will try to determine with the study.

Mr. PASSMAN. If that is true, wouldn't that necessitate some adjustments in the program?

Mr. NUNEZ. But we need a base. We will need information.

Mr. PASSMAN. Well, there are two things I have never been able to understand, and that is a U.S. Government study, and a temporary Federal agency. The most permanent thing in Washington is a temporary Federal agency. And I have never known of a study to be concluded.

Mr. NUNEZ. Sir, this study——

Mr. PASSMAN. How long has your study been going on?

Mr. NUNEZ. This study will be conducted by a private firm.

Mr. PASSMAN. Do you have a study outfit checking on the studiers, to see when they are going to have the study ready?

Mr. NUNEZ. No, sir. We are going to conduct the study with a private firm in the State of Florida, and they are going to be under contract with HEW.

Mr. PASSMAN. When did they start?

Mr. HOLMAN. We have not actually started yet. Bids will go out.

COST OF STUDY; TIMING

Mr. PASSMAN. What do you estimate the study will cost?

Mr. HOLMAN. We are estimating it will be less than $50,000.

Mr. PASSMAN. When do you think the study would be available for the committee?

Mr. HOLMAN. Our target date will be June 30 of this year.

Mr. PASSMAN. I think this question has been asked before, but we will ask it again.

PERCENT OF REFUGEES RECEIVING ASSISTANCE; PERCENT SELF-SUPPORTING

What percentage of the total number of refugees registered in the United States are now on the assistance rolls?

Mr. NUNEZ. Fifteen percent.

Mr. PASSMAN. Which means, again, 85 percent are working and contributing to the economy.

Mr. NUNEZ. Yes, sir.

Mr. PASSMAN. Gentlemen, I guess that concludes the hearing on the Cuban refugee program.

WEDNESDAY, MARCH 17, 1976.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SPECIAL ASSISTANCE TO REFUGEES FROM CAMBODIA, VIETNAM AND LAOS IN THE UNITED STATES

WITNESSES

LAWRENCE L. McDONOUGH, ACTING DIRECTOR, HEW REFUGEE TASK FORCE
LEE E. WICKLINE, DIRECTOR, OFFICE OF EDUCATION REFUGEE TASK FORCE
PHILIP A. HOLMAN, SPECIAL ASSISTANT, REFUGEE ASSISTANCE PROGRAM
GLYNN W. BAKER, FINANCIAL MANAGEMENT OFFICER, REFUGEE ASSISTANCE PROGRAM
WILFORD J. FORBUSH, DEPUTY ASSISTANT SECRETARY (BUDGET), DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

REFUGEES FROM CAMBODIA, VIETNAM AND LAOS

PROGRAM AND FINANCING [In thousands of dollars]

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Program by activities:				
1. Welfare assistance and services	4,035	55,790	17,294	68,452
2. Education	1,338	25,182		
3. Public health services	709	2,200		
Total obligations	6,082	83,172	17,294	68,452
Financing:				
Unobligated balance available, start of period		−93,918		−18,452
Unobligated balance transferred from other accounts				
Unobligated balance available, end of period	93,918	35,746	18,452	
Budget authority (appropriation)	100,000			
Relation of obligations to outlays:				
Obligations incurred, net	6,082	83,172	17,294	68,452
Obligated balance, start of period		6,071	22,543	23,637
Obligated balance, end of period	−6,071	−22,543	−23,637	−20,589
Outlays	11	66,700	16,200	71,500

OBJECT CLASSIFICATION

Personnel compensation:				
Positions other than permanent		125	75	80
Other personnel compensation		3	1	1
Total personnel compensation		128	76	81
Personnel benefits: Civilian		11	8	8
Travel and transportation of persons		12	4	4
Rent, communications, and utilities		4	1	1
Printing and reproduction		2	1	1
Other services	2,106	7,689	4	4
Supplies and materials		1		1
Grants, subsidies, and contributions	3,976	75,325	17,200	68,352
Total obligations	6,082	83,172	17,294	68,452

PERSONNEL SUMMARY

Full-time equivalent of other positions	5		3
Average paid employment	5		3

Mr. PASSMAN. The next item will be special assistance to refugees from Cambodia, Vietnam, and Laos in the United States.

As our chief witness we have Lawrence L. McDonough, Acting Director, HEW Refugee Task Force.

We shall place in the record Mr. McDonough's biography and statement at this point.

[The biographical sketch and statement follows:]

BIOGRAPHICAL SKETCH OF LAWRENCE L. MCDONOUGH

Name: Lawrence L. McDonough.
Position: Acting Director, HEW Refugee Task Force.
Birthplace: Brooklyn, N.Y.
Date of birth: June 18, 1934.
Education: Adelphi College, N.Y. Bachelor of arts, 1957.
Experience:
December 1975 to present, Acting Director of the HEW Refugee Task Force.
May–December 1975, Deputy Director of the HEW Refugee Task Force, and Assistant Director for Domestic Operations with Interagency Task Force (both task forces relate to Indochinese refugees).
January 1974–May 1975, Deputy Director of Intergovernmental Systems in the Office of Planning and Evaluation in the Office of the Secretary, HEW.
1966–73, Office of Economic Opportunity (now Community Services Administration) in various positions including Chief of Regional Operations, Chief of Special Projects and Director of Youth Development.
1965–63, Peace Corps Volunteer in Ecuador.
1957–59, U.S. Army.

GENERAL STATEMENT

Mr. Chairman and members of the committee, I am most appreciative of this opportunity to present to you the appropriation request for fiscal year 1977 for assistance to Cambodian and Vietnamese refugees in the United States.

This request covers the final year for which such assistance is authorized under Public Law 94–23, the Indochina Migration and Refugee Assistance Act of 1975, which was enacted in May 1975. Under the act, funds for this purpose are authorized until September 30, 1977.

FUNDS APPROPRIATED IN RELATION TO AUTHORIZATION

Public Law 94–24, also enacted in May 1975, appropriated a total of $405 million for assistance to refugees from Cambodia and Vietnam. This included $305 million appropriated to the Department of State for such purposes as transporting the refugees to the United States, the operation of reception centers, and resettlement activities; and $100 million appropriated to the Social and Rehabilitation Service of the Department of Health, Education, and Welfare for health, educational, and welfare assistance to the refugees.

Since the authorizing legislation, covering both of these appropriations, contains a ceiling of $455 million for the duration of the program—until September 30, 1977—and $405 million has been appropriated, an amount of $50 million remains that may be appropriated under the authorization.

Under the authorizing legislation, funds may be appropriated after June 30, 1976, for only those functions authorized by the law relating to assistance and services to refugees in the United States, including assistance to State and local public agencies providing services for substantial numbers of refugees—that is, those functions which are carried out by HEW.

1977 REQUEST

The Department of Health, Education, and Welfare is requesting $50 million for fiscal year 1977 in order to continue to fully reimburse the States for financial assistance, medical assistance, and social services required by needy refugees. This amount would be supplemented by funds anticipated to be available from the present appropriations; we are therefore also requesting special appropriation language which would permit the continued availability until September 30, 1977, of funds already appropriated for the purpose of such reimbursement to the States.

1975–77 PROGRAM

During fiscal years 1975 and 1976, refugee program funds were utilized for certain health and educational purposes for which additional funding is not requested for 1977. Health activities included screening, immunization, and treatment of refugees in connection with their processing in the reception centers; these activities were completed with the completion of processing and the closing of the centers. Educational activities included educational services provided in the reception centers, grants to States for adult English instruction, one-time payments for refugee pupils enrolled in public elementary and secondary schools, short-term refresher training for physicians, and funding of services related to curriculum development, teaching materials, evaluation of the credentials of professionals, and testing services.

The request for 1977 proposes the continuation of reimbursement to the States in the area of the major financial impact of the refugees—welfare and medical assistance and social services.

It is estimated that the total cost of such reimbursement will be about $17.3 million in the transition quarter and $68.5 million in 1977.

Let me summarize our cost estimates for HEW activities on behalf of the regugees.

It is estimated that the cost of HEW activities during fiscal years 1975 and 1976 will be about $89.2 million, leaving a balance of $10.8 million remaining from the original appropriation of $100 million. The President's budget also provides for the transfer to HEW of $25 million expected to remain available from the appropriation to the Department of State. This would provide a total of $35.8 million of which an estimated $17.3 million would be required for the transitional quarter. The remaining net amount of about $18.5 million, plus the requested $50 milllon would provide the $68.5 million estimated to be needed for 1977.

Mr. Chairman, I must emphasize that the amounts which we have indicated as being needed for the present year, for the transitional quarter, and for 1977 are estimates. In a refugee situation so new, and subject to so many variables—the major one of which will be the ability of the refugees to obtain and hold employment—it is impossible to predict our needs with certainty.

These amounts are our estimates of the funds needed to continue, throughout fiscal year 1977, to reimburse the States 100 percent for welfare assistance, medical assistance, and social services required by needy refugees so that they do not become a burden on State or local welfare resources.

HUMANITARIAN ACHIEVEMENT

Mr. Chairman, it would be inappropriate for me to close without acknowledging the tremendous humanitarian undertaking involved in the reception of the refugees and their resettlement in communities throughout the Nation. Never before have so many refugees been resettled in the United States in so short a period of time, over 128,000 refugees resettled in 8 months. This represents an outstanding achievement and contribution by the national voluntary agencies which have been working in cooperation with the Government, by their local affiliates, and by the thousands of Americans who came forward to volunteer their help and friendship as sponsors for the refugees. This experience has provided a reaffirmation and rededication of our tradition as a Nation offering asylum to refugees from other parts of the world.

Mr. Chairman, we will be pleased to try to answer any questions which you and the members of the committee may have.

Mr. PASSMAN. We will insert certain justifications at this point.

[The justifications follow:]

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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Special Assistance to Refugees from Cambodia and Vietnam

in the United States

Amounts Available for Obligations

	1975	1976	Transition Quarter	1977
Appropriation.....	100,000,000	---	---	50,000,000
Real transfer from: "Special Assistance to Refugees from Cambodia and Vietnam", Department of State.....	---	25,000,000	---	---
Unobligated balance, start of year.....	---	93,917,868	35,745,868	18,452,000
Unobligated balance, end of year.....	93,917,868	-35,745,868	-18,452,000	---
Total, obligations.....	6,082,132	83,172,000	17,293,868	68,452,000

Summary of Changes

1976 estimates obligations	$83,172,000
1977 estimates obligations	68,452,000
Net change	-14,720,000

	Base	Change from Base
A. Program Increases		
Increase due primarily to the full year costs of welfare assistance and services to needy refugees following completion of resettlement from the several military bases at midpoint of fiscal year 1976 (total increase)	55,790,000	+12,662,000
B. Program Decreases		
1. Decrease for educational services, primarily the one-time payment to State and local school agencies for children and adult refugee training	25,182,000	-25,182,000
2. Decrease for public health services related to entry of refugees into the U.S. and at the reception centers	2,200,000	-2,200,000
Total, Decrease	---	-27,382,000
Total, net change	---	-14,720,000

Obligations by Activity

Page Ref.		1976 Estimate	1977 Estimate	Increase or Decrease
10	Welfare assistance and services	$55,790,000	$68,452,000	+$12,662,000
12	Education	25,182,000	---	-25,182,000
14	Public health services	2,200,000	---	-2,200,000
Total obligations		83,172,000	68,452,000	-14,720,000

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Obligations by Object

	1976 Estimate	1977 Estimate	Increase or Decrease
Total number of permanent positions	---	---	---
Full-time equivalent of all other positions	5	3	-2
Average number of all employees	5	3	-2
Personnel compensation: Positions other than permanent	$125,000	$80,000	-$45,000
Other personnel compensation	3,000	1,000	-2,000
Subtotal, personnel compensation	128,000	81,000	-47,000
Personnel benefits	11,000	8,000	-3,000
Travel and transportation of persons	12,000	4,000	-8,000
Rent, communications, and utilities	4,000	1,000	-3,000
Printing and reproduction	2,000	1,000	-1,000
Other services	7,689,000	4,000	-7,685,000
Supplies and materials	1,000	1,000	---
Grants, subsidies, and contributions	75,325,000	68,352,000	-6,973,000
Total obligations by object	83,172,000	68,452,000	-14,720,000

Authorizing Legislation

	Amount Authorized	1977 Budget Request
Migration and Refugee Assistance Act of 1975, Public Law 94-23.....	$50,000,000 1/	$50,000,000

1/ Represents balance of amount authorized by Public Law 94-23 which has not been appropriated. Total amount authorized was $455,000,000 of which $305,000,000 was appropriated to Department of State and $100,000,000 to Department of Health, Education, and Welfare in May 1975.

Mr. PASSMAN. The item under consideration at this time is special assistance to refugees from Cambodia, Vietnam, and Laos in the United States.

During fiscal year 1975 and fiscal year 1976 you operated under an appropriation of $100 million. Now, in fiscal year 1977, you are requesting an additional appropriation of $50 million?

Mr. MCDONOUGH. Yes, sir.

Mr. PASSMAN. If I recall correctly, Public Law 94–24 covered only refugees from Vietnam and Cambodia. With the passage of the fiscal year 1976 foreign aid appropriations bill, H.R. 12203, we will expand this coverage to include refugees from Laos. Does your budget request for fiscal year 1977 include funds for potential refugees from Laos?

BUDGET ESTIMATE UNDER CONSIDERATION EXCLUDES LAOS

Mr. MCDONOUGH. No. Our budget presentation that is in front of you does not include any projections for Laos. It is only for the Vietnamese and Cambodians.

Mr. PASSMAN. Well, we will include it. Let the record show that, when we mark this bill up, we assume the inclusion of refugees from Cambodia, Vietnam, and Laos in this program.

Mr. MCDONOUGH. The point I am trying to make, Mr. Chairman, is that our projections and the whole budget presentation was based on just covering the Vietnamese and the Cambodians.

Mr. PASSMAN. Thank you. We will consider your program to include refugees from Vietnam, Cambodia, and Laos.

Do you have a financial breakdown by refugee category—Vietnamese, Cambodian, and Laotian?

Mr. MCDONOUGH. Well, for the Vietnamese and Cambodian program we are asking for $50 million for fiscal year 1977.

In addition, we now have a parole authority for 3,400 Laotians. We have brought in about 1,500 so far.

Our estimate is that it will cost about a $1,000 per individual for the Laotians.

Mr. PASSMAN. How much would that be for the Laotians in this country, the refugees?

Mr. MCDONOUGH. Those who are coming in now?

Mr. PASSMAN. The ones that are in and the ones coming.

Mr. MCDONOUGH. $3,400,000 for the 3,400 for which there is now parole authority. We would expect this to be transferred out of the $305 million of the State Department.

Mr. PASSMAN. If this committee should in its wisdom, and the Congress supports us, appropriate the 1977 estimate in all probability you could and would take care of the Laotian refugees out of that amount, if you get an authorization?

Mr. MCDONOUGH. That is correct.

Mr. PASSMAN. Thank you very much.

CURRENT ESTIMATE OF PERSONS TO BE AIDED

Mr. MCDONOUGH. May I make one point, Mr. Chairman? Our projection for the number of people that would be potentially eligible for cash assistance, medical assistance, and social services assumes the number aided at any one time to be 35,000 individuals, at a cost of approximately $160 to $170 per month per individual.

Now, as far as individuals receiving assistance, as of February 29, we had 31,000 Indochinese on cash assistance. And 21,000 others had been found eligible to receive medical assistance. If you are eligible for cash assistance, you are automatically eligible for medical assistance.

Mr. PASSMAN. I would assume in your presentation, your statement, that you broke those down. If not, you will place statistics in the record to show just what you mentioned.

Mr. MCDONOUGH. It is all in the record.

It is in the presentation. Aid for Laotians would be the same as for other Indochinese.

Mr. PASSMAN. That is good enough. I would assume $50 million would be all you would get, if you get that much, and I hope you are just as good to the Laotians as you are to the Vietnamese and Cambodians, because they all supported our effort. Is that correct?

Mr. MCDONOUGH. They would get the same benefits as the other Indochinese.

Mr. PASSMAN. They are Indochinese, just the same as the others.

Mr. MCDONOUGH. That is correct.

REASON LAOS NOT INCLUDED ORIGINALLY

Mr. PASSMAN. Why did they leave them out originally?

Mr. MCDONOUGH. We still had diplomatic relations with Laos at that time.

Mr. PASSMAN. But when the original request was formulated, why did they leave Laos out, and bring in Vietnam and Cambodia?

Mr. MCDONOUGH. Mr. Chairman, the reason it was left out is that Laos had not fallen at the time we were negotiating this.

PROGRAM PROGRESS AND ADJUSTMENT OF REFUGEES

Mr. PASSMAN. Could you please tell the committee how this program is progressing and how the refugees are adjusting to life in the United States?

Mr. MCDONOUGH. Using the telephone survey we have made as a basis, I would say the program is progressing well. The majority of employable adults seeking work have found it, although, in many instances, jobs are entry-level and not commensurate with jobs previously held in Asia. Nonetheless, among those employed 40 percent reported that they are very satisfied with their jobs and 47 percent indicated they are somewhat satisfied with their jobs. It also appears that those refugees not seeking employment are concentrating on improving their skills and marketability in the labor market.

Almost all of the school age children are reported attending school. About half were said to be repeating the last year they had in Vietnam, due to "English difficulty." Among those 17 to 19 years of age, 40 percent are attending secondary schools and 9 percent are attending college. Another 25 percent are taking some kind of course, mostly to improve their English. In the 20- to 24-year-old group, 7 percent are attending college and just over 40 percent are enrolled for adult education, mostly language training. About a third of the adults between 25 to 45 are attending English classes.

CURRENT REQUEST FOR FISCAL 1977

Mr. PASSMAN. Would it be your assumption that the $50 million that you are requesting in fiscal year 1977 will be the last amount you will request for this program?

Mr. MCDONOUGH. Yes, sir, that is our present assumption based on the estimated program requirements we have set forth in the budget as well as the fact that the legislation authorizing the program limits its duration to the end of fiscal 1977 and sets a ceiling on funds available for it.

TERMINATION OF PROGRAM

Mr. PASSMAN. When do you plan to terminate this program?

Mr. MCDONOUGH. That would be September 30, 1977, Mr. Chairman, the date on which the authorizing legislation expires.

FUNDS TO AID LAOTIAN REFUGEES

Mr. PASSMAN. Could you please tell the committee if the influx of refugees from Laos into the United States will have an impact on this program and require you to request additional funds?

Mr. MCDONOUGH. At present, refugees from Laos are not eligible. However, if pending legislation is enacted—as is expected—they will be eligible and will have an impact. It is our understanding, however, that the Department of State expects to have sufficient funds remaining from their $305 million appropriation which can be transferred to HEW to meet this need and that therefore an additional request for funds is not anticipated.

REFUGEE EDUCATION

Mr. PASSMAN. If I am not mistaken, a number of bills have been introduced in Congress to provide additional educational assistance to the various school districts that are heavily impacted by the influx of these refugees. Could you please review with the committee what legislation is presently pending before Congress and what impact this would have on this particular program in the sense of increased funding requests?

Mr. MCDONOUGH. Aside from educational programs funded under the Indochina Refugee and Migration Act of 1975, the only pending legislation for additional educational assistance is the Indochina Refugee Children Assistance Act, Senate bill 2145 and H.R. 7897. The Senate version would authorize financial assistance to States for use in providing educational programs and services to Indochinese refugee children between the ages of 5 and 17. Payments would be based upon full funding of each refugee student at the rate of per-pupil cost of education in each State (approximately $1,260). In addition, the bill provides for supplemental assistance at $300 per refugee child to fund language training, bilingual education, and tutorial services. The House version authorizes a 1-year program to reimburse actual costs of providing educational services to refugee children. The Department believes both bills duplicate programs already available and operating under the Indochina Refugee and Migration Act.

LAOTIAN REFUGEES

Mr. PASSMAN. What is your estimate of the number of refugees from Laos that could eventually enter this country during the next year?

Mr. MCDONOUGH. I understand that that question is still under consideration by the Department of State and the Department of Justice and has not been fully resolved. However, I do understand that present parole authority would permit the entry of about 3,400 refugees from Laos. In addition, I understand the Department of State is recommending that up to 11,000 additional Indochinese refugees be allowed to enter the country, including 3,200 additional Laotians.

Mr. PASSMAN. Would you require increased funds above what you are requesting or what is available to cover these Laotians?

Mr. MCDONOUGH. Our request does not include funds for this group, and additional funds over the estimates presented in this budget would be required. The Department of State, however, has indicated funds for aiding the Laotian refugees are available within the $305 million appropriated to that agency for Indochinese refugees that could be transferred to HEW for this purpose assuming Laos is added to the legislative base.

INDOCHINESE REFUGEES

Mr. PASSMAN. Could you please place a list in the record to indicate the number of Southeast Asia refugees that have entered the United States under this program, the number that are self-supporting, and the number that are requiring welfare or medical assistance?

Mr. MCDONOUGH. Yes, sir.

[The information follows:]

130,072 Southeast Asia refugees have entered the United States under the Indochina Migration and Refugee Assistance Act of 1975. A telephone survey to interview a sample of refugee heads of household undertaken by a private firm under contract to HEW indicates that 79 percent of male refugees surveyed, 16 years or older, were in the labor force, and 21 percent were not in the labor force. Of those in the labor force, 82 percent were employed, and 18 percent were unemployed but seeking work. Approximately 40 percent of the females, 16 years or older, were in the labor force, 70 percent were employed and 30 percent unemployed but seeking work.

Wage rates for those working full-time put over half of them into an annual earnings category between $5,000 and $10,000 a year. Of course, most of them had not been working for a year. About 60 percent of the full-time workers were making between $100 and $200 a week. Most of the rest were making less than that, as were the less than full-time workers who made up about a quarter of all workers. Many households have more than one job-holder—some part-time—and may also receive other income from sponsors, Federal financial assistance, and so forth.

About a third of the households reported income which, on an annual basis, would be less than $5,000 a year, a third are between $5,000 and $10,000, and a third are near or above $10,000. A breakdown of income by family size is not now available.

The foregoing income figures include not only wages earned by family members but also Federal cash assistance from welfare departments and money from sponsors or voluntary resettlement agencies. They do not include noncash income, such as free housing, which refugees may be getting from sponsors or Federal support in the form of food stamps or medicaid.

It should be noted that 58 percent of the refugees surveyed received no Federal assistance of any kind, while some of the 42 percent that received assistance received more than one type.

As of February 29, 1976, of the 130,000 refugees released into American society following completion of the resettlement operation, 31,189, or 24 percent were receiving cash assistance and thereby eligible to receive medical assistance. An additional 21,310 or 16 percent of the population were authorized to receive medical assistance only.

Mr. PASSMAN. I note that an additional $25 million is planned to be transferred into this program during the fiscal year 1976 period. Could you please tell the committee the source of this transfer?

Mr. MCDONOUGH. Yes, sir. Those would be funds remaining in the $305 million appropriated to the Department of State for the refugee program.

Mr. PASSMAN. I note in the appropriation language that you are including a phrase which would make the funds available through September 30, 1977. I would assume that this language is needed because some of the funds that were previously appropriated are due to expire as of June 30, 1976. Is that correct?

Mr. MCDONOUGH. Sir, it is our understanding that the funds available to HEW this fiscal year would be available through the transitional quarter which ends September 30, 1976, under section 204 of Public Law 93–554. Our fiscal year 1977 request of $50 million is somewhat less than the estimated program level of almost $68.5 million for that year because of the assumption that there will be unobligated balances from funds already appropriated to make up the difference. In order to extend the availability of these unobligated balances we must have the requested language.

REFUGEES FROM LAOS

Mr. PASSMAN. In House Document 94–399 you have requested language that would include Laotian refugees in the original appropriation bill. Since we have amended the basic appropriation act in the regular foreign assistance appropriation bill for fiscal year 1976, is it necessary to include this language in a supplemental?

Mr. MCDONOUGH. We are not anticipating a supplemental, Mr. Chairman, but it would be necessary to change the language which we have in connection with our present request so that it would read "refugees from Cambodia, Vietnam, and Laos."

WELFARE AND MEDICAL BENEFITS FOR REFUGEES

Mr. PASSMAN. Do the refugees from Southeast Asia receive the same welfare benefits and medical assistance as a similar person would that is a United States citizen?

Mr. MCDONOUGH. Yes, sir. The level of welfare payments and the scope of medical care are the same as those that prevail in the program of aid to families with dependent children—AFDC—and the medicaid program in the State in which the refugee is located. We have, however, waived any requirements which exist in the regular assistance programs specifying a certain family composition; this is so that refugees can be aided based entirely on need so that they will not become a burden on State or local resources.

Refugees who are aged, blind, and disabled are eligible under the regular SSI program of supplemental security income for the aged, blind, and disabled.

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TERMINATION OF SPECIAL PROGRAM

Mr. PASSMAN. If this program terminates at the end of fiscal year 1977, will these refugees be eligible for other regular Federal programs?

Mr. MCDONOUGH. The refugees will be eligible for any regular Federal program available to citizens and other persons legally admitted to the United States. The termination date of fiscal year 1977 is for 100 percent Federal funding of cash and medical assistance and social services provided to needy Indochinese refugees. For refugees requiring assistance after September 30, 1977, eligibility will be determined and assistance provided on the same basis as that for U.S. citizens for programs for which the refugees qualify.

Mr. PASSMAN. Could you please be more specific for the record and list the programs they qualify for and indicate what amounts would be available to them?

Mr. MCDONOUGH. We would like to submit a chart outlining a number of programs which we feel would be especially helpful to the Indochinese refugees. All refugees legally admitted to the United States, as the Indochinese are, and meeting the necessary guidelines regarding family income and need, would be eligible for these services. We are not recommending that specific amounts of money be set aisde for refugees beyond fiscal year 1977 but that they participate in all programs available to all individuals in the United States.

[The information follows:]

SERVICES FOR INDOCHINA REFUGEES
through the
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

March 9, 1976

These are HEW services which are most likely to be available to Indochinese once they are resettled at the community level. Special note is made of services which will be found only in limited locations.

SERVICE	DESCRIPTION	SPECIAL CIRCUMSTANCES OR CONDITIONS NECESSARY TO QUALIFY	WHERE TO APPLY
Medical Services General Health Services	Physical or mental illness and emergency treatment.	Depending on specific illness.	Doctors, hospitals, community health centers, community mental health centers, public welfare offices, State Health Departments, and public schools can all be of assistance in either treating or referral of patients to appropriate treatment facilities and sources of financial assistance as available.
Services for Crippled Children	Medical, surgical, corrective and other services for diagnosis, hospitalization, and after care for crippled children.	Services generally are for children under 21 years of age who are crippled or are suffering from conditions which lead to crippling. The specific conditions which are covered may vary from State to State. 45 States consider hemophila as a crippling disease.	Local public welfare office or State Health Department.

SERVICE	DESCRIPTION	SPECIAL CIRCUMSTANCES OR CONDITIONS NECESSARY TO QUALIFY	WHERE TO APPLY
Medical Care (limited availability)	Routine medical care is given at the Community Health Centers; referral is then made for more extensive care, as needed.	These centers exist only in medically underserved areas.	Contact the local Health Department to find out if there is a local Community Health Center.
Mental Health Services, Drug Abuse, Alcoholism Prevention and Control.	Typical services include in-patient care, out-patient care, intermediate care, emergency medical, psychiatric and social services, consultation and education.	Designed for persons residing in the geographic area where such programs are provided.	Local alcoholism, drug abuse or mental health treatment facilities. Community Mental Health Centers. Local Welfare Offices.
Education Services Adult Basic Education	Consists of instruction in computational skills, speaking, reading, and writing the English language.	For adults age 16 and above who function at 8th grade level and below.	At local public school; if non-existent, make inquiry to State Education Agency for name of nearest school.
Bi-lingual education	Elementary, and Secondary school programs to meet the educational needs of children of limited English-speaking ability.	Children ages 5-18 with limited English-speaking ability from low income families.	At local public school, though not available in every school district. Enquire at local public school or State Education Department for nearest school where service is available.

SERVICE	DESCRIPTION	SPECIAL CIRCUMSTANCES OR CONDITIONS NECESSARY TO QUALIFY	WHERE TO APPLY
Basic Educational Opportunity Grants	Financial assistance to undergraduate students with financial need. This includes colleges, universities, vocational schools, and hospital schools of nursing. Amounts of grants are determined by family contributions and the cost of education but will not exceed half the need; therefore additional supplementation must be found.	Financial need must exist.	To the Student Financial Aid Officer at the school the student plans to attend.
National Direct Student Loans	Loan assistance to assist graduate and undergraduate students in meeting educational expenses.	Financial need must exist.	Same as above.
Supplemental Education Opportunity Grants	Financial assistance to undergraduate students to pursue higher education.	Exceptional financial need must exist.	Same as above.

SERVICE	DESCRIPTION	SPECIAL CIRCUMSTANCES OR CONDITIONS NECESSARY TO QUALIFY	WHERE TO APPLY
Higher education work-study program	Assists students who have great financial need through part-time employment up to 40 hours per week while attending college.	Must be a student who is accepted or enrolled on at least a half-time basis, whose resources (including parental contributions) are inadequate to enable him to attend.	To the Student Financial Aid Officer at the school the student plans to attend.
Guaranteed Student Loan Program	Loans for educational expenses to vocational, undergraduate, and graduate students. Repayment must be made over a 5 to 10 year period after student leaves school.	The loan must be used to attend an eligible institution.	To the Student Financial Aid Officer at the school the student plans to attend.
Vocational Education	Training for a trade (occupation) in a vocational school for persons at high school age or older.	In some states there is a nominal fee for this service. In others it is free depending on the particular courses.	Local school district for high school level. Above high school, apply to the school itself.
Services for handicapped children	Many services are provided for a wide variety of handicapped and crippling disorders.	In most cases, the person responsible for special education in the local public school identifies and implements programs for handicapped children. (Closer look/the Special Education Information Center, Box 1492, Washington, D.C. 20013 specializes in helping parents & others find services for	Special education person in local public school, Family Rehabilitation Services Office or County Vocational Rehabilitation Office. State Director of Special Education. City, County or State Health Department.

SERVICE	DESCRIPTION	SPECIAL CIRCUMSTANCES OR CONDITIONS NECESSARY TO QUALIFY	WHERE TO APPLY
Services for handicapped children (continued)		children with mental, physical, emotional, and learning handicaps).	
DEVELOPMENT SERVICES			
Project Head Start	Comprehensive child development program. Services include educational, nutritional, medical and dental, mental health and Social Services.	Preschool children of low income families. Budgetary limitations at present time do not permit great expansion of enrollment in this program.	Local public welfare office should be able to advise of nearest Head Start Agency.
Vocational Rehabilitation Services	Rehabilitation services include diagnosis, comprehensive evaluation, counseling, training, reader services for the blind, interpreter services for the deaf, and employment placement. Also assist with payment for medical & related services & prosthetic & orthopedic devices, transportation to services, maintenance during rehabilitation, tools, licenses, equipment, supplies, and other	Persons with mental and/or physical handicaps. Priority is placed on persons with the most severe disabilities. Eligibility is based on the presence of a physical or mental disability, the existence of a substantial handicap to employment, and reasonable expectation that these services will enable the person to work.	Local office of the Rehabilitation Service of Vocational Rehabilitation Office.

SERVICE	DESCRIPTION	SPECIAL CIRCUMSTANCES OR CONDITIONS NECESSARY TO QUALIFY	WHERE TO APPLY
Vocational Rehabilitation Services (continued)	goods and services. Emphasis of this program is on the severely disabled.		
Aging Programs	These are comprehensive and coordinated service systems providing social services such as: transportation, escort, counseling, health screening, recreational, chore services, friendly visiting, telephone reassurance, protective services, continuing education, legal services, information & referral services, nutrition services, employment services, and others.	Services are available to older persons; qualifications may vary from community to community.	At the Area Agency on Aging or the local Information and Referral Agency.
Services to the developmentally disabled	These projects are designed to improve the habilitation & vocational rehabilitation of developmentally disabled persons.	Services are for persons who have a disability resulting from autism, dyslexia, mental retardation, cerebral palsy, epilepsy, or other neurological condition which originates before age 18, and is a substantial handicap.	Local or State Mental Health/Mental Retardation Agency.

SERVICE	DESCRIPTION	SPECIAL CIRCUMSTANCES OR CONDITIONS NECESSARY TO QUALIFY	WHERE TO APPLY
Financial Assistance			
Social Services	Services which will help the refugee obtain or retain a job. Services designed to protect the rights of children who are unaccompanied by a legally responsible relative. Services to prevent abuse and neglect, and certain other related services may be available in some States.	Eligibility will be in accordance with each states Social Services Plan under Title XX of the Social Security Act.	Local public welfare office.
Financial Assistance	Supplementary Security Income Program.	Must be aged 65 or over, blind, or disabled, and in need as determined by the Social Security Administration.	District or Branch Office of Social Security Administration.
Financial Assistance	Social security payments to workers or their dependents when the worker retires, becomes severely disabled, or dies.	A specific number of calendar quarters of work credit under social security coverage is required; however, there may be instances in which a Vietnamese has worked a number of years in the U.S., returned to Vietnam, and now has returned as a refugee, and may be eligible.	District or Branch Office of the Social Security Administration.

SERVICE	DESCRIPTION	SPECIAL CIRCUMSTANCES OR CONDITIONS NECESSARY TO QUALIFY	WHERE TO APPLY
Financial Assistance	Money payment in same amounts as the State's program of Aid to Families with Dependent Children (AFDC).	To be eligible, welfare office must determine financial need exists, which is based on state standards for AFDC.	Local public welfare office.
Medical Assistance	Scope of services, and amount paid based on State medicaid programs. These generally include at least. physicians services, hospital care, lab and X-ray, nursing home care, family planning, and in some states dental services.	If person is receiving financial assistance from public welfare, eligibility for medical assistance is automatic, otherwise the medical costs which may be paid for the refugee is determined by the welfare office based on income and size of medical bills.	Local public welfare office.

RELIABILITY OF FUNDING LEVEL REQUESTED

Mr. PASSMAN. You state in the justifications that since this is such a new program that all the payment levels and the estimates that you make in here are strictly a guess. Do you feel that the amount requested here could actually be exceeded or could we actually reduce this amount because everybody is just guessing at the possibility of the level of refugees needing assistance?

Mr. MCDONOUGH. Sir, there are so many variables—such as the ability of the refugees to obtain and retain jobs, extent of medical problems, variations among State standards in determining need and levels of payments—that it is very difficult to predict—for any welfare program—the precise level of funding that may be required for assisting needy individuals with the essentials of life.

EDUCATIONAL ASSISTANCE

Mr. PASSMAN. I note that in fiscal year 1977 you plan to terminate the education program. Could you please tell the committee what has been the reaction from the States regarding this decision on your part?

Mr. MCDONOUGH. We have received informal reactions from several State departments of education and from school districts in some of the most impacted States. In general, refugees who are enrolled in elementary schools are rapidly learning English, are adapting to our culture and are doing well. At the high school level the refugees are having some difficulty learning to speak and understand English. The refugees who are having the greatest difficulty, however, are the adults. Nevertheless, I have made a number of visists to different areas of refugee concentration and I am of the opinion that existing institutions and programs funded by other Federal resources, along with State and local matching funds, can do the job. In addition the national voluntary agencies are providing additional supportive services as part of their phase II program. No doubt, if you ask anyone at the State or local level if they could use more funds, they will tell you "yes."

Mr. PASSMAN. Could you please list for the record the school districts and the States that are most heavily impacted by this influx of refugees on their educational system?

Mr. MCDONOUGH. In answer to this question I would like to supply a list for the record. The list gives the listing of those school districts which have applied for a grant having the largest numbers of refugee children either in concentrations of over 100 children or more than 1 percent of the district school enrollment.

[The information follows:]

OFFICE OF EDUCATION
INDOCHINESE REFUGEE ASSISTANCE TASK FORCE
February 23, 1976

DISTRICT QUALIFYING FOR $600 PER STUDENT FOR ONE OR MORE CHILDREN

ARIZONA

1. Mayer Unified School District #43
   Mayer, Arizona
   Number of Refugees: 5

2. Mary E. Dill School
   Tucson, Arizona
   Number of Refugees: 2

ARKANSAS

3. Cord-Charlotte Public Schools Dist. # 8
   Charlotte, Arkansas
   Number of Refugees: 6

4. Fort Smith Public School Dist. #100
   Fort Smith, Arkansas
   Number of Refugees: 165

5. Gillham School District #47
   Gillham, Arkansas
   Number of Refugees: 81

6. Lavaca Public School
   Lavaca, Arkansas
   Number of Refugees: 9

7. Mineral Springs School District #3
   Mineral Springs, Arkansas
   Number of Refugees: 6

8. Wilmot Special School District
   Wilmot, Arkansas
   Number of Refugees: 6

CALIFORNIA

9. Capistrano Unified School District
   Capistrano Beach, California
   Number of Refugees: 103

10. Colfax Elementary School District
    Colfax, California
    Number of Refugees: 7

11. Del Paso Heights School District
    Sacramento, California
    Number of Refugees: 54

12. Garden Grove Unified School Distri
    Garden Grove, California
    Number of Refugees: 139

13. Little Lake City School District
    Santa Fe Springs, California
    Number of Refugees: 65

14. Loleta Union School District
    Loleta, California
    Number of Refugees: 6

15. Long Beach Unified School District
    Long Beach, California
    Number of Refugees: 178

16. Los Angeles Unified School Distric
    Los Angeles, California
    Number of Refugees: 1,023

17. Lucerne Valley Union School Distri
    Lucerne Valley, California
    Number of Refugees: 33

18. Mojave Unified School District
    Mojave, California
    Number of Refugees: 45

19. Monterey County Superintendent of
    Salinas, California
    Number of Refugees: 3

20. Mt. Baldy School District
    Mt. Baldy Village, California
    Number of Refugees: 5

21. Orchard Elementary School Dist.
San Jose, California
Number of Refugees: 6

22. Perris School District
Perris, California
Number of Refugees: 14

23. Placer Hills Union School Dist.
Meadow Vista, California
Number of Refugees: 161

24. Placer Union High School Dist.
Auburn, California
Number of Refugees: 165

25. Pomona Unified School District
Pomona, California
Number of Refugees: 141

26. Quartz Valley School
Fort Jones, California
Number of Refugees: 3

27. Ripon Unified Schools
Ripon, California
Number of Refugees: 21

28. Sacramento City Unified School Dist.
Sacramento, California
Number of Refugees: 110

29. San Diego Unified School District
San Diego, California
Number of REfugees: 461

30. San Francisco Unified School Dist.
San Francisco, California
Number of Refugees: 544

31. Santa Ana Unified School District
Santa Ana, California
Number of Refugees: 161

COLORADO

32. Adams-Aropahoe 285
Aurora Public Schools
Aurora, Colorado
Number of Refugees: 101

33. School District #1, City and
County of Denver
Denver, Colorado
Number of Refugees: 141

FLORIDA

34. Bay County School Board
Panama City, Florida
Number of Refugees: 131

35. Escambia County School Board
Pensacola, Florida
Number of Refugees: 112

36. School Board of Dale County
Miami, Florida
Number of Refugees: 164

37. School Board of Hillsborough County
Tampa, Florida
Number of Refugees: 124

38. The School Board of Okaloosa County
Crestview Okaloosa, Florida
Number of Refugees: 170

39. The School Board of Orange County
Orlando, Florida
Number of Refugees: 150

HAWAII

40. State Department of Education
Honolulu, Hawaii
Number of Refugees: 609

ILLINOIS

41. Board of Education, City of Chicago
Chicago, Illinois
Number of Refugees: 225

42. Brussels-Richwood Elementary Dist.#41
Brussels, Illinois
Number of Refugees: 5

43. Rantoul Township High School #193
Urbana, Illinois
Number of Refugees: 6

45. Dows Community School
Dows, Iowa
Number of Refugees: 7

IOWA

46. Grundy Center Community School Dist.
Grundy Center, Iowa
Number of Refugees: 10

47. Mississippi Bend Area Education Agcy.
Davenport, Iowa
Number of Refugees: 42

48. Mormon Trail Community School
Humeston, Iowa
Number of REfugees: 12

49. New Providence Community School
New Providence, Iowa
Number of REfugees: 4

50. Southeast Warren Community School
Liberty Center, Iowa
Number of refugees: 14

51. Union-Witten Community School
Union, Iowa
Number of Refugees: 5

52. Villisca Community School District #2
Villisca, Iowa
Number of Refugees: 10

KANSAS

53. Goessel Unified School District #411
Goessel, Kansas
Number of Refugees: 7

54. Lebo-Waverly Unified School Dist. #243
Lebo, Kansas
Number of Refugees: 5

55. Montezuma Unified School Dist. 371
Montezuma, Kansas
Number of Refugees: 4

56. Unified School District #274
Oakley, Kansas
Number of Refugees: 9

57. Valley Falls Unified School District
Valley Falls, Kansas
Number of Refugees: 11

LOUISIANA

58. Jefferson Parish School Board
Gretna, Louisiana
Number of Refugees: 225

59. Orleans Parish School Board
New Orleans, Louisiana
Number of Refugees: 304

MARYLAND

60. Montgomery County Public Schools
Rockville, Maryland
Number of Refugees: 225

61. Prince George's County Board of Ed.
Prince George's County, Maryland
Number of Refugees: 176

MASSACHUSETTS

62. Amherst-Pelhorm Regional School Dist.
Amherst, Massachusetts
Number of Refugees: 5

63. Cape Cod Collaborative
Harwich, Massachusetts
Number of Refugees: 17

64. Mohawk Trail Regional High School
Shelburne Falls, Massachusetts
Number of Refugees: 5

65. West Tisbury School
West Tisbury, Massachusetts
Number of Refugees: 3

MIGHIGAN

66. Grand Rapids Public School Dist.
Grand Rapids, Michigan
Number of Refugees: 140

67. McBain Rural Agricultural School
McBain, Michigan
Number of Refugees: 8

MINNESOTA

68. Fertile-Beltrami Public School #599
Fertile, Minnesota
Number of Refugees: 10

69. Independent School District #261
Ashby, Minnesota
Number of Refugees: 5

70. Independent School District #232
Peterson, Minnesota
Number of Refugees: 6

71. Independent School District #255
Pine Island, Minnesota
Number of Refugees: 14

72. Independent School District #258
Wanamingo, Minnesota
Number of Refugees: 9

73. Independent School District # 412
Cottonwood, Minnesota
Number of Refugees: 8

74. Independent School District #483
Motley, Minnesota
Number of Refugees: 9

75. Independent School District #631
Belview, Minnesota
Number of Refugees: 8

76. Special School District #1
Minneapolis, Minnesota
Number of Refugees: 151

77. St. Paul Public School, ISD #625
St. Paul, Minnesota
Number of Refugees: 115

MISSOURI

78. Marceline R-V Schools
Marceline, Missouri
Number of Refugees: 12

MONTANA

79. Joplin Public School
Joplin, Montana
Number of Refugees: 2

NEBRASKA

80. Alma Public School
Alma, Nebraska
Number of Refugees: 5

81. Erwin School District #10
Union, Nebraska
Number of Refugees: 2

82. Eustis Public School
Eustis, Nebraska
Number of Refugees: 3

83. Gibbon Public Schools
Gibbon, Nebraska
Number of Refugees: 10

84. Humboldt Public School
Humboldt, Nebraska
Number of Refugees: 9

85. Ord Public Schools
Ord, Nebraska
Number of Refugees: 9

86. Palisade Public Schools-District 064
Palisade, Nebraska
Number of Refugees: 6

87. Snyder Public School District #39
Snyder, Nebraska
Number of Refugees: 2

NEW JERSEY

88. Belmar Board of Education
Belmar, New Jersey
Number of Refugees: 14

89. Monmouth Beach School
Monmouth Beach, New Jersey
Number of Refugees: 4

NEW MEXICO

90. Albuquerque Public Schools
Albuquerque, New Mexico
Number of Refugees: 168

NEW YORK

91. Belleville Central School
Belleville, New York
Number of Refugees: 19

92. Henderson Central School
Henderson, New York
Number of Refugees: 3

NORTH DAKOTA

93. Kathryn Public School District #93
Kathryn, North Dakota
Number of Refugees: 2

94. North Sargent School District #3
Gwinner, North Dakota
Number of Refugees: 8

OKLAHOMA

95. Anadarko Public Schools
Anadarko, Oklahoma
Number of Refugees: 30

96. Broken Bow School District I74
Broken Bow, Oklahoma
Number of Refugees: 102

97. Burns Flat Independent School Dist
Burns Falt, Oklahoma
Number of Refugees: 70

98. Crutcho School
Oklahoma City, Oklahoma
Number of Refugees: 9

99. Dougherty Elementary School D-2
Sulphur, Oklahoma
Number of Refugees: 4

100. Eldorado Public School
Eldorado, Oklahoma
Number of Refugees: 14

101. Independent School District 89
Oklahoma City, Oklahoma
Number of Refugees: 202

102. Mountain Park Public Schools
Mountain Park, Oklahoma
Number of Refugees: 9

103. Ringling Public School
Ringling, Oklahoma
Number of Refugees: 7

104. Vici Public School
Vici, Oklahoma
Number of Refugees: 4

105. Wanette Public School
Wanett, Oklahoma
Number of Refugees: 5

OREGON

106. Applegate School District #40
Applegate, Oregon
Number of Refugees: 2

107. Bethany Elementary School
Silverton, Oregon
Number of Refugees: 3

108. Clackamas County Intermediate Ed.
Marylhurst, Oregon
Number of Refugees: 7

109. Mt. Angel School District #91
Mt. Angel, Oregon
Number of Refugees: 3

110. School District #1, Multnomah County
Portland, Oregon
Number of Refugees: 271

111. Stoyton School District
Stoyton, Oregon
Number of Refugees: 13

PENNSYLVANIA

112. Annville-Cleona School District
Annville, Pennsylvania
Number of Refugees: 23

113. School District of Philadelphia
Philadelphia, Pennsylvania
Number of Refugees: 197

SOUTH DAKOTA

114. Gettysburg Independent School District
Gettysburg, South Dakota
Number of Refugees: 14

115. Tri-Valley School District #153
Colton, South Dakota
Number of Refugees: 8

TEXAS

116. Academy Independent School District
Temple, Texas
Number of Refugees: 6

117. Clarksville Independent Sch. Dist.
Clarksville, Texas
Number of Refugees: 17

118. Cotton Center Independent School Dist.
Cotton Center, Texas
Number of Refugees: 9

119. Dallas Independent School District
Dallas, Texas
Number of Refugees: 228

120. Franklin Independent School Distric
Franklin, Texas
Number of Refugees: 12

121. Fort Worth Independent School Dist.
Fort Worth, Texas
Number of Refugees: 138

122. Houston Independent School District
Houston, Texas
Number of Refugees: 6

123. Point Isabel Independent School Dist
Point Isabel, Texas
Number of Refugees: 76

124. Sabine Pass Independent School Dist.
Sabine Pass, Texas
Number of Refugees: 13

125. Tenaha Independent School District
Tenaha, Texas
Number of Refugees: 10

UTAH

126. Millard School District
Delta, Utah
Number of Refugees: 27

VERMONT

127. Brighton Town School District
Derby, Vermont
Number of Refugees: 7

128. Westminster Town School District
Bellow Falls, Vermont
Number of Refugees: 6

VIRGINIA

129. Alexandria City Public Schools
Alexandria, Virginia
Number of Refugees: 112

130. Arlington Public Schools
Arlington, Virginia
Number of Refugees: 322

131. Fairfax County School Board
Fairfax, Virginia
Number of Refugees: 558

WASHINGTON

132. Camas Schoool District #117
Camas, Washington
Number of Refugees: 34

133. Dieringer School District #343
Scunner, Washington
Number of Refugees: 5

134. Seattle School District #1
Seattle, Washington
Number of Refugees: 196

135. Tacoma School District
Tacoma, Washington
Number of Refugees: 109

WISCONSIN

136. Joint School Dist. #3, Village of Luck
Luck, Wisconsin
Number of Refugees: 10

GUAM

137. Guam Territorial Dept. of Education
Agana, Guam
Number of Refugees: 338

Mr. PASSMAN. Do you honestly believe that the states would not incur an increased cost for these refugees after fiscal year 1976 for educational purposes?

Mr. MCDONOUGH. The states will incur an increased educational cost for the refugees during the coming fiscal year and beyond. Grants were made available to school districts on a 1-year-only basis to assist them in dealing with additional expenses due to the sudden influx of refugees with no time available to adjust their budgets or make suitable plans to provide educational services without an unrealistic financial burden on the district. Districts, however, will have the necessary time to be able to reassess and make provisions for the presence of refugees in the coming school year's budget. By that time many adult refugees should be taxpaying residents contributing to the state's resources for educational expenses.

Mr. PASSMAN. As you well know, we have provided educational assistance to Dade County since the beginning of the Cuban Refugee Program. In this light, I am absolutely amazed how you can terminate the educational assistance program here so rapidly and we are not able to terminate the Cuban Refugee Assistance Program in Dade County. Could you please explain why these two programs differ?

Mr. MCDONOUGH. Several factors were involved in the department's decision to terminate the educational program after 1 year. First, the number of Cuban refugees in this county is about four times the number of Indochinese refugees who are here. Second, the Cuban refugees are concentrated in only three or four locations in the Nation, while the Indochinese refugees are widely dispersed. Third, it is believed that most Indochinese heads of households will be employed, will be taxpaying participants in their communities during the next year, and as a result, will be entitled to the same educational opportunities as are provided for other taxpaying members of the community. Last, the Department of HEW believed that the Federal Government should not begin a special categorical program for Indochinese refugees which would require Federal support for many years.

RECEPTION CENTERS

Mr. PASSMAN. Are all the military bases used to receive these refugees and help in their resettlement closed at this time?

Mr. MCDONOUGH. Yes, all the military bases are closed.

STATUS OF PROGRAM OPERATIONS OTHER THAN THOSE OF HEW

Mr. PASSMAN. So the only program that is dealing with the Southeast Asian refugees is this program that you are testifying for today and the other programs have been terminated, is that correct?

Mr. MCDONOUGH. The only program that is dealing with the Southeast Asia refugees domestically is the one I am testifying for today. The Department of State is presently bringing in 3,400 Lao that are not yet covered by the Indochina refugee assistance appropriation. In addition, the Department of State is currently pursuing with Congress expanded parole for up to 11,000 Indochinese refugees—Vietnamese, Cambodians, and Laotians. The Lao and the expanded paroles all will have to be provided services by HEW within currently appropriated funds and our requested $50 million for fiscal year 1977.

I should point out that the fiscal year 1977 budget justification before you does not include projected estimates for the Lao and the expanded parole program. We expect to receive sufficient unobligated funds out of the $305 million State Department appropriation to cover these additional refugees and any shortfall in our current projections for the 130,000 now in the country.

RETURN OF REFUGEES TO HOMELAND

Mr. PASSMAN. Could you please tell the committee how many of these Southeast Asian refugees have actually returned to Southeast Asia and do you have any estimates of additional refugees that are indicating that they would like to return to Southeast Asia?

Mr. MCDONOUGH. 1,546 Vietnamese returned to their homeland aboard a Vietnamese ship last October. In addition, 182 Cambodians and 403 Vietnamese have applied to the U.N. High Commission on Refugees for repatriation.

BENEFITS FOR INDOCHINESE REFUGEES

Mr. PASSMAN. Would the Southeast Asian refugees receive the same welfare benefits and medical assistance as the refugees under the Cuban program are now receiving?

Mr. MCDONOUGH. That is correct, Mr. Chairman.

BEST JUDGMENT USED FOR ESTIMATES

Mr. PASSMAN. Since you indicate that your estimates are very sketchy at this point, could you provide the committee with some hard facts on which we could base an intelligent markup of this amount when we reach that stage, or do we just have to take all these estimates on faith.

Mr. MCDONOUGH. Mr. Chairman, these are our best estimates at this time, based on the hard facts that at the end of February there were over 31,000 refugees receiving cash assistance and, in addition, over 21,000 more who had been determined eligible for medical assistance only—plus the fact that the percentage on cash assistance has been increasing, from 19 percent of resettled refugees at the beginning of December to 24 percent at the end of February. In the light of the figures and trends, our estimate for 1977 is a very conservative one, assuming a decrease in the welfare caseload after the fourth quarter of 1976 and continuing ability of refugees to move into self-support situations, many of whom are located in job markets where unemployment is high.

We will, of course, be pleased to advise the committee of any new data which we may have at the time markup occurs.

Mr. PASSMAN. Then do you consider these estimates to be on the high side or the low side of what might really happen?

Mr. MCDONOUGH. On the low side, Mr. Chairman. It is possible that additional funds can be made available to HEW from the State Department's appropriation, in addition to the $25 million transfer already anticipated as well as funds for the Laotians, that would help make up a shortfall if our estimates are too low on what the States

require for aiding the refugees based on our policy of 100-percent reimbursement for welfare and medical assistance and social services.

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

You and your colleagues who have worked in this program, along with the people in the State Department and the DOD, are to be congratulated on the job you have done. Your accomplishments are impressive, especially when we recall the predictions of the dire results we heard less than a year ago.

CURRENT TASK FORCE STRUCTURE

Is the Inter-Agency Task Force for Indo-China Refugees still in operation?

Mr. MCDONOUGH. The task force that Julia Taft headed up terminated when the last reception center closed on December 20. The responsibility for the domestic aspects of the program came over to HEW. I am heading up a task force within the Office of the Secretary to coordinate the activities of the Office of Education, SRS, and Health. The international aspects of the program, family reunifications, third country settlements, and so forth returned to the Office of Refugee and Migration Affairs in the State Department. We are operating now on a transfer of approximately $2 million from the State Department. We anticipate the HEW task force will be in operation anywhere from another 3 to 6 months. At that time, on-going responsibilities would be the SRS portion relating to welfare. What we are asking for in the $50 million is no continuation of the educational activities, no continuation of the health activities. It is strictly continuation of the welfare program—that is, social services and cash and medical assistance through fiscal 1977.

LENGTH OF TIME PROGRAM NEEDED

Mr. SHRIVER. How long do you think it will be before there will be no need for this program?

Mr. MCDONOUGH. We are presently operating on an authorization which ends September 30, 1977.

Mr. SHRIVER. So you're not anticipating the need for additional authorizing legislation?

Mr. MCDONOUGH. No, sir, not right now.

ADDITIONAL FUNDS AVAILABILITY

Mr. SHRIVER. You have used $25 million transferred from the money appropriated to the State Department for refugees.

Mr. MCDONOUGH. We have that. It will be transferred. We haven't used it but we will need it for the next fiscal year. Of the $100 million that was appropriated to us for fiscal 1975 and 1976, we will have about $10 million left in unobligated funds. We are asking for appropriation language that would make unobligated money available to us for the next fiscal year.

Mr. SHRIVER. If the requested $50 million is appropriated under your own authorization, that authorization will be fully funded, will it not?

Mr. McDonough. Yes, sir, that is correct.

Mr. Shriver. And then would this be an addition?

Mr. McDonough. No; I am saying of the $100 million, we are only going to spend $90 million. We will have $10 million left. We will also get $25 million from the State Department. For the transitional quarter and the full fiscal year 1977, we will need the $25 million from the Department of State, plus the $10 million in unexpended funds from the present appropriation, plus the additional $50 million requested for 1977. All of that is predicated on our being able to maintain those welfare rolls at no more than 35,000 people per month during the 15-month period starting July 1, 1976.

Right now, we have, as I said earlier, about 24 percent of the Indochinese on cash assistance, and thereby eligible for medical assistance.

Mr. Shriver. What percent?

Mr. McDonough. Twenty-four percent of the refugee population of about 130,000. This is about 31,000 persons. Although this is our best estimate right now, it is very difficult to predict such things as the ability to maintain the sponsorship relationship indefinitely, the ability of the refugees to learn English and to find jobs, medical problems they may encounter, et cetera.

REFUGEE UNEMPLOYMENT AND EDUCATION

Mr. Shriver. What is the record on employment so far?

Mr. McDonough. Well, we have some reports from the Department of Labor which are sort of inconclusive. We have done some surveys, including a telephone survey of which I think we have copies here, which indicate the employment rate is rather high. The Indochinese are taking entry level jobs, and are willing to do things that they might not have done back home.

We are seeing some go on cash assistance, however, after 2 or 3 months out of the resettlement center, and the numbers going on welfare seem to go up the longer the people are out of the resettlement center.

So it's a rather mixed picture and it's difficult to project at this time.

We are trying to work with the Department of Labor and are trying to do more in English language and vocational training, but with the limited amount of funds, it's just very difficult.

1977 PROGRAM: STAFF

Mr. Shriver. Do I understand you are going to carry out your part of this program with a total of three employees in 1977?

Mr. McDonough. We may have to rethink that, but right now, yes. In October, or the beginning of the fiscal 1977, we are talking about essentially a welfare program, an SRS function. There will be no more Office of Education activities, no more health activities. These are nearly at an end now anyway since the resettlement centers have closed.

The 1977 program would essentially be working on guidance and policy interpretation for social services, medical assistance, and cash assistance.

We may have to rethink that. But right now that is our projection.

EDUCATION

Mr. SHRIVER. The justifications note that the total spent for education purposes will be $26.5 million; is that correct?

Mr. MCDONOUGH. That is correct.

Mr. SHRIVER. Back in December, Secretary Mathews wrote to the Minority Leader of the House stating that the education program would cost $20 million.

What was the additional $6½ million needed for?

Mr. MCDONOUGH. I don't recall that letter, but our original projection before the committees was for $125 million, including $30 million for education: $20 million for elementary and secondary and $10 million for adult and vocational.

We now have it broken down with $15 million going to elementary and secondary, $5 million to adult basic education, and the remaining for education programs at the resettlement centers—about $3 million, and another portion of the funds for bilingual centers.

The total package is about $25 million, including also the physician training program, costing about $1.3 million.

WORKING WITH RESETTLEMENT AGENCIES

Mr. SHRIVER. Do you ever check on the voluntary and State and local agencies to make sure they are providing the services for which you are reimbursing them?

Mr. MCDONOUGH. Yes. We are working with the State Department, which originally negotiated the contracts with the voluntary agencies, plus the State and local resettlement agencies which were contacted in addition to the voluntary agencies, or VOLAGS as we call them. We work with them very closely and, in fact, are meeting with them tomorrow up in New York. We also have had a conference with the State and local resettlement agencies and are going out to the State of Washington, which is a resettlement agency, the latter part of this month.

The voluntary agencies have, I think, performed admirably, not only in the resettlement phase but in this more difficult, perhaps, domestic phase.

We are attempting to work with them on a pilot program in California and a number of other places to provide additional services such, as vocational training and English language training.

Mr. SHRIVER. About a fourth of these refugees have settled in California. Would you furnish up-to-date information regarding the other States for the record?

[The information follows:]

Number of refugees processed through system—December 31, 1975

Refugees resettled to known U.S. locations	121, 610
Refugees resettled to unknown U.S. locations	8, 182
Total resettled in United States	[1] 129, 792
Refugees resettled into Third Countries	6, 632
Refugees repatriated to Vietnam	1, 546
Births	822
Deaths	77
Total refugees processed	[2] 138, 869
Repatriation requests:	
Vietnamese	403
Cambodians	182
Total	585

[1] Includes 1 Vietnamese and 114 Cambodians at repatriates Halfway House in Philadelphia.
[2] Does not include 280 Vietnamese and Cambodian refugees entering U.S. society under humanitarian parole during January and February 1976.

NUMBER OF REFUGEES RESETTLED FROM U.S. SYSTEM IN THIRD COUNTRIES

COUNTRY OF RESETTLEMENT	TOTAL
Australia	161
Bahrain	2
Bangladesh	3
Belgium	80
Cambodia	88*
Canada	3,926
France	1,877
Germany	31
Holland	4
Hong Kong	11
Iran	41
Italy	1
Ivory Coast	10
Japan	1
Korea	4
Laos	27
New Caledonia	29
New Hebrides	2
New Zealand	21
Philippines	115
Saudi Arabia	8
Singapore	18
Spain	2
Switzerland	2
Taiwan	120
Thailand	16
United Kingdom	30
Unknown	2
TOTAL	6,632

*Crossed the Cambodian border on foot from Thailand on May 29, 1975.

NUMBER OF REFUGEES RESETTLED BY STATE

December 31, 1975

STATE	TOTAL	STATE	TOTAL
Alabama	1,262	New Hampshire	161
Alaska	81	New Jersey	1,515
Arkansas	2,042	New Mexico	1,040
Arizona	1,059	New York	3,806
California	27,199	North Carolina	1,261
Colorado	1,790	North Dakota	448
Connecticut	1,175	Ohio	2,924
Delaware	155	Oklahoma	3,689
District of Columbia	1,254	Oregon	2,063
Florida	5,322	Pennsylvania	7,159
Georgia	1,331	Rhode Island	223
Hawaii	2,039	South Carolina	759
Idaho	412	South Dakota	545
Illinois	3,696	Tennessee	922
Indiana	1,785	Texas	9,130
Iowa	2,593	Utah	559
Kansas	1,897	Vermont	150
Kentucky	967	Virginia	3,733
Louisiana	3,602	Washington	4,182
Maine	375	West Virginia	195
Maryland	2,319	Wisconsin	1,821
Massachusetts	1,169	Wyoming	115
Michigan	2,200	Guam	778
Minnesota	3,802	American Samoa	1
Mississippi	488	Puerto Rico	1
Missouri	2,669		
Montana	198	Unknown	8,182
Nebraska	1,211		
Nevada	338		
		TOTAL:	129,792(*)

(*) Includes (1) Vietnamese and 114) Cambodians at "Halfway House" in Philadelphia.

INDOCHINA REFUGEE PROGRAM

Monthly Resettlement Rate

AS OF	MONTHLY	CUMULATIVE
May 31		20,092
June 30	20,921	41,013
July 31	22,432	63,445
August 31	21,186	84,631
September 30	17,206	101,837
October 31	13,066	114,903
November 30	8,677	123,580
December 20	7,034	130,614*

*Includes 822 children born to refugees in resettlement centers

Resettlement Center Closing Dates

Eglen AFB - September 15, 1975

Camp Pendleton - October 31, 1975

Camp Indiantown Gap - November 15, 1975

Fort Chaffee - December 20, 1975

WELFARE AND MEDICAL ASSISTANCE
FOR VIETNAMESE AND CAMBODIAN REFUGEES

(Reports from States as of February 29, 1976.)

State	Financial Assistance: Applications Authorized (currently receiving) Cases	Persons	Applications Pending Cases	Persons	Medical Assistance (Only): Authorized Persons	Pending Cases	Persons
Alabama	32	97	n/a	n/a	99	n/a	n/a
Alaska	1	1	0	0	0	0	0
Arizona	8	27	0	0	0	0	0
Arkansas	34	102	34*	122*	117	0	0
California	4,102	9,829	563	n/a	9,462	884	n/a
Colorado	255	835	11	n/a	45	8	n/a
Connecticut	64	195	16	20	248	12	28
Delaware	11	60	0	0	50	0	0
Dist. of Col.	171	251	22	33	91	0	0
Florida	462	1,119	119*	350*	134	0	0
Georgia	59	149	0	0	132	0	0
Hawaii	471	1,256	19	30	6	0	0
Idaho	12	30	2	11	73	0	0
Illinois	409	960	23	57	609	10	16
Indiana	164	633	15	22	222	3	24
Iowa	163	620	2	n/a	215	21	n/a
Kansas	100	355	12	n/a	160	28	n/a
Kentucky	183	548	26	87	43	6	22
Louisiana	56	195	105	469	112	8	40
Maine	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Maryland	335	669	30	57	900	28	35
Massachusetts	152	351	17	25	327	6	6
Michigan	414	1,433	n/a	n/a	n/a	n/a	n/a
Minnesota	125	420	1	n/a	1,210	33	n/a
Mississippi	9	29	n/a	n/a	0	n/a	n/a
Missouri	166	195	0	0	197	0	0
Montana	10	40	n/a	n/a	61	n/a	n/a
Nebraska	74	283	14*	37*	74	0	0
Nevada	127	168	0	0	57	0	0
New Hampshire	6	18	1	5	12	3	5

na = not available.
* Medical and cash.

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WELFARE AND MEDICAL ASSISTANCE
FOR VIETNAMESE AND CAMBODIAN REFUGEES

(Reports from States as of February 29, 1976.)

State	Financial Assistance: Applications Authorized (currently receiving) Cases	Persons	Applications Pending Cases	Persons	Medical Assistance (Only): Authorized Persons	Pending Cases	Persons
New Jersey.....	189	692	7	19	272	5	15
New Mexico.....	32	106	12	54	283	27	126
New York.....	211	585	n/a	n/a	150	n/a	n/a
North Carolina.	80	235	0	0	55	0	0
North Dakota...	20	109	2	2	68	3	7
Ohio.....	160	495	25	57	341	22	84
Oklahoma.....	149	258	40	123	288	83	217
Oregon.....	454	1,302	14	14	419	8	19
Pennsylvania...	351	1,140	39	59	2,270	33	73
Rhode Island...	20	66	1	1	32	1	1
South Carolina.	18	74	14	52	35	9	28
South Dakota...	13	73	0	0	254	2	2
Tennessee.....	18	69	24	n/a	34	8	n/a
Texas.....	538	1,455	134	402	243	64	259
Utah.....	29	76	n/a	n/a	126	n/a	n/a
Vermont.....	10	16	0	0	26	0	0
Virginia.....	311	1,004	73	226	949	124	260
Washington.....	932	2,044	21	53	780	2	2
West Virginia..	24	101	0	0	29	3	9
Wisconsin.....	96	400	n/a	n/a	n/a	n/a	n/a
Wyoming.....	5	21	0	0	0	0	0
Guam.....	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL	11,835	31,189	1,432	2,387	21,310	1,444	1,278

na = not available

WELFARE ASSISTANCE - INDOCHINA REFUGEES - FEB. 29, 1976

	State	Number of Refugees	Number on Financial Assistance	Percent on Financial Assistance
Region I	Connecticut	1,175	195	16.59
	Maine	375	N/A	N/A
	Massachusetts	1,169	351	30.02
	New Hampshire	161	18	11.18
	Rhode Island	223	66	29.59
	Vermont	150	16	10.66
		3,253	646	19.85
Region II	New York	3,806	585	15.37
	New Jersey	1,515	692	45.67
	Puerto Rico	1	N/R	N/A
		5,322	1,277	23.99
Region III	Delaware	155	60	38.70
	Maryland	2,319	669	28.84
	Pennsylvania	7,159	1,140	15.92
	Virginia	3,733	1,004	26.89
	W. Virginia	195	101	51.79
	Dist. of Col.	1,254	251	20.01
		14,815	3,225	21.76
Region IV	Alabama	1,262	97	7.68
	Florida	5,322	1,119	21.02
	Georgia	1,331	149	11.19
	Kentucky	967	548	56.67
	Mississippi	488	29	5.94
	N. Carolina	1,261	235	18.63
	S. Carolina	759	74	9.67
	Tennessee	922	69	7.48
		12,312	2,320	18.84
Region V	Illinois	3,696	960	25.97
	Indiana	1,785	633	35.46
	Michigan	2,200	1,433	65.13
	Minnesota	3,802	420	11.04
	Ohio	2,924	495	16.92
	Wisconsin	1,821	400	21.96
		16,228	4,341	26.75

	State	Number of Refugees	Number of Financial Assistance	Percent on Financial Assistance
Region VI				
	Arkansas	2,042	102	4.99
	Louisiana	3,602	195	5.41
	New Mexico	1,040	106	10.19
	Oklahoma	3,689	258	6.99
	Texas	9,130	1,455	15.93
		19,503	2,116	10.84
Region VII				
	Iowa	2,593	620	23.91
	Kansas	1,897	355	18.71
	Missouri	2,669	195	7.30
	Nebraska	1,211	283	23.36
		8,370	1,453	17.35
Region VIII				
	Colorado	1,790	835	46.64
	Montana	198	40	20.20
	N. Dakota	448	109	24.33
	S. Dakota	545	73	13.39
	Utah	559	76	13.59
	Wyoming	115	21	18.26
		3,655	1,154	31.57
Region IX				
	Arizona	1,059	27	2.54
	California	27,199	9,829	36.13
	Hawaii	2,039	1,256	61.59
	Nevada	338	168	49.70
	Guam	778	N/A	N/A
	Samoa	1	N/R	N/A
		31,414	11,280	35.90
Region X				
	Alaska	81	1	1.23
	Idaho	412	30	7.28
	Oregon	2,063	1,302	63.11
	Washington	4,182	2,044	48.87
		6,738	3,377	50.11
Refugees resettled to known State as of 12/31/75		121,610	31,189	25.64
Refugees resettled to unknown State as of 12/31/75		8,182	---	---
Refugees resettled during period 1/1/76 - 2/29/76		280	---	---
	Total:	130,072	31,189	23.98

N/A = Not Available
N/R = No Report

PERCENTAGE OF INDOCHINA REFUGEES ON FINANCIAL ASSISTANCE

Report To Congress Dated		September 15	December 15	March 15
Number Resettled In U.S.		92,274	128,110	130,072
	State	Percent On Financial Assistance	Percent On Financial Assistance	Percent On Financial Assistance
Region I				
	Connecticut	.81	5.19	16.59
	Maine	6.66	16.26	N/A
	Massachusetts	23.65	26.00	30.02
	New Hampshire	0.00	13.66	11.18
	Rhode Island	7.22	17.48	29.59
	Vermont	7.56	12.00	10.66
		10.09	15.52	19.85
Region II				
	New York	6.38	7.80	15.37
	New Jersey	20.22	30.23	45.67
	Puerto Rico	N/A	N/A	N/A
		10.61	14.18	23.99
Region III				
	Delaware	24.17	18.70	38.70
	Maryland	19.09	22.94	28.84
	Pennsylvania	1.01	6.62	15.92
	Virginia	12.09	28.31	26.89
	W. Virginia	37.39	47.69	51.79
	Dist. of Col.	15.02	16.58	20.01
		9.58	16.15	21.76
Region IV				
	Alabama	2.01	9.03	7.68
	Florida	.95	16.34	21.02
	Georgia	N/A	9.76	11.19
	Kentucky	18.48	40.02	56.67
	Mississippi	0.00	2.66	5.94
	N. Carolina	10.66	13.95	18.63
	S. Carolina	0.00	2.89	9.67
	Tennessee	0.00	0.00	7.48
		2.77	13.90	18.84
Region V				
	Illinois	9.74	18.10	25.97
	Indiana	14.89	20.22	35.46
	Michigan	12.56	27.90	65.13
	Minnesota	2.60	6.07	11.04
	Ohio	9.66	9.26	16.92
	Wisconsin	2.92	12.24	21.96
		7.83	14.59	26.75

	State	Percent on Financial Assistance	Percent on Financial Assistance	Percent on Financial Assistance
Region VI				
	Arkansas	.24	3.42	4.99
	Louisiana	.52	2.80	5.41
	New Mexico	56.11	8.07	10.19
	Oklahoma	.56	2.76	6.99
	Texas	1.84	7.53	15.93
		1.79	5.35	10.84
Region VII				
	Iowa	7.46	13.99	23.91
	Kansas	4.73	9.22	18.71
	Missouri	6.21	8.76	7.30
	Nebraska	5.16	11.47	23.36
		5.97	10.88	17.35
Region VIII				
	Colorado	0.00	25.25	46.64
	Montana	30.20	25.75	20.20
	N. Dakota	5.52	10.71	24.33
	S. Dakota	0.00	5.50	13.39
	Utah	6.17	14.49	13.59
	Wyoming	1.63	14.78	18.26
		2.99	18.57	31.57
Region IX				
	Arizona	1.15	2.07	2.54
	California	21.99	31.18	36.13
	Hawaii	30.27	39.87	61.59
	Nevada	22.41	55.32	49.70
	Guam	N/A	N/A	N/A
	Samoa	N/A	N/A	N/A
		21.44	30.25	35.90
Region X				
	Alaska	0.00	3.70	1.23
	Idaho	7.77	3.88	7.28
	Oregon	26.01	52.78	63.11
	Washington	60.58	66.61	48.87
		47.03	57.79	50.11
Percent On Financial Assistance Of Total Resettled in U.S.		11.89	18.55	23.98
Number on Financial Assistance		10,969	23,768	31,189

N/A = Not Available

DEMOGRAPHIC DATA

BASED ON A SAMPLE OF 124,457 REFUGEES OF WHOM 123,301 PROVIDED RELIABLE AGE INFORMATION

AGE AND SEX DISTRIBUTION

AGE	MALE		FEMALE		TOTAL	
0- 5	10,572	8.6%	9,817	8.0%	20,389	16.6%
6-11	9,704	7.9	8,611	7.0	18,315	14.9
12-17	9,519	7.7	8,296	6.7	17,815	14.4
18-24	13,591	11.0	9,105	7.4	22,696	18.4
25-34	12,063	9.8	8,821	7.2	20,884	17.0
35-44	6,364	5.1	5,068	4.1	11,432	9.2
45-62	4,706	3.8	4,569	3.7	9,275	7.5
63 & Over	980	.8	1,515	1.2	2,495	2.0
TOTAL	67,499	54.7%	55,802	45.3%	123,301	100.0%

MALES

17 and under	44.3%
Over 17	55.7%
TOTAL	100.0%

FEMALES

17 and under	48.1%
Over 17	51.9%
TOTAL	100.0%

EDUCATIONAL LEVELS

HIGHEST EDUCATIONAL LEVEL OF 30,628 HEADS OF HOUSEHOLD

(Based on sample of 124,457 people)

None	407	1.3%
Elementary	5,120	16.7
Secondary	14,632	47.8
University	7,004	22.9
Post-graduate	1,375	4.5
Data not available	2,090	6.8
TOTAL	30,628	100.0%

HIGHEST EDUCATIONAL LEVEL OF 67,033 EVACUEES 18 YEARS OF AGE AND OVER

(Based on sample of 124,457 people)

None	1,384	2.1%
Elementary	11,979	17.9
Secondary	25,432	37.9
University	11,150	16.6
Post-graduate	1,955	2.9
Data not available	15,133	22.6
TOTAL	67,033	100.0%

ENGLISH LANGUAGE SKILLS

30,628 Heads of Households

(Based on samples of 124,457 people)

None	8,293	27.1%
Some	10,867	35.5
Good	11,245	36.7
Native	223	0.7
TOTAL	30,628	100.0%

124,457 Refugees

None	80,484	64.7%
Some	26,205	21.0
Good	17,277	13.9
Native	491	0.4
TOTAL	124,457	100.0%

PRIMARY EMPLOYMENT SKILLS OF

30,628 HEADS OF HOUSEHOLD

(Based on Sample of 124,457 Records)

001.099	Medical Professions	2,210	7.2%
100.199	Professional, technical & managerial	7,368	24.0
200.299	Clerical and sales	3,572	11.7
300.399	Service	2,324	7.6
400.499	Farming, fishing, forestry and related	1,491	4.9
500.599	Agricultural processing	128	0.4
600.699	Machine trades	2,670	8.7
700.799	Benchwork, assembly and repair	1,249	4.1
800.899	Structural and construction	2,026	6.6
900.999	Transportation and miscellaneous	5,165	16.9
000	Did not indicate	2,425	7.9
	TOTAL	30,628	100.0%

Mr. SHRIVER. That concludes my questions.

1977 ESTIMATE

Mr. KOCH. I understand that you are providing 100 percent reimbursement for public assistance provided by States and localities. Is this correct?

Mr. MCDONOUGH. That is correct; 100 percent reimbursement is being provided to States for cash assistance, medical assistance, and social services provided to needy refugees.

Mr. KOCH. What are you budgeting for health and for education for the transitional quarter and for fiscal year 1977?

Mr. MCDONOUGH. We are presently budgeting a total of $17,294,000 for the transitional quarter and $68,452,000 for fiscal year 1977. All of these moneys will be for 100 percent reimbursement to States to provide cash and medical assistance and social services to needy refugees.

Mr. KOCH. How do you justify your decision to request no funds for health or for education for fiscal year 1977?

Mr. MCDONOUGH. Medical assistance for needy refugees will be provided an reimbursed 100 percent by the Federal government in fiscal year 1977 through the State/local Medicaid system. Health services covering immunizations, health screening, and inpatient and outpatient treatment for certain conditions through PHS facilities will be discontinued since the Resettlement Centers are closed and all refugees are in the community. The Public Health Service, through the Center for Disease Control, continues to monitor State and local agency followup programs for refugees who left the Centers with diagnosed and stabilized communicable diseases under medication to ensure that they continue to receive proper treatment.

EDUCATIONAL SERVICES

Money made available for adult education and the education of schoolage children will be used in the present fiscal year and, in some cases, carried over for use in fiscal year 1977. As of March 17, 1976, 16 States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands had not yet submitted (and were expected to) amended Adult Education Plans, and may be expected to use some of these funds in fiscal year 1977. In addition, of the $15 million to be granted to local education agencies for supporting education of children, $5.5 million had not been obligated as of March 17, 1976. While the total obligation must be made by March 31st and is expected to be, funds may be used beyond the current school year.

At the post-secondary level, refugee students are eligible to apply on the same basis as native American students for Federally-funded student aid programs such as Basic Educational Opportunity Grants, guaranteed student loans, the College Work Study Program, Supplemental Educational Opportunity Grants and the National Direct Student Loan Program.

Some increased educational activity exists. The process of amending State Title XX social services plans is underway in a number of States to provide vocational services and job-related English language

training for adult refugees where the need for increased education has been articulated.

Mr. KOCH. How do you justify 100 percent reimbursement for Indochinese refugees on welfare while providing no assistance for their education?

Mr. MCDONOUGH. We believe reimbursements to the States for public assistance deserved priority; that adequate assistance has been provided for in the education area as just discussed. Moreover, if needs for cash and medical assistance prove less than are projected, we would also apply these funds to social services, including adult education and work related English language and vocational services.

STATUS OF FUNDS AVAILABLE TO DEPARTMENT OF STATE FOR INDOCHINESE REFUGEES

Mr. KOCH. Your statement refers to a transfer to HEW of $25 million in unobligated funds from the State Department's appropriation relating to Indochinese refugees. What is the total amount of unobligated funds in the State Department's appropriation?

Mr. MCDONOUGH. The Office of Management and Budget notified the Congress of the deferral of $25,492,092 of the $305 million Appropriation (Deferral Statement 13–76–85, dated November 29, 1975). OMB subsequently notified the Congress by a Supplemental Deferral Statement (B–76–85A, dated January 23, 1976) of the Administration's plan to transfer $25 million from the $305 million to HEW for Indochinese refugee benefits.

The Department of State's best estimate at the present time is that $43 million of its $305 million will not be needed for the functions being handled by that Department. The $25 million already set aside for HEW is included in that amount. The Department of State intends to transfer any unobligated money to HEW to assist them in providing educational, medical and cash assistance and social services benefits for the additional Indochinese refugees entering the United States and the 130,000 refugees currently paroled into the United States.

EMPLOYMENT RELATED TO ENGLISH ABILITY

Mr. KOCH. How do you expect refugees to obtain employment if they can not speak English?

Mr. MCDONOUGH. To begin with, samples taken in the Reception Centers indicate that, of 30,628 heads of household who may be thought of as principle wage earners, almost 72 percent had some grasp of English or better. About 37 percent of those sampled were classified as having good English language skills. Further, it has been demonstrated that English language capability is not a prerequisite to obtaining employment (usually at the entry level) if there is an English speaker—usually a sponsor—making arrangements for the refugee. The employment statistics that follow seem to bear this out.

Employment statistics derived from the telephone survey of 1,424 refugee heads of household indicate that 79 percent of the male refugees, 16 or older, are in the labor force and of those in the labor

force, 82 percent are employed and 18 percent unemployed but seeking work. Approximately 40 percent of the females, 16 or older, are in the labor force, and, of these, 70 percent are employed and 30 percent unemployed but seeking work.

For those not in the labor force the most frequently cited reasons for not seeking employment were attending school (male, 52.7 percent) and housekeeping (females, 46.2 percent).

In sum, then, it seems that the refugee population has made significant progress in obtaining employment to date, and that the prospects for continued and additional employment, coupled with provision of language training through the States and local school districts, remain good.

AVAILABILITY OF FUNDS FOR ENGLISH AND VOCATIONAL TRAINING

Mr. KOCH. What funds have been made available by the Federal Government to provide English instruction and vocational training for refugees?

Mr. MCDONOUGH. $5 million has been budgeted for ESL instruction for adult refugees. These funds have been provided as grants under amended State plan programs for adult education at a rate of $74 for each refugee over 18 years of age. We would like to enter for the record a chart showing the amount allocated to each State. Although special funds have not been earmarked for vocational instruction for the refugees, their eligibility for existing Federal aid programs is assisting some refugees in pursuit of vocational instruction. For example, students eligible for BEOG grants may apply for their use for accredited vocational instruction at the postsecondary level. Refugees are eligible to participate in the Comprehensive Employment and Training Act (CETA) programs administered by the Department of Labor and other vocational education programs supported with Federal funds.

[The information follows:]

JAN 9 1976

ADULT INDOCHINESE REFUGEE EDUCATION PROGRAM
FISCAL YEAR 1976 STATE ALLOCATIONS FOR ADULTS UNDER P.L. 94-23

State or Territory	No. of Adults Initially Resettling in State	State Rank in Resettlement of Indochinese Adults	Adjustment for Adults Who Left Camps but Who Cannot be Identified as to State of Resettlement		Adjusted No. of Indochinese Adults Resettled in State (Col. 1 + Col. 4)		Total Allotment for Indochinese Adults (Col. 5 x $74.44)
			Percent	No.			
	(1)	(2)	(3)	(4)	(5)		(6)
Total:	62,339		100.000%	4,827	67,166		$4,999,836
Alabama	727	25	1.166	56	783		58,287
Alaska	48	32	.027	4	52		3,871
Arizona	659	27	1.057	51	710		52,852
Arkansas	1,712	12	2.746	133	1,845		137,342
California	12,813	1	20.554	992	13,805		1,027,644
Colorado	936	19	1.501	72	1,008		75,036
Connecticut	567	30	.910	44	611		45,483
Delaware	70	50	.112	5	75		5,583
Florida	2,881	4	4.622	223	3,104		231,062
Georgia	774	24	1.242	60	834		62,083
Hawaii	436	34	.699	34	470		34,987
Idaho	152	44.5	.244	12	164		12,208
Illinois	2,016	7.5	3.234	156	2,172		161,684
Indiana	873	22	1.400	68	941		70,048
Iowa	1,163	16	1.866	90	1,253		93,273
Kansas	844	23	1.354	65	909		67,666
Kentucky	424	35	.680	33	457		34,019
Louisiana	1,864	10	2.990	144	2,008		142,474
Maine	256	40	.411	20	276		20,545
Maryland	1,280	15	2.053	99	1,379		102,653
Massachusetts	617	28	.990	48	665		49,503
Michigan	1,151	17	1.846	89	1,240		92,306
Minnesota	1,858	11	2.980	144	2,002		149,029
Mississippi	228	41	.366	18	246		18,312
Missouri	1,501	14	2.408	116	1,617		120,369
Montana	106	47	.170	8	114		8,486
Nebraska	570	29	.914	44	614		45,706
Nevada	182	43	.292	14	196		14,590
New Hampshire	93	48	.149	7	100		7,444
New Jersey	890	21	1.428	69	959		71,388
New Mexico	476	33	.764	37	513		38,188
New York	2,193	5	3.518	170	2,363		175,902
North Carolina	662	26	1.062	51	713		53,076
North Dakota	204	42	.327	16	220		16,377
Ohio	1,519	13	2.437	118	1,637		121,858
Oklahoma	2,002	9	3.211	155	2,157		160,567
Oregon	920	20	1.476	71	991		73,770
Pennsylvania	4,065	3	6.521	315	4,380		326,047
Rhode Island	152	44.5	.244	12	164		12,208
South Carolina	396	36	.635	31	427		31,786
South Dakota	285	39	.457	22	307		22,853
Tennessee	512	31	.821	40	552		41,091
Texas	4,701	2	7.541	364	5,065		377,039
Utah	328	37	.526	25	353		26,277
Vermont	68	51	.109	5	73		5,434
Virginia	2,161	6	3.467	167	2,328		173,296
Washington	2,016	7.5	3.234	156	2,172		161,684
West Virginia	112	46	.180	9	121		9,007
Wisconsin	957	18	1.535	74	1,031		76,744
Wyoming	77	49	.124	6	83		6,179
Dist. of Columbia	511	32	.820	40	551		41,016
Guam	327	38	.525	25	352		26,203
Puerto Rico	1	54	.002	0	1		74
Virgin Islands	3	53	.005	0	3		223
American Samoa	0	55.5	.000	0	0		0
Trust Territory	0	55.5	.000	0	0		0

POSITION OF DEPARTMENT OF HEW ON PROPOSED LEGISLATION RELATING TO EDUCATION FOR REFUGEES

Mr. KOCH. What position does the Department of HEW take concerning S. 2145 and H.R. 7897 (Refugee Education Assistance Acts)?

Mr. MCDONOUGH: We would like to offer a recent letter for the record from the Secretary of HEW to the chairman of the House Committee on Education and Labor, stating the Department's position on these bills.

[The information follows:]

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D.C. 20201

The Honorable Carl D. Perkins
Chairman, Committee on Education and Labor
U.S. House of Representatives
Washington, D. C. 20515

MAR 11 1976

Dear Mr. Chairman:

As the conferees prepare to consider S. 2145, the "Indochina Refugee Children Assistance Act of 1976", I would like to share with you the Administration's position on this measure. As the Department has stated on numerous occasions, we are opposed to this legislation. We believe that the Federal government is providing appropriate assistance to State and local educational agencies to meet the refugees' immediate needs for supplemental educational services. Under the Indochina Migration and Refugee Assistance Act of 1975, the Department is paying $20 million during the current fiscal year to assist in the education of both the children and adult refugees ($15 million for children and $5 million for adults). Many school districts have already received grants from the Office of Education to provide supplemental services for the refugee children. The Department is providing $300 for each refugee child enrolled in every school district. An additional $300 is being provided for each refugee child the district enrolls above 100 or 1% of its enrollment. Grants totaling an estimated $700,000 are also being given to State educational agencies for related leadership and training activities. In addition to educational assistance for school age children, the Department is making grants to State educational agencies to offer English instruction to adult refugees under the Adult Education Program in the Office of Education.

We continue to be strongly opposed to the Senate version of the bill because we believe that the responsibility for providing basic educational costs should be borne by State and local governments. The bill is an outright subsidy for local school districts and would give districts money without any need being demonstrated by such districts. In addition, a two year program of financial assistance would overlap with State and local resources provided by State school aid programs.

The House version of the bill, which would provide a one year program to reimburse actual costs of providing educational services to the refugee children, while less objectionable than the Senate version, essentially duplicates our financial assistance to school districts to pay for the supplemental services and additional costs of providing educational services to Indochinese refugee children. We continue to believe that the financial support we are providing for refugee children is sufficient; therefore, there is no need to create yet another categorical program.

In addition to the $20 million the Department is currently spending on its one year refugee education program, the Senate version would create a two year program costing an estimated $131.4 million, as contrasted with the House version's one year program costing an estimated $23.1 million. We continue to believe that our program is far more realistic, both with respect to resources available in the present Federal budget and with respect to the actual needs of the Indochinese refugees.

We are advised by the Office of Management and Budget that there is no objection to the presentation of these views from the standpoint of the Administration's program.

Sincerely,

/s/ Marjorie Lynch

Acting Secretary

cc: The Honorable Albert H. Quie

PERCENT RECEIVING ASSISTANCE

Mr. KOCH. Mr. McDonough, I am interested in those who are on financial assistance. The figures that you provide indicate that the percentage of those who are on assistance, is substantially above that of the general population.

For example, just to quote a few, in Connecticut 16.59 percent; in New York, 15.37 percent; in Illinois, 25.97 percent.

Those numbers are considerably higher than the levels of those on assistance in those States, I would assume.

Mr. MCDONOUGH. Yes, sir.

Mr. KOCH. Of the general population?

Mr. MCDONOUGH. Yes, sir.

FUNDS FOR EDUCATION AND HEALTH

Mr. KOCH. And you have not, am I correct, requested funds for health or for education for the fiscal year 1977, am I correct in that?

Mr. MCDONOUGH. That is correct. Now, on health, we are talking about the health services at the camps, such as immunization, TB screening, utilization of PHS hospitals.

The health services for fiscal 1977 would be covered under the Medicaid-type program and are included in our estimates.

Mr. KOCH. I understand. How about funds for education?

Mr. MCDONOUGH. On education, we are not projecting any additional moneys for the elementary and secondary program of the adult basic education program.

Mr. KOCH. Didn't you say a moment ago in response to Mr. Shriver's question that education was a matter of concern, and that you are dealing with it as best you can, and I think the words you used were with the limited funds available.

Mr. MCDONOUGH. That is correct.

Mr. KOCH. So apparently the funds that you have available not only are limited but they are really not adequate, is that a fair statement?

Mr. MCDONOUGH. Based on our present projections. If we can maintain the present numbers on cash assistance and, indeed, lower them, we could perhaps reevaluate the funds situation and put some additional funds into English language training.

ENGLISH—TRAINING AND ABILITY TO SPEAK

Mr. KOCH. Well, I think we'd all agree that education is important in getting a job. If you can't speak English, it's very hard to get a job. Can we agree on that?

Mr. MCDONOUGH. Yes, sir.

Mr. KOCH. If we can agree on that, then wouldn't it make sense that you request moneys for the purpose of educating these people to become fluent in English? Wouldn't it ultimately be cheaper if they get jobs, and they get jobs easier if they can speak English. Is there not some inconsistency in the whole program when you do not request funds for education purposes?

Mr. MCDONOUGH. Well, we have put $5 million into adult basic education programs.

Mr. KOCH. That is past.

Mr. MCDONOUGH. No, its being done this fiscal year. The program is still operating in a number of States and with the amendment of State plans, other States will provide the service soon.

Within the existing resources at the State and local level through continuing education programs, and through the assistance of the voluntary agencies, we think we can provide adequate English training to get people started in a job.

We are not talking about making individuals who are accountants in Vietnam or Cambodia accountants here. We are talking about——

Mr. KOCH. Basic English.

Mr. MCDONOUGH. Basic survival English, if you will, and some vocational orientation.

Mr. KOCH. Do you have figures on what percentage now have an ability to converse in English? Or the other way around, what percentage do not?

Mr. MCDONOUGH. Let me ask Lee Wickline to answer that.

Mr. WICKLINE. Roughly about one-third of the refugees who came to this country can converse in English.

Mr. KOCH. So two-thirds cannot, and two-thirds would be approximately 100,000, is that right?

Mr. MCDONOUGH. No, we estimate 70,000 adult population.

Mr. WICKLINE. There are 70,000 adults.

Mr. KOCH. 70,000 adults, so what would be the numbers roughly who cannot converse in English?

Mr. WICLKINE. Roughly it would be about 48,000.

Mr. KOCH. 48,000. And you have a funding of $5 million that has heretofore been authorized.

Mr. MCDONOUGH. Has been appropriated, that is correct.

Mr. KOCH. And how much of that is left?

Mr. MCDONOUGH. Well, none of it is left. It has all been allocated to tbe States on a formula basis, although not all has been expended.

Mr. KOCH. Well, how much is unexpended? That is really what I wanted to find out.

Mr. MCDONOUGH. You don't train a person as soon as you send the money out. The program takes place and it's a continuing type operation. In Arlington and in the Washington, D.C., area these programs are going on every day.

Mr. KOCH. I understand. What I want to know is this: You have $5 million which you have contracted for. No funds are available for new programs, and yet you have 48,000 adults who don't speak English.

Mr. MCDONOUGH. No, sir, it's not 48,000 who don't speak English. Based on the camp situation, one-third were considered adequate in English-speaking ability. One-third were mediocre and one-third could not speak any English, so it's not 48,000.

Mr. KOCH. I just used the figure a member of your staff just gave me. I didn't make it up. Didn't you just give me the figure of 48,000? If you want to change it, it's Ok with me. What is the figure?

Mr. MCDONOUGH. The figure, based on our estimates of English language skills, is in the packet that we handed out and are providing for the record. Based on heads of households, 27 percent spoke no English, 35 percent some, and 36 percent good.

Mr. KOCH. Just so I am clear in my mind, 64 percent of the refugees have no English language skills. Is that what that figure says?

Mr. MCDONOUGH. You have to understand that that includes everybody. That includes kids.

Mr. KOCH. I understand

Mr. MCDONOUGH. Kids going to school are learning English. Now, the more important figure we are talking about, as far as cash assistance and welfare, is the figure that shows the heads of households, people looking for work.

Mr. KOCH. But that only takes in one parent, I assume, if you are saying head of household, you are not talking about the mother and father, you are just talking about the father, probably.

Mr. MCDONOUGH. Or a female head of household. That is correct.

Mr. KOCH. Aren't most of these households couples?

Mr. MCDONOUGH. Yes, most are.

Mr. KOCH. And don't you expect that most of them will have, both wife and husband, working jobs?

FUNDS FOR EDUCATION

Mr. MCDONOUGH. I guess maybe we should come back to how the money is being expended now and the programs presently going on.

Now, the $5 million was allocated on a formula basis to all of the States based on the number of adult refugees in that State.

Not all of them are going to partake in that program, not all of them are interested. There are an awful lot of females who don't want to come out of the house and we can't drag them out. No doubt if you ask anyone at the State or local level if they need more money to run a program I guess they will tell you they do.

Mr. KOCH. I am asking you do you need it?

Mr. MCDONOUGH. No, I don't think we do. Not for education.

Mr. KOCH. Are you familiar with S. 2145 and H.R. 7897, which are the Refugee Education Assistance Acts?

Anybody familiar with them?

Mr. MCDONOUGH. The Tunney-Cranston bill and the Quie amendment to the Roybal bill, yes, sir.

Mr. KOCH. What is your position to them?

Mr. MCDONOUGH. The program is spending $20 million this fiscal year to assist in the education of children and adults, of which $15 million is for children. We have made available the $300 grant and $600 grant programs for elementary and secondary schools which we consider adequate. These grant figures are based on our national figures for costs of bilingual education for one time assistance to elementary and secondary schools. Obviously, we believe that assistance was necessary to help the schools "tool up" for the new students. Any further payments, as required by bill S. 2145, would be an outright subsidy.

If you wanted to put some priorities on problems, if you wanted to put some money into English programs, I suggest adult education would be a more useful activity than the elementary. Most of the youngsters in the elementary schools are making out fairly well. The youngsters in my community, for instance, are doing pretty well; they are learning English and making friends.

There are more problems at the secondary level perhaps, but both of those bills mostly relate to elementary and secondary with very little for adults.

With the amount of money we have made available for English language training for adults, I think we can do the job at least as far as getting people started.

We can't do the job as far as making people what they were back home.

Mr. KOCH. But nobody suggests that. I think what people are suggesting is that with a refugee population where the head of households, 27 percent who cannot speak English at all, and close to double that number if you included both parents, in the long run it probably is in the interest of the United States and of those refugees to give them some basic English skills. Yet your application doesn't include any future funding for that purpose.

There is no application on your part at all for educational funds, isn't that a fair statement?

Mr. MCDONOUGH. Let me——

Mr. KOCH. Is that not fair?

Mr. MCDONOUGH. Well, let me just put it in perspective, if I may. We are asking for $50 million for cash and medical assistance, which is, you know, the ultimate dire need if the resettlement program runs into problems.

Now I don't want to say I am totally confident, but I think with the continued support and concern of the sponsors who are continuing to stay with the refugees, with the continued support of the resettlement agencies, both the VOLAGS and State and local, and with HEW trying to marshal the resources we have out there—for example, we have people detailed from the Office of Education out in the San Francisco region to work with us on trying to make the systems and institutions that are already out there, and already funded, work for the benefit of the refugees—I think we can do it.

Now, if we are successful, and the number of refugees we are projecting for medical assistance and cash assistance and social services come down, we then can rethink our position and perhaps put more money into an area like English language training for adults.

Mr. KOCH. I would like to conclude by saying when you talk about maintenance that doesn't relate to education.

And I don't know, maybe it's because of my own experience and experience of people I know, that the one thing that makes it possible to get ahead in this country is basic education. That obviously includes an ability to converse in the English language. From the point of view of integrating this refugee population, and making them tax-paying citizens as soon as possible, a major area of concern is that of education.

I find it surprising, if not distressing, that there would be no request for an educational appropriation.

On that, I will turn it over to Mr. Conte.

SUCCESS OF PROGRAM

Mr. CONTE. Thank you, Mr. Chairman.

Let me say at the outset, before asking you a question, and I am not going to ask you many because I am anxious to find out whether

we are going to get the Magna Carta or not, have you been in charge of the program since its inception?

Mr. McDonough. No, sir.

Mr. Conte. Who has?

Mr. McDonough. Well, the program in HEW, as far as coordinating HEW's responses to it, was under the direction of Don Wortman in April, and I was his deputy.

Mr. Conte. You have been in the program since its inception?

Mr. McDonough. That is correct.

Mr. Conte. I want you to take credit for it, because I want to compliment the people who were in charge of this program.

I think this will go down in the annals of history in regard to resettlement of the refugees as one of the greatest programs and greatest accomplishments, I think, ever accomplished.

You take 128,000 refugees and have them resettled in 8 months. And I think you deserve a lot of plaudits and congratulations, together with the voluntary agencies who also worked with you hand in hand.

Mr. McDonough. Sir, on that, let me just make a comment. I think those of us at the Federal level can take very little credit for this. I think it really is the people——

Mr. Conte. The work of the volunteers.

Mr. McDonough. The sponsors, the individuals who took people into their homes.

Mr. Conte. That ls right. Go ahead.

Mr. McDonough. And the voluntary agencies, the only thing we did was sit in Washington and coordinate it.

IMMIGRANTS IN THE UNITED STATES

Mr. Conte. Well, the sponsors deserve a lion's share because they were the ones that came forth during a time of need and stress, and brought these people into their homes and fed them and clothed them and made them feel at home in a strange land, which I can well imagine what a traumatic experience it was for these people.

I am sorry Mr. Koch left. He and I are always at odds on little thngs and yet we agree on big things.

I happen to be a first generation American. My Mother and father came from Italy at the turn of the century.

Now, there are more——

Mr. Long. I thought you were Irish?

Mr. Conte. Just today. Today it's Sunday at the St. Patrick's Day parade up home. But they, like the Germans and the Poles, and the others who came over at the turn of the century by the millions, came to this country and they were responsible, actually responsible for building this great Nation of ours.

They are the ones who built the buildings and the railroad tracks and the highways and all. Not one of them, not one of them could speak a word of English. And yet they cut the mustard and we cut the mustard and their sons became doctors, lawyers, Congressmen, Senators, and people of great responsibility, people who have made great achievements in this country of ours. And yet I sit on another committee and he haggles with you over this $5 million.

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What he fails to say is I sit on HEW and we appropriated last year $97.7 million for just what you two have been talking about for a half an hour, bilingual education.

And that is the answer you should have given.

Mr. McDonough. You should be over here.

Mr. Conte. We haggle over here about the $5 million, it's a job, it's a joke, and I have a lot of fun with my good friend Joe Montoya and a few others who always want to put in another $20 million.

I remember this program started with about $10 million and here we are to almost $100 million, and I bet we will be over $100 million before this year, and it's great, it has great emotional appeal, bilingual education.

You say give these people education and they are going to do all right. And I say that is a lot of hogwash because the people that really made it in this great country of ours, and made the greatest strides, are the people who never had a bilingual education.

If they wanted to learn the language they learned it, and there were ways of learning that language, and they made sure that their children learned the language and spoke the language.

And so, you know, we just are blowing the taxpayers' money here right and left, and one of these days there is going to be another Boston Tea Party because they are not getting taxation with representation anymore.

We come down here and we are completely out of touch of what the people back home think. You go home to the little cities and towns and school districts and see what they think about spending $100 million for bilingual education and get in an argument and here you have to get a whole new program now because you have melded in a few thousand in each State of the Vietnamese, and boy, if they can't meld into that system, and be absorbed into the system with other children, then there is something wrong with the system.

Mr. Long. Would the gentleman yield?

Mr. Conte. Sure.

Mr. Long. I agree with the gentleman entirely. The thing that has made America great is the fact that we all essentially came to learn, or were forced to learn, one common language and that makes us all feel like Americans.

It was a great factor in our integration, that, and the ability to move anywhere in the country, which was an aspect of our original Constitution, and I don't understand all of this intent to try to teach people another language. I think the important thing ought to be to try to get them to speak and to write English. Too many people can't even handle our own language, let alone learning another language, so I do agree with the gentleman.

If there is any justification at all, it would be as a stepping stone to a knowledge of English.

Mr. Conte. I was trying to make the point that, you know, even though I have misgivings about it, we still have the $97.7 million out there for bilingual education, I know, and if they couldn't absorb the few thousands, and California is the big one, the few thousands that go into the State, there is something wrong with the system.

Mr. LONG. Doesn't the gentleman feel this is more political than real?

Mr. CONTE. Sure. You get a minority group in your congressional district, which I have, and you go in there and pound the drums and get all of this money for bilingual education.

NUMBER OF REFUGEES WISHING TO RETURN

How many of the refugees have indicated a desire to be rushed back to Vietnam and South Vietnam?

Mr. MCDONOUGH. I think it's in our briefing book. As of the latter part of February, of mid February, we had 403 Vietnamese and 182 Cambodians formally requesting repatriation.

Mr. CONTE. A total of 585, and have they been able to get back through the Red Cross?

Mr. MCDONOUGH. There is no vehicle right now. The responsibility of negotiating the terms or relationships is the UNHCR, and so far there has been no indication that the governments in Vietnam or Cambodia are interested in taking anybody back.

These people have just made formal application through the United Nations in New York and their applications are on file.

Mr. CONTE. I see. So it's a fait accompli until the Vietnamese Government decides they are going to take them back.

Mr. MCDONOUGH. That is correct.

PROJECTIONS FOR 1977

Mr. CONTE. Well, you are asking for $50 million here, do you have some carryover money?

Mr. MCDONOUGH. About $10 million.

Mr. CONTE. Is that over and above the $50 million?

Mr. MCDONOUGH. Yes, sir, that would be, plus the $25 million we are getting from the $305 million appropriated to the State Department.

Mr. CONTE. What is the total?

Mr. MCDONOUGH. $175 million for 3 years, fiscal 1975, 1976, and 1977.

Mr. CONTE. I am talking about 1977 now. It says here you have got $10.8 million remaining from the original appropriation of $100 million. Also you provide for the transfer of $25 million.

This would provide a total of $35.8 million.

Mr. MCDONOUGH. That is correct.

Mr. CONTE. Which it is estimated $17.3 would be required for the transitional quarter, leaving about $18.5 and you have requested $50 million and we provided $68.5 is your total for fiscal year 1977.

Mr. MCDONOUGH. Fiscal 1977. Now that is based on our projections of no more than 35,000 on cash assistance, medical assistance and social services on a monthly basis, at a unit cost of between $165 and $170 per month for the total package, including administrative costs to the States.

Mr. CONTE. How about the cash assistance, how does that differ from welfare?

Mr. MCDONOUGH. When we use the term welfare we include cash assistance, which is a cash grant, and includes medicaid. If you meet

the income criteria, and you get sick and you qualify for medicaid your costs are covered.

What we did early on in the program was to set up, in essence, two programs. First, the cash assistance program. Once a person qualifies for cash assistance based on need he is automatically eligible for health assistance similar to medicaid, or medical in California.

We also set up a program where we ask the sponsor to refer the refugee for establishment of eligibility for medicaid as soon as they arrived in the community just so if there are any extraordinary expenses that the sponsors can't take care of there is some kind of coverage through the Federal Government.

We have 31,000 people right now signed up for cash assistance and thereby eligible for medicaid, plus an additional 21,000 that have just signed up for medicaid. Now we hope and expect we won't see too many of those. We hope they are working, and will achieve their health coverage either through group plans, or plans at work. But in the States that have programs for the medically needy, the Federal Government would pick up a portion of the health costs, although not all of them.

Our projections of the $165 to $170 per month per person are based on cash assistance, medical assistance and social services, plus administrative costs. So, again, the question of priorities in asking for $50 million plus the authority requested in appropriation language to use whatever unobligated funds we would have available out of the $100 million, plus the $25 million that we are getting from the Department of State, is based on covering the Vietnamese and Cambodians. There would also be the additional 3,400 Laotians, plus any additional persons who would come in under the parole authority on which the State Department is consulting with Congress.

Again, it's difficult to project these things. If those assistance rolls go up, then we wouldn't have enough money to get through the end of the fiscal year.

But I really think that with the continued support and work of the voluntary agencies which have done a marvelous job, and are continuing to do so——

Mr. CONTE. Let me ask this, if all of these people now are out of the camps, the centers, I think that is the better word——

Mr. MCDONOUGH. More polite word.

Mr. CONTE [continuing]. Then they must be located by now.

Mr. MCDONOUGH. They are.

APPLICATION FOR ASSISTANCE

Mr. CONTE. Then how can they still be coming in for cash assistance? I mean, if I had a couple at my home, and they weren't working, then I could come in and ask for cash assistance for them.

Mr. MCDONOUGH. That is correct.

Mr. CONTE. That could be a dangerous thing, too. You know, they can be working, doing house work or cooking and different things, and at the same time you get this cash assistance and this thing will go on forever.

Mr. MCDONOUGH. I don't think really, sir, that there were that many types of placements. There may be. But most——

Mr. CONTE. You see my point.

Mr. MCDONOUGH. Yes. And there are problems along those lines, but again, I think it's a minor situation.

Mr. LONG. The gentleman from Massachusetts sees this as superwelfare that the American poor would not be entitled to.

Mr. CONTE. Yes, plus the fact that the sponsor could be getting, you know, free service.

Mr. MCDONOUGH. Well, it's not superwelfare in the sense that the requirements are the same as requirements for the regular AFDC program as far as need and amount of cash that one can receive.

So, it's not a superprogram.

Mr. HOLMAN. If the refugee were actually living with the sponsors, he probably would not qualify for cash assistance, because he would not have any rent costs, and the sponsor would be supplying the food and so on, so I would think that the vast majority——

Mr. CONTE. Well, the sponsor could very well say I am charging you rent.

Mr. HOLMAN. I think the welfare office would look pretty carefully at that kind of situation. I suspect the vast majority of the cash assistance recipients are people who are living separately from the sponsor and are unemployed, that would be the basic situation you would have.

USE OF OTHER RESOURCES TO PREVENT DEPENDENCY

Mr. MCDONOUGH. And we are trying to work specifically with the heads of households, the potentially employable adults presently on cash assistance, and with the voluntary agencies and State and local resettlement agencies to try to use the existing resources already out there and get the target group some survival English training, some vocational training or just go out and help them look for a job, which is probably more important than any of the other things. To try to give them a start.

We say a start. We are not talking about the total retraining package, but just a job and a start. And there are a number of situations where that has happened.

As one instance, I visited recently down in New Orleans, La., where 2,000 refugees were placed, and there are only nine families on cash assistance. Every one of the nine should be on cash assistance as far as I am concerned. They are female heads of households, and some with disabilities, but the rest of them are all working. They are not working at the best jobs in the world, but they are working, and they are starting a new life here.

Mr. CONTE. Sure.

Mr. MCDONOUGH. There are problems in certain States and we intend to take a very close look at them and see what we can do to identify those people who are potentially employable, but for whatever reason—either because they have been abandoned by their sponsor or because nobody is helping them—they have not been able to get off of public assistance. We will work with the voluntary agencies to give them the type of services that will give them a start.

REFUGEES WHO ARE WORKING

Mr. CONTE. How many refugees have transitioned into working members of the labor market? What percentage of the total is that?

Mr. MCDONOUGH. We have not instituted a national tracking system to measure labor force participation on a national level. We have however, instituted a telephone survey of a selected sample of refugee heads of household—1,424 heads of household, containing approximately 7,500 refugees.

The telephone survey shows that 79 percent of male refugees surveyed, 16 years or older, were in the labor force, and 21 percent were not in the labor force. Of those in the labor force, 82 percent were employed, and 18 percent were unemployed but seeking work. Approximately 40 percent of the females, 16 years or older, were in the labor force, 70 percent were employed and 30 percent unemployed but seeking work.

Information supplied by the Department of Labor indicates from analysis of services provided the Indochina refugees by State employment security agencies (SESA) that a total of 27,671 refugees came to the local offices of SESA seeking assistance in finding employment. Of these 5,507 or 19.10 percent were placed in jobs and 6,909 or 24.96 percent were referred to training or other services. Slightly over one-third of the refugees coming into the offices were classified in the professional, technical and management, clerical and sales skill groups although only about 16 percent found jobs at those skill levels. This indicates that many are accepting employment at lower skill levels than those at which they are classified and also reflects the willingness of the refugees to accept employment.

Registration cards for 13,566 refugees, out of 27,671 seeking services are still in local employment offices' active files where they are given continuing consideration as job offerings are received.

GEOGRAPHIC LOCATION OF THE REFUGEES

Mr. CONTE. Where are the bulk of these refugees concentrated?

Mr. MCDONOUGH. Approximately 40 percent, or 55,000, live in California, Texas, Pennsylvania, Florida, and the Washington, D.C. area. A refugee population listing by State is included in the briefiing packet being inserted into the record.

NUMBER OF REFUGEES EXPRESSING DESIRE TO RETURN HOME

Mr. CONTE. How many of these refugees have indicated a desire to return to their respective countries?

Mr. MCDONOUGH. A total of 403 Vietnamese and 182 Cambodians have formally made application with the UNHCR.

Mr. CONTE. Very good. Thank you.

ILLEGAL ALIENS

Mr. LONG. I read in this morning's paper that there are 6 million illegal aliens in this country. Could you tell me whether any of these refugees are illegal aliens?

Mr. McDonough. The ones that we are dealing with?

Mr. Long. Yes.

Mr. McDonough. Not a one. All 130,000 are in on parole status now.

Mr. Long. Is any check made to be sure?

Mr. McDonough. They came through the resettlement centers where we had INS people and social security people, et cetera, processing them. They are all in the figures in the briefing packet, totaling about 130,000 refugees.

Now, there are a number of students, businessmen, et cetera, who were in the country at the time Cambodia and Vietnam fell and we estimate these to be approximately 15,000. Now they could go in and apply and get refugee status, right, Phil?

Mr. Holman. That is correct, if they were here on business or as tourists or students.

Mr. McDonough. They would be on a parole status and "indefinite voluntary departure," which I understand is the term the State Department uses.

Mr. Long. If everything worked perfectly, we wouldn't have any illegal aliens in this country.

Six million is an astonishing number, so there must be many a slip between the actual cup and the theoretical lip.

Mr. McDonough. We have an accurate count because we, in essence, took these people out.

Mr. Long. People become very skillful, don't they, at getting around the law?

Mr. McDonough. I guess so. Of course, I am a little out of my area as far as the illegal aliens.

Mr. Long. Well, if you can put something in the record about this illegal alien business with respect to these refugees I think it would be very good.

Mr. McDonough. Well, the record is straight right now. There are none.

Mr. Long. You are sure there are no illegal aliens among the Vietnam refugees.

Mr. McDonough. Not the ones we brought out, and through the resettlement centers that went through INS, they got security clearances.

Mr. Long. Well, I don't know what centers they went through. I just want to raise the question of whether there is anybody getting refugee assistance who is here illegally. And I want assurance on that point.

Mr. Holman. Yes, sir. We will provide additional information in the record on the procedures that the refugees went through before being released into the United States.

Mr. Long. Very good.

[The information follows:]

Summary of Immigration and Naturalization Service

Processing of Refugees

The following information, extracted from reports to the Congress by the Interagency Task Force for Indochina Refugees, describes procedures followed by the Immigration and Naturalization Service (INS).

INS fingerprinted and photographed refugees. Each refugee was then interviewed by an INS officer, who obtained basic biographical information and determined the need for sponsorship and security clearance. Each refugee was required to sign a sworn statement attesting to his moral character and admissibility to the United States. The officer completed the appropriate INS forms, prepared an immigration file, and assigned a control number to each refugee.

(From report to the Congress, June 16, 1975.)

Mr. LONG. Now, for example, people get pretty skillful at forging passports, and I believe that there was a brisk sale in that type of thing in Southeast Asia.

Mr. HOLMAN. I don't know the answer to that question. I think in the case of the refugees, since they were all evacuated at approximately the same time and were all examined by the Immigration and Naturalization Service——

Mr. LONG. It was done in a heck of a hurry.

Mr. HOLMAN. Yes; I can't speak as an expert in relation to INS, but I know where there were questions regarding individual refugees they were not released from the reception centers until those questions had been resolved.

Mr. LONG. Isn't there anybody still in the reception centers?

Mr. HOLMAN. No, sir.

REPATRIATION REQUESTS

Mr. MCDONOUGH. We have 114 Cambodians who have requested repatriation back to Cambodia.

Mr. LONG. That leads me to my next question.

I understand there are 585 Vietnamese and Cambodians who requested repatriation.

Mr. MCDONOUGH. That is correct.

Mr. LONG. And that may mean there may be others who would like to go home. Our immigration in this country has always been a two-way thing. At the height of our immigration when they were coming in at the rate of a 1½ and 2 million a year, there was always a one-third emigration on the part of people who couldn't make it or got homesick.

Now this country is going to be bulging at the seams if we keep on expanding in our population and it seems to me we ought to give anybody who gives any indication of a desire to go back, or the chance to go back.

I understand there was some reluctance to let these people go back or encourage them to go back, is that true?

Mr. MCDONOUGH. No, sir. When the resettlement centers were opened we had 1,500 as you would see on page 2, we had 1,546 Vietnamese who expressed a desire to go back and we worked with the UNHCR to see if the new Government of Vietnam would take them back.

They refused and would not take them back. We then put them on a ship and they set sail out of Guam and went home, and our information is they have arrived but still may be in a camp.

Mr. LONG. In other words——

Mr. MCDONOUGH. We have never stopped anyone who wanted to go home from going home if we could find a way to get them there.

The problem with the 585 is the new governments in Cambodia and Vietman do not want them back. We can't just take people into a sovereign nation and say here they are. Now these people all have requested information on how to go back. We have provided the applications, they are on file with the UNHCR in New York which is continuing negotiations with the new governments to see if they will accept them.

Mr. LONG. What do they want, a lot of money to take them back?

Mr. MCDONOUGH. I have no idea what they want, but they are not entering into serious negotiations with the U.S. High Commission on Refugees on taking any of the Vietnamese or Cambodians back.

Mr. LONG. Of course, the reason we took some of them, is that we were sold a bill of goods that they were going to have their heads chopped off if we didn't get them out of there. That turned out to be somewhat less than true.

Mr. MCDONOUGH. I don't know if the record is entirely clear on that.

Mr. LONG. And now are we being sold another bill of goods?

Mr. MCDONOUGH. Well, no, sir; I don't believe so. The people who are authorized to negotiate with the new governments, since the United States has no relations with them, are the members of the UNHCR.

Mr. LONG. How do we find out whether these people want to go back? Do we keep in constant touch with them, or does the person have to come up to one of your centers or into an embassy and say "I want to go home."

Mr. MCDONOUGH. We have a task force. We have a national hotline, a free telephone line to call into our office.

Mr. LONG. They have to initiate the process then. We can't, we don't take the initiative to go out and ask them?

Mr. MCDONOUGH. That is correct.

Mr. LONG. When we give out this refugee assistance, why don't we inform people that if they change their minds and decide to go home, that we will try to help them do so?

Mr. MCDONOUGH. No. We don't, and——

Mr. LONG. Why don't we do that?

Mr. MCDONOUGH. Well, I don't think we should.

Mr. LONG. Why shouldn't we?

Mr. MCDONOUGH. Well, I think all of these people came, the bulk of them came——

Mr. LONG. But why don't we ask them, "If you want to go home, we will try to help you do so."

Mr. MCDONOUGH. Well, first of all, saying that raises expectations we can't follow through on right now. I don't know when the new government in Vietnam or Cambodia——

Mr. LONG. Isn't this a very tender feeling? You don't ask a person whether he wants to go home, because you don't want to raise expectations?

Mr. MCDONOUGH. No, I don't agree with that. My grandmother, God bless her, wanted to go home until the day she died. Everybody wants to go home, but I don't think it's in the best interest of the people who are coming in and trying to make a new life here to show them initially there are some other outs. Right now there aren't.

Mr. LONG. How do you know there aren't any other outs?

Mr. McDonough. Because we have 585 people who are trying to get back, who want to go home. We sent 1,500 of them home and we thank God they were accepted.

Mr. Long. Why don't we do that again?

Mr. McDonough. Get another ship for 585? Vietnam accepted one ship, I don't know if they would take another.

Mr. Long. I must say I am quite astonished by this. You don't want to even ask people whether they want to go back to their country.

Mr. McDonough. If and when negotiations with the new nations are opened, then anyone who wants to go back home to any nation, can at any time. I think that a lot of the single, young men who came out and perhaps maybe didn't want to come out, but were on a helicopter or a ship where the captain decided they were leaving, and they have families back home, they may want to go home. And they should go home if their wives and children and parents are back there.

But until such time as we can offer them some meaningful vehicle, I don't see that we should ask people if they want to go home, if there is nothing we can do about it. We, I mean the United States, in order to get them home——

Mr. Long. You say there is nothing you can do about it, but you have already done it with a number of refugees.

Mr. McDonough. But that was a gamble, quite a risk to take a ship.

Mr. Long. Why did we do it then?

Mr. McDonough. Because we wanted these people to go home, and they wanted to go home. They expressed a need.

Mr. Long. Why can't we do it with the others?

Mr. McDonough. Because I don't think the 585 who expressed through application the desire for repatriation feel they want to go home as strongly as the 1,500 who said "I do not want to be resettled, I do not want to live in the United States."

Mr. Long. You have taken no pulse readings of people as to how intensive their desire is to go home. How on Earth do you know the answer to that question? How can you possibly know, without making any effort to find out.

Mr. McDonough. With the 585 there has been an indication of how fierce their desire was to go home.

Mr. Long. What do they have to do, go to a local post office or something and start tearing up woodwork before you decide they really want to go home?

Mr. McDonough. The 585 who are on this list are out of the 130,000 people who left the resettlement centers, were resettled, and wanted to try to make a new life.

Now, for whatever reason only 585 have expressed a desire to return. Of that 585——

Mr. Long. Just exactly how did this expression come about?

Mr. McDonough. They filled out an application and sent it to the UNHCR.

Mr. Long. Did they initiate this?

Mr. McDonough. Yes.

Mr. Long. Why couldn't we have initiated this?

Mr. McDonough. I am told by a member of my staff there was a notice in the newspaper—we have a trilingual newspaper—about how you go about requesting repatriation.

The notice was in the October and November issues.

Mr. LONG. What you told me, if I understand it, is that we are not making any effort to find out whether any of the refugees want to go back home, and you are now saying we do make an effort.

Mr. MCDONOUGH. Well, we are making an effort. Your question was based on somebody coming in for welfare, do we ask them if they want to go home, and I said no, and that continues to be the record, and continues to be correct.

This is a notice in the newspaper that we send out on a monthly basis, and in this I am told by my staff, back in October and November there was a notice of how you go about requesting repatriation.

Mr. LONG. Couldn't that same thing have been done with those applying for refugees assistance?

Mr. MCDONOUGH. Well, the application——

Mr. LONG. Why do you have to put it in the newspaper rather than letting them know when they came in and ask.

We can't guarantee we can get you back in, but would you like to go back home? We don't want to raise unwarranted expectations, but would you like to go home if the occasion arises?

Now, why couldn't you do that?

Mr. MCDONOUGH. It's not a matter of can't.

Mr. LONG. Well, why don't you do it?

Mr. MCDONOUGH. Well, because I disagree. It's a tough one. I can understand your concern, but I just don't believe we should send it out. I don't think we should go about encouraging people to do things that we can't at least at this time take any action on.

Mr. LONG. Perhaps you ought to be told by Congress what your job is then. As a matter of fact, is it really up to you to make such policy?

Mr. MCDONOUGH. Well, it is now.

Mr. LONG. We are responsible for raising taxes, we have to answer to people for this gigantic foreign aid program, and welfare programs, and the people are getting more and more outraged by it. Then we have officials like you who seem to be quite halfhearted about doing anything that could decrease our costs in the long run while helping people do what they want to do.

Mr. MCDONOUGH. I am not half-hearted. My point is that 130,000 people wanted to come to our country. They are here.

Mr. LONG. I understand there is some question whether all that many really wanted to come.

Mr. MCDONOUGH. As I said earlier, there were 1,500 we know didn't want to come, and we provided an opportunity for them to go back. There are—out of the population of 130,000 who have had the information we made available to them at the camps, with the information we made available in the newspaper, as well as information they receive just by being in the United States and realizing they have an opportunity to at least make application—only 585 who have requested an opportunity to go home.

Mr. LONG. But if you made some continuing effort to ask people what they want to do, you might get some more who want to go home don't you think?

Mr. MCDONOUGH. I don't know. Perhaps.

Mr. LONG. But, you have rejected the idea.

Mr. McDonough. I don't reject it outright. Let me consider it, but right now I do reject it.

Mr. Long. All right, I hope you consider it, and let's hear from you in the record on this, because I think legislation ought to be offered that would take it out of your hands and direct you to do it.

Mr. McDonough. Then we would do it.

[The information follows:]

U.S. Policy and Actions on Refugee Repatriation

The following information from the Report to the Congress by the Interagency Task Force for Indochina Refugees, December 15, 1975, summarizes United States policy and actions on refugee repatriation:

A CHRONOLOGICAL REVIEW OF U. S. POLICY ON
VIETNAMESE AND CAMBODIAN REFUGEE REPATRIATION

Background: The United States believes in freedom of movement for all people. Thus, it has been clear from the beginning that the United States would not stand in the way of any refugee who indicated that he would prefer to return to his country of origin. We turned to the traditional intermediary in instances where the countries involved do not maintain diplomatic relations, the United Nations High Commissioner for Refugees.

April 26. The UNHCR agreed to seek ways to assist voluntary repatriates and negotiations with the authorities in Vietnam and Cambodia. A first UNHCR representative was subsequently sent to Guam to conduct interviews with the earliest would-be repatriates.

May 3. The first requests for repatriation came from a group of Vietnamese Air Force personnel. Interagency Task Force representatives on Guam were instructed to lodge them separately and to inform them of the U. S. willingness to help to the extent possible in the circumstances and to explain the role of the UNHCR.

May 3. All refugee staging sites and reception centers were instructed to post notices and to run regular announcements in the camp newspapers informing the refugees of the option of repatriation.

May 8. All diplomatic and consular posts were advised by cable of U.S. policy regarding repatriation and instructed to turn over any such applicants to the UNHCR.

May 13. In testimony before the Senate Appropriations Committee, Ambassador L. Dean Brown, then Director of the Interagency Task Force, said in connection with U. S. policy, "If they want to go back, then through the United Nations High Commissioner for Refugees they will go back."

May 22. In testimony before the House Subcommittee on Immigration, Citizenship and International Law, Ambassador Brown reported, "...We have made very conscious efforts, in light of the desires of some of the members of the Subcommittee here, to get the news across to every Vietnamese, either in the United States or at Guam and Wake, that they are not there under compulsion, that they can go back, that there is a mechanism by which they can go back. They can think it over again."

May 29. The first UNHCR representative arrived at a continental United States refugee center to conduct interviews with would-be repatriates to ensure they had made their decisions voluntarily and to distribute the questionnaire which had been worked out in conjunction with the Vietnamese authorities and which is required in Saigon before a decision will be made there.

June 3. The UNHCR New York representative announced that South Vietnamese authorities had requested its assistance in repatriation but that a solution would not emerge overnight.

June 20. Approximately 80 of the more than 200 would-be repatriates at Fort Chaffee demonstrated and threatened to turn violent if they were not moved to Camp Pendleton as quickly as they had expected. (Counter-demonstrations by refugees grateful for U. S. care followed). The movement was to be part of a consolidation process, first at Pendleton, then on Guam, of all would-be repatriates already interviewed by UNHCR representatives.

July 8. In response to an appeal by the UNHCR for funding, the U. S. agreed to provide $2 million to the UNHCR to pay for its costs and the costs of the travel of repatriates from the U. S. refugee system to Vietnam if and when the authorities there accepted their return.

The U. S. also informed the UNHCR that it was prepared to assist in similar ways in the repatriation of Vietnamese already living in American communities who might decide that they, too, wished to return.

July 4-21. Applicants from the U.S. and continental refugee centers were moved to Guam.

July 19. The UNHCR was asked urgently to raise with the authorities in Vietnam the possibility of a meeting between representatives of the would-be repatriates and representatives from Saigon.

July 20. Slightly more than 2,000 Vietnamese and Cambodians have applied to the UNHCR for assistance in repatriation. The UNHCR has been unable to get an answer of any kind from Phnom Penh and has learned from Saigon that the 600 questionnaires it has already forwarded there are being screened.

July 21. The UNHCR reported that it was instructing representatives in Southeast Asia to try to arrange the requested meeting between repatriates and Vietnamese authorities.

July 21. Vientiane advised that Hong Kong had agreed to act as a transit point for the Vietnamese repatriates coming from Guam.

July 22. USG concern for the continuing welfare of the would-be repatriates and over the slow progress toward their repatriation was once more conveyed to the UNHCR. Our Ambassador to the United Nations was also asked to raise the issue with Secretary General Waldheim.

July 23. State Department urged UNHCR representative in Vientiane to arrange a meeting between Vietnamese authorities and repatriates in a third country, perhaps Laos. U. S. Government would pay expenses for Guam repatriates delegation.

July 24. Sit-down demonstrations in Guam Repatriate Camp.

July 24. UNHCR representative in Guam stated that any unilateral action on the part of the United States would be a breach of agreement and UNHCR would withdraw its good offices.

August 15. UNHCR advised that Saigon authorities rejected request for meeting on repatriation in Laos or other country (see July 19).

August 18. Representative Joshua Eilberg issued a press release stating that he would urge the Secretary of State immediately to request countries who have recognized the Provisional Revolutionary Government of Vietnam to assist in repatriating the Vietnamese refugees on Guam.

August 19. Petitition presented on Guam to Senior Civil Coordinator and representative of United Nations High Commissioner for Refugees during peaceful demonstrations by repatriates asking for the use of a ship to be manned by repatriates to sail to Saigon.

August 20. Congressmen Charles H. Wilson, Mendel J. Davis, and Delegate Antonio B. Won Pat, visiting repatriates at Camp in Guam, advised that they thought U. S. should let the repatriates set sail immediately for Vietnam on their own ship, rather than working through United Nations.

August 19-23. Repatriates on Guam previously housed in four contractor camps were consolidated in one camp, the Asan camp, for reasons of economy and security.

August 23. Letter from Acting Secretary of State Robert S. Ingersoll to Representative Charles H. Wilson in response to Congressman Wilson's telegram from Guam. Letter stated that using the ship was a difficult unilateral decision to be made and we would prefer continuing to try with the UNHCR.

August 29. A meeting was held to discuss options with regard to repatriates. This meeting resulted in September 1 cable.

August 31. Violent demonstrations break out at repatriates' camp in Guam. One barracks burned down. Four U.S. Marshals hospitalized.

September 1. Cable sent from Acting Secretary of State Robert S. Ingersoll to Francis Dale in Geneva regarding strongly urging the UNHCR to reinforce the need for speedy action in acceptance by the PRG; message also sent to USUN. In that cable, State Department also requested UNHCR to consider establishment of international camps for repatriates if demarche unsuccessful in South Vietnam. Stated that repatriates are an international issue with many potential repatriates in third countries around the world seeking return.

September 19. UNHCR visits Vietnam to discuss repatriation prospects with Vietnamese and Cambodian authorities.

October 3. At the request of the Task Force, the U. S. Navy assumes responsibility for repairing and provisioning the Vietnamese freighter, Vietnam Thuong Tin I, to be turned over to Vietnamese repatriates.

October 16. Vietnam Thuong Tin I sails from Guam with 1,546 Vietnamese repatriates aboard.

October 31. UNHCR meets with Task Force and State Department officials to discuss repatriation. UNHCR says he will provide funds from other than U. S. sources for relief and assistance to 1,546 repatriates from Guam.

November 12. UNHCR visits reception center at Indiantown Gap and promises refugees there requesting repatriation his continuing best efforts on their behalf.

December 11. 116 Cambodian repatriates depart Fort Chaffee for a UNHCR sponsored halfway house in Philadelphia.

Present Status of Repatriation

Following is a summary of the present status of repatriation actions as of March 15, 1976:

As of February 23, the United Nations High Commissioner for Refugees representative in New York had received requests for repatriation from 403 Vietnamese and 182 Cambodians in the U.S. Under an agreement between the UNHCR and Vietnamese authorities, the UNHCR has forwarded the Vietnamese requests to the Vietnamese authorities for approval at the district level. The Vietnamese authorities have indicated, however, that they do not expect to accept these repatriates in the near future.

All but one of the Vietnamese in the U.S. who have applied for repatriation have been sponsored out into American society. The one exception is living at a "half-way house" at the Philadelphia YMCA.

There are also 114 Cambodians at this same half-way house which is being run by an American voluntary agency under an agreement with the UNHCR. The UNHCR has not reached an agreement with the Cambodian authorities to handle repatriation but has learned from the Cambodian mission in Paris that Cambodians desiring repatriation should write directly to the mission. The UNHCR has given this information to the 114 Cambodians in Philadelphia who have written to the mission. The UNHCR also is providing the same information to the remaining 68 Cambodians in the U.S. who have applied for repatriation to the UNHCR but have been sponsored out into U.S. society while awaiting repatriation.

Refugee Newspaper Articles

Following is the English version of announcements on repatriation published in the Interagency Task Force newspaper, New Life:

ANNOUNCEMENT

Since publication of the above article, the South Vietnamese authorities on October 4 condemned the idea of the return of repatriates to South Vietnam by ship. Radio Hanoi stated, "Authorizing Vietnamese abroad to return to their country is a matter that falls within Vietnam's sovereignty."

United Nations efforts to permit refugees to return under its auspices continue, but there is no indication of when Vietnamese authorities may agree to this.

Vietnamese or Cambodian refugees interested in applying at this time to return to their countries may register their intention with the United Nations High Commission for Refugees (UNHCR), which is accepting applications even though the Vietnamese and Cambodian authorities have not agreed to the return of any refugees.

Those refugees in resettlement centers may contact the UNHCR representative at the center. Those living outside of the centers may contact the nearest chapter of the Red Cross. The Red Cross will contact the UNHCR of the refugee's behalf.

(Issue of September 16-30, 1975.)

NEWS BULLETIN

A Vietnamese ship, the Thuong Tin I, departed Guam October 16 with about 1500 Vietnamese aboard who want to return to their homeland,

U.S. officials said.

The decision of the Vietnamese to return rested entirely with them, U.S. officials stated. Prior to their embarkation, each person or head of household reconfirmed his decision to return aboard the ship.

The U.S. government has taken all feasible steps to assure the safety of the Thuong Tin I, officials said. The ship was provisioned and fueled for the voyage, and inspected for seaworthiness by a marine insurance company.

A crew of former Vietnamese merchant marine and naval personnel organized by the group desiring repatriation has conducted shakedown cruises to familiarize themselves with the vessel and assure that they are up to the accepted standards of readiness.

Officials added that the ship has been provided with navigational and communications equipment of normal maritime standards to assure that it can report its progress and request assistance if necessary. The U.S. will assist the vessel at any time assistance is requested, officials said.

Some refugees in the continental U.S. and on Guam who have requested repatriation did not elect to return on the Thuong Tin I. U.S. officials have asked the United Nations High Commission on Refugees (UNHCR) to continue to act on these refugees' behalf to assist them - as well as any other who might in the future decide to go back - in returning to their homeland.

Refugees who wish to apply for repatriation under UNHCR auspices should contact their local chapter of the Red Cross, officials said.

(Issue of October 1-15, 1975.)

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The Department of Health, Education, and Welfare will continue to advise refugees, refugee organizations, resettlement agencies, and State and local agencies of developments and procedures regarding repatriation.

Mr. LONG. We don't have room in this country for all of the people that want to be here. It's disheartening to think there may be people in this country who would like to go back home that we are saddling the taxpayers with the cost of these people, makes me as angry as it makes my constituents.

Mr. MCDONOUGH. Sir——

Mr. LONG. When I have to go home and explain these programs to my constituents, all I can tell you is it's impossible, the room just gets filled with rage, and I wish you people who have to administer these programs could understand how the people in this country feel about these programs.

We are a kind-hearted people, we want to help people, but to think we are keeping people here who don't want to be here is——

Mr. MCDONOUGH. We are not ramming.

Mr. LONG. Or not even finding out whether they don't want to be here——

Mr. MCDONOUGH. Well, we have through this vehicle, as I mentioned in the newspapers——

Mr. LONG. You are not making every effort, that is my point, and don't even seem anxious to do it. You don't even think it's your job.

Mr. MCDONOUGH. Well, when a person is coming in for cash assistance and welfare, he is at a low point. I don't think it's an appropriate time. No doubt there is a time to talk about returning to Indochina, and if you are a sponsor, if you are working with the voluntary agency, that comes up, but when a person is coming——

Mr. LONG. I appreciate the delicacy of your feelings. I wish you had the same feeling of delicacy for taxpayers who are having very difficult problems getting by.

I can show you whole rooms full of people to whom a dollar or $2 of extra cost is a calamity.

Mr. MCDONOUGH. Well, sir, when it comes down to where it happens at the local level, it means a person comes in, requests assistance, requests some help, they don't want to but they have to, and if what you do is say how would you like to go home, I don't think that is what our country is all about.

Mr. LONG. Well, I already told you that I wouldn't put in the request in those terms, but much more sympathetically in the sense of asking people what they would really like to do.

Mr. MCDONOUGH. Unfortunately when you are dealing with 50 States and thousands of counties it is the way it comes down.

Mr. LONG. You don't seem to know how to ask an intelligent or sympathetic question.

Mr. MCDONOUGH. I am not asking the quesiton. That is the point.

Mr. LONG. Apparently, you don't even think the question ought to be asked.

Mr. MCDONOUGH. Well, we will reconsider it, but right now we are not.

Mr. LONG. Well, that is kind of you.

MEDICAL ASSISTANCE COSTS

Mr. BEVILL. What is the anticipated dollar portion of the program to go for medical assistance?

Mr. MCDONOUGH. Based on estimates received from the States, it is estimated approximately 30 percent of the total estimate for wel-

fare assistance and services will be required for needed medical care on behalf of those refugees determined by the States to be eligible on the basis of need for medical assistance. This would mean medical care costs of approximately $20 million for fiscal 1977.

NUMBER ELIGIBLE FOR MEDICAL ASSISTANCE WILL CONTINUE AT HIGH RATE

Mr. BEVILL. Do you expect the medical expenditures to follow the expenditure curve of the whole welfare assistance and services program, peaking in the fourth quarter of 1976, or do you expect the medical program to continue at a high rate longer than the rest of the welfare assistance and services program?

Mr. MCDONOUGH. We would expect the medical assistance would continue at a higher rate—that is, in terms of the number of refugees eligible for medical assistance—for a longer period. This would result from the fact that although we expect that many refugees will become self-supporting and no longer eligible for cash assistance, some would still be eligible for medical assistance. In other words, the income of some is expected to be low enough for them to establish eligibility as "medically needy" persons though they would be above the income limits for cash assistance.

We would not expect the medical expenditures alone to peak in the fourth quarter.

FEEDBACK FROM SPONSORS OF THE REFUGEES

Mr. BEVILL. What type of feedback have you been receiving from the sponsors of the refugees concerning the assimilation of these people into American society? What percentage of the sponsors have terminated their sponsorship?

Mr. MCDONOUGH. The refugees, generally, have been anxious to assimilate and sponsors seem to feel that they are doing this well. Those refugees sampled have indicated that they are generally satisfied with their sponsorship arrangements, as well, and many indicate that they want to remain to settle in their present community. Both sponsors and refugees indicate that personal contact and concern by the sponsors is welcome, both in emotional and practical terms. Sponsors also relate that the ability of refugees to interact with other refugees in a given location has a positive effect on the refugees' sense of security and, therefore, contributes to the quality of assimilation.

The percentage of sponsorship termination, while not precisely known, is believed to be small. That which does occur usually involves individual sponsors as opposed to group or congregation sponsorships. The voluntary agencies arrange alternative sponsorships for those that are terminated if it comes to their attention.

REASON FOR PROJECTED INCREASE IN WELFARE RECIPIENTS THROUGH JUNE

Mr. BEVILL. You state that 31,000 refugees were receiving cash assistance at the end of February and that 36,000 can be expected to be receiving such assistance by the end of June. What leads you to expect such an increase?

Mr. McDonough. The percentage of refugees receiving cash assistance has been increasing. It was 19 percent as of December 1, 1975, and 24 percent as of the end of this February. We know that many refugees who are not receiving cash assistance are currently being supported by their sponsors. Some of these will undoubtedly become employed, but others will have to seek cash assistance because of withdrawal of sponsor support. We believe that the welfare rolls will continue to go up during the next few months and that 36,000 is a conservative estimate.

EMPLOYEE FUNCTIONS, FISCAL 1977

Mr. Bevill. What will be the duties of the employees you retain through this fiscal year?

Mr. McDonough. During fiscal year 1977, we are projecting that the program for the refugees will consist of cash assistance, medical assistance, and social services provided through the State welfare agencies. The staff working on the program in 1977 will be responsible for the management of these operations. This would include policy, program operations, and financial management.

Mr. Long. Thank you, Mr. Bevill. The committee is adjourned.

THURSDAY, MARCH 18, 1976.

ACTION-PEACE CORPS

WITNESSES

JOHN L. GANLEY, DEPUTY DIRECTOR OF ACTION
JOHN DELLENBACK, ASSOCIATE DIRECTOR OF ACTION FOR INTERNATIONAL OPERATIONS
EMERSON MARKHAM, DIRECTOR OF BUDGET, ACTION

PROGRAM AND FINANCING

(In thousands of dollars)

	1975 actual	1976 estimate	TQ estimate	1977 estimate
Program by activities:				
Direct program:				
1. Training and specialized recruiting	9,313	8,853	5,016	7,467
2. Volunteers	38,317	37,976	11,557	34,226
3. Program support	34,767	38,128	10,016	29,487
(Share of agencywide costs)	(12,719)	(13,811)	(3,433)	(10,883)
Total direct programs	82,397	84,957	26,589	71,180
Reimbursable program	302	200	40	200
Comparative transfer from domestic operations appropriation	—548	—368	—89	
Total obligations	82,151	84,789	26,540	71,380
Financing: Receipts and reimbursements from:				
Federal funds	—49			
Non-Federal sources	—4,432	—4,495	—617	—4,225
Unobligated balance, lapsing	16	979		
Budget authority	77,687	81,273	25,923	67,155
Budget authority:				
Appropriation	77,687	80,826	25,729	67,155
Supplemental now requested for civilian pay raises		447	194	
Relation of obligations to outlays:				
Obligations incurred, net	77,670	80,294	25,923	67,155
Obligated balance, start of period	17,183	9,586	12,026	14,178
Obligated balance, end of period	—9,586	—12,026	—14,178	—16,018
Adjustments in expired accounts	1,005			
Outlays, excluding pay raise supplemental	86,272	77,407	23,577	65,315
Outlays from civilian pay raise supplemental		447	194	

Note.—Excludes $3,938 in 1977 for activities transferred to: Salaries and expenses, State. Comparable amounts for 1975 ($2,560), 1976 ($3,360), and TQ ($939) are included above.

OBJECT CLASSIFICATION

[In thousands of dollars]

	1975 actual	1976 estimate	TQ estimate	1977 estimate
Direct obligations:				
Personnel compensation:				
Permanent positions	9,025	8,606	2,486	8,401
Positions other than permanent	3,007	3,020	1,200	2,469
Other personnel compensation	34	33	15	55
Special personal services payments:				
Employees	297	279	60	188
Volunteers and trainees	26,091	23,878	6,225	22,588
Total personnel compensation	38,454	35,816	9,986	33,701
Personnel benefits:				
Employees	1,350	1,325	332	1,054
Volunteers and trainees	1,479	1,566	1,314	1,624
Benefits for former personnel	145	134	19	91
Travel and transportation of persons	10,763	11,773	4,690	9,525
Transportation of things	1,142	1,441	488	1,036
Rent, communications, and utilities	2,554	2,495	876	2,585
Printing and reproduction	186	243	74	223
Other services	9,820	12,044	4,061	7,258
Supplies and materials	3,022	2,993	1,030	2,405
Equipment	632	963	245	465
Grants, subsidies, and contributions	42	260	15	260
Insurance claims and indemnities	89	93	26	70
Administrative expenses (share of agencywide costs—see separate schedule)	12,719	13,811	3,433	10,883
Total direct obligations	82,397	84,957	26,589	71,180
Reimbursable obligations:				
Personnel compensation: Permanent positions	49			
Equipment	252	200	40	200
Total reimbursable obligations	302	200	40	200
Undistributed (comparative transfer from domestic operations appropriation)	—548	—368	—89	
Total obligations	82,151	84,789	26,540	71,380

Mr. PASSMAN. The committee will come to order.

We shall continue our examination of the budget request for foreign assistance for fiscal year 1977. The presentation this morning will be in behalf of the Peace Corps. We have as witnesses the Honorable John L. Ganley, Deputy Director of ACTION; Mr. John Dellenback, Associate Director of ACTION for International Operations; and Mr. Emerson Markham, Director of Budget for ACTION.

I would assume, Mr. Director, that you have a statement you would like to insert in the record at this point.

GENERAL STATEMENT

Mr. GANLEY. Mr. Chairman, I do.

Mr. PASSMAN. At this point we will insert your statement and Mr. Dellenback's biography.

[The statement and biography follow:]

Mr. Chairman and members of the committee, it is a pleasure for me to have the opportunity to appear before you to report on the state of the Peace Corps and to describe its plans for the coming fiscal year.

ATTITUDES OF VOLUNTEERS

The state of the Peace Corps is good. In my opinion, the morale and feeling of accomplishment of Peace Corps volunteers have never been better. This belief is confirmed by the results of a recent survey of volunteers. Over 66 percent of all volunteers who were active at the time of survey—nearly 3,500 in number—returned the questionnaires.

Eighty-seven percent of the volunteers reported that they felt satisfaction about their Peace Corps experience. About 90 percent of the volunteers considered their jobs to be useful for the development of the country in which they are serving.

This overwhelming endorsement by the volunteers of the Peace Corps and their own individual work is a strong indication of the high morale and the dedication of more than 6,000 Peace Corps volunteers to their work of improving the lives of the citizens of the 69 countries in which they are located. These American men and women are now in 27 countries in Africa, 22 in Latin America, and 20 countries throughout the rest of the world. Working principally in the fields of agriculture, health, and education, the volunteers are also engaged in a myriad of projects in such other fields as small business development, the establishment of cooperatives, the promotion of conservation, providing constructive projects for the young, and urban development.

Let me mention another indicator of the volunteers' satisfaction with their Peace Corps experience. Twenty-four percent of ACTION's full-time personnel are former Peace Corps volunteers. Included in their numbers are Peace Corps Country Directors, a Regional Director and Deputy Regional Directors for domestic operation, and many of our other key employees. We codsider ourselves fortunate that the talent of so many ex-volunteers, honed by experience in the field, remains available to us.

ATTITUDES OF HOST COUNTRIES

The satisfaction of Peace Corps volunteers with their jobs is matched by the satisfaction of the governments and people of the countries in which they serve. The demand for our volunteers is consistently high. Host countries continue to make significant contributions to Peace Corps. In fiscal year 1977, we anticipate receiving some $4 million in cash and in-kind contributions. In addition to this $4 million, host countries routinely provide substantial amounts in support of enterprises in which Peace Corps volunteers are engaged.

Chiefs of state, ministers of education and health, and avearge citizens of these nations have heaped praise on the work of Peace Corps. Commendations such as the following from Vice Chancellor L. F. Brosnohan of the University of the South Pacific in Fiji are typical:

"There is little doubt that if the Peace Corps assistance in staffing were to be withdrawn, the teaching programs of the University would need to be terminated, to the detriment of the educational development of the South Pacific Region."

Let me cite one specific example of the respect which the Peace Corps commands. Not too long ago, in an African country, a coup replaced a civilian government with one controlled by the military. As soon as the new government came to power an immediate ban was imposed on all intracountry transportation, and travel outside the country was severely curtailed.

Several days after the coup, our Peace Corps Country Director received a call from a high ranking official of the new government. Despite the general prohibition on internal transportation, the official informed our Director that the ban did not apply to the Peace Corps.

This official informed our Director that the new government was composed of individuals who had grown up in villages throughout the countryside. They had seen Peace Corps Volunteers in action. They had gained a great respect for what Peace Corps could do and was doing. And they wanted that to continue.

PEACE CORPS MISSION

The Peace Corps continues to pursue its three goals throughout the world—without fanfare, in places that are far from centerstage in the world, and among people whose poverty-stricken existence generally goes unnoticed. It imparts skills and provides technical assistance. It provides cultural interchange. But its aim above all—an aim that Congress specifically set down in the Peace Corps Act 15 years ago—is to promote world peace and friendship. The Peace Corps is the only agency of the United States that is charged with a specific statutory mandate for this mission.

I want to pay a deserved tribute to one group of Peace Corps Volunteers whom John Dellenback recently visited. At this very moment, in the aftermath of the horrible earthquake in Guatemala that left over 20,000 dead and more than a million people homeless, all 130 Peace Corps Volunteers there are engaged in relief efforts, located at strategic points in the country to assist in the delivery of

health care and food. I am pleased to note that every single volunteer is safe and none of our volunteers was seriously injured by the earthquake. Their services are being utilized by such agencies as CARE, Catholic Relief Services, Red Cross, and the famous Bherhorst Clinic. Since our volunteers live in all parts of Guatemala, speaking the native tongue and understanding the needs and mores of the people, they are uniquely able to assist the relief programs in remote areas of the country. In one area, 12 of the 27 persons working in a CARE relief project are Peace Corps Volunteers. And 6 others are former volunteers!

THE PEACE CORPS VOLUNTEER

Peace Corps Volunteers do not all come from the same mold. In age they range from 20 to 80, although two-thirds of them are in their twenties. Sixty-three percent are men and 37 percent women. Seventy-seven percent are college graduates. The percentage of older volunteers is higher than it was in the early days of the Peace Corps. At present, 333 volunteers are over the age of 50.

An attempt in a short statement to summarize the activities of more than 6,000 Peace Corps Volunteers would produce only a confused blur. Rather than make such an attempt, I would like to speak for just a few moments about one Peace Corps Volunteer, Douglas Spidle.

After working for more than 25 years as an electrical lineman in Nevada and on the west coast, Douglas Spidle, 49, of Las Vegas, decided that he wanted to do something different—to do more than just make a weekly wage.

A year ago, Spidle, who has two married children and four grandchildren, joined the Peace Corps. Last fall, he and his wife, Mary, moved to Ecuador where he serves as a volunteer lineman for the country's rural electrification program.

"I'll never make $1 million doing this and sometimes the job gets so frustrating I feel like heading home on the next plane," said Spidle. "But despite the frustration, I can see results in my program. You know you have helped somebody, and these people need help so badly."

Spidle is the only Peace Corps lineman working for the Instituto Ecuatoriano de Electrificacion (INECEL), the country's electrification agency. The volunteer works mostly in rural areas, spending 2 or 3 weeks at a time assisting in the construction and maintenance of isolated power plants and other electrical projects.

One of the least developed countries of South America, Ecuador has considerable hydroelectric power potential. Since the early 1960's, the government has set a high priority on electrical development by INECEL.

"About 75 percent of the country's small rural areas have no electricity at all, and some others might have it for 1 or 2 hours a day. Some people out in the campo (countryside) have never even used electricity." said Spidle. "One 25-watt bulb in a house is considered real electrical power in most rural areas. There are no electrical appliances except in the larger towns."

The electrification project desperately needs experienced electrical linemen to train Ecuadorian crews to string wire, plant poles, run transmitters and generators, and to teach unskilled foremen to train and supervise lineworkers. If enough skilled electrical craftsmen volunteer for this work over the next few years, INECEL would have the expertise it needs to finish the electrification project without outside help.

Because of INECEL's urgent need for linework expertise, the Ecuadorian government and the Peace Corps have arranged for Spidle to recruit volunteer linemen in the United States. He has interrupted his work for 1 month to tour the country in search of eight experienced linemen to serve INECEL for 2 years as Peace Corps Volunteers.

Spidle's 2-year tour in the Peace Corps will be completed in the fall of 1976, but he may extend for another year's service in Ecuador. "I don't know right now. I just take 1 day at a time," he said. When he leaves Ecuador, he plans to join Volunteers in Service to America (VISTA) to assist in electrical development on an Indian reservation.

THE PEACE CORPS BUDGET

For fiscal year 1977 we are requesting $67,155,000, which is $14,118,000 below the previous year's request. This reduction will have a minimum impact on volunteer levels. We plan a decrease of only 257 manyears. During fiscal year 1977, Peace Corps will provide 5,708 volunteer years of service and there will be 3,370 volunteer trainees.

In fiscal year 1977 the Peace Corps expects to serve in 67 countries. During fiscal year 1976 and the transition quarter, Peace Corps will complete its pro-

gram in Iran, India and Mauritius. At present we plan to enter at least one new country—Haiti. A careful evaluation of our program in many host countries is currently underway. Close study or negotiations have commenced with several countries around the world on the possibility of establishing Peace Corps programs in those nations.

The reduction in the budget is made in the three major activity areas: program support, training and specialized recruiting, and volunteers.

Of the three activities, the largest reduction comes from program support, which develops, maintains, and coordinates effective Peace Corps programs abroad, provides administrative and technical support to volunteer already on the job, and supervises in-country training programs. We propose to reduce this activity by $8,641,000, requesting for fiscal year 1977, $29,487,000. This decrease is attainable in the following way:

First: The assumption by the State Department of a major part of the costs of services previously paid by the Peace Corps under the Shared Administrative Services, amounting to $3,130,000.

Second: A reduction in the Washington staff and the associated costs such as travel, equipment, supplies, and building rental, totaling $799,000.

Third: A reduction in overseas support by $1,574,000. Although the number of staff positions abroad will only be slightly reduced, there will be a savings in salaries, support, and travel. Also, no purchase of new vehicles is planned in fiscal year 1977, a reduction of $600,000 from the amount to be spent in the current fiscal year.

Fourth: A reduction in program evaluation by $210,000.

Fifth: A reduction in agency-wide costs by $2,928,000, resulting from changes in recruitment as well as reductions in public affairs and communications, planning and policy development, and management and administration. In part this reduction also reflects a change in the formula for allocating agency-wide costs which reduce the share of such costs attributed to ACTION's international operations.

We recognize, however, the fact that support can be reduced only so far without seriously impairing the effectiveness of the volunteer. We are determined to monitor closely the effects of cuts in support activity in order to avoid this danger.

Second: We are asking for $7,467,000 for training and specialized recruiting, a reduction of $1,386,000. The estimated decrease of $785,000 in preservice training is because the cost per trainee-week and the number of trainee entries have both been reduced. Since all onboard volunteers will have received inservice training in fiscal year 1976 and the transition quarter, this activity will be cut by $307,000. Also, a reduction will be made of $294,000 in the intern programs because of our added emphasis on small contracts with specialized groups to identify individuals with scarce skills who would like to join the Peace Corps.

Third: Since the total number of volunteer years will be reduced by 25 percent, or 4 percent in volunteer activity, there will be a total savings of $3,750,000 for such support as travel, subsistence, support of dependent children, leave, and various allowances. The amount requested for this activity is $34,226,000.

Finally, we are requesting the appropriation of $1 million for increase in salary, pay, retirement, and other employee benefits that may be authorized by law.

Regrettably, we have not included funding of the authorized increase in the readjustment allowance. The requested expenditure level for fiscal year 1977 makes an increase imprudent since it requires us to eliminate from plans for fiscal year 1977 a number of support services which, if continued, in the long run could do serious injury to program quality. It requires us to reduce projected volunteer years by about 260.

To further expend from within this lower appropriation funds for an increase in the readjustment allowance would force a further reduction of about 540 volunteer years and very probably withdrawal from a number of countries.

However, as you may know, the House has just approved the Peace Corps authorization for fiscal year 1977, including a provision that the Volunteer shall receive not less than $125 per month as a readjustment allowance.

TRENDS IN PEACE CORPS

During fiscal year 1976, several significant trends have emerged within Peace Corps.

There is an increasing emphasis on using volunteers with a generalized educational background and giving them concentrated training to equip them for specialized areas of service.

Based on lessons learned in fiscal year 1975, with alternate methods of recruiting and placing volunteers, a new recruiting and placement system went into effect at mid-year to shorten the time lag between these two functions and to avoid securing large numbers of applications which create false hopes among potential volunteers.

The placement function has been shifted organizationally to International Operations where it can be more responsive to field needs, and the recruiters are armed with much more specific and timely program information.

Internal administration has been further tightened with resultant reductions in staff personnel and the establishment of clear lines of authority and responsibility.

To insure continuity and an increased level of professionalism in the recruitment area, WAE (when actually employed) recruiters are being converted to permanent General Schedule seasonal employees in fiscal year 1976.

A review of relationships with the voluntary organizations, USAID and volunteer exporting organizations in other countries is underway. Out of this study will come a plan for defining and reemphasizing the opportunities for cooperation with them.

Records of innovative and distinctive projects and programs from all over the world over the past 15 years as well as various manuals written by Peace Corps Volunteers in the field are being compiled for use in the international aid field.

We believe that the original concept of the Peace Corps remains as solid today as it was in 1961. The people of the United States wish to express their concern for, and interest in, the peoples of other countries through an organization which brings Americans into close contact with the people of other lands. For 15 years the Peace Corps has been the major organization through which this concern has been expressed.

The original concept of the Peace Corps has within itself some of what is best in the American tradition. We want to retain those elements as an essential part of the organization. Beyond this, we will be exploring changes in policies and procedures where such changes will help us carry out the mandate of our mission.

The past 15 years have demonstrated the deep and abiding value of the contributions which Peace Corps has been able to make to Americans and to the world. Under the guidance and with the continued support of the Congress the Peace Corps eagerly looks forward to continuing this great and successful effort.

Biographical Sketch—John Dellenback

John Dellenback, 56, a lawyer and former Congressman from Oregon, was nominated by President Ford on March 29, 1975, as ACTION's Associate Director for International Operations.

Continuing a long career in public service, Dellenback would direct Peace Corps programs and operations throughout the world. The Peace Corps has been part of ACTION, the Federal agency for volunteer service, since 1971. There are currently 7,300 Peace Corps volunteers serving in 68 developing nations around the world.

Dellenback was a Member of the U.S. House of Representatives, where he served four consecutive terms as the congressman from Oregon's 4th Dixtrict. First elected to the 90th Congress in 1966, he became a member of the "Wednesday Group" and served on the Committees on Education and Labor, Interior and Insular Affairs, and the Joint Committee on Congressional Operations. He was re-elected in 1968, 1970 and 1972.

Born in Chicago, Dellenback graduated Phi Beta Kappa from Yale University in 1940 with a B.S. degree in applied economic science. He received his law degree from the University of Michigan Law School in 1949 and settled in Oregon, where he taught business law for 2 years at Oregon State University.

In 1951 he entered private law practice in Medford, Oreg. He was active in community and church affairs, serving as a trustee of Lewis and Clark College and of the Kiwanis Foundation of Medford. He also was a member of the Masonic and Elk lodges and served on the Permanent Judicial Commission of the United Presbyterian Chruch.

In 1960 Dellenback entered politics and was elected to the Oregon State Legislature as a representative from Jackson County, an office to which he was reelected for two succeeding terms. While serving in the legislature, he was chairman of both the Judiciary and Constitutional Revision Committees. At various times, he also was a member of committees on education, highways, elections, State and Federal affairs, and legislative counsel.

Named by the press corps in 1961 as "Most Promising Freshman Legislator," Dellenback went on to serve as vice chairman of the permanent Legislative Tax Study Committee and the Judicial Council of Oregon.

During World War II, Dellenback served a 4-year tour of active duty with the U.S. Naval Reserve. Commissioned an ensign in 1942, he was released to inactive duty in 1946 with the rank of lieutenant senior grade. He subsequently received an honorable discharge as a lieutenant commander.

Prior to his military service, Dellenback had been a business training student with the General Electric Co. in Bridgeport, Conn.

Dellenback is married to the former Mary Jane Benedict of Indiana. The couple resides in Washington, D.C. They have three children, Richard, 25, David, 23, and Barbara, 19.

Besides the Peace Corps, ACTION programs include Volunteers in Service to America (VISTA), Foster Grandparent Program, Retired Senior Volunteer Program (RSVP), Senior Companion Program, Service Corps of Retired Executives (SCORE), Active Corps of Executives (ACE), ACTION Cooperative Volunteers and University Year for ACTION.

Mr. PASSMAN. Thank you very much. We will insert certain justification materials at this point.

[The justification materials follow:]

APPENDIX A: Statement of Authorizations and Appropriations FY 1962 - FY 1977
($000)

Fiscal Year	Original Budget Request	Amended Budget	Authorized	Appropriated (Including Reappropriation)	Appropriation Transfers 1/	Allocation from AID	Obligated as of June 30	Unobligated as of June 30	Reappropriated
1962	$ 40,000	$ ---	$ 40,000	$ 30,000	$ ---	$ ---	$ 29,496	$ 504	$ ---
1963	63,750	---	63,750	59,000	444	---	54,692	3,864	3,864
1964	108,000	102,000	102,000	95,964	---	---	76,164	19,800	17,000
1965	115,000	106,000	115,000	104,100	7	---	85,449	18,644	12,100
1966	125,200	---	115,000	114,100	---	---	113,173	927	---
1967	110,500	112,150	110,000	110,000	104	---	104,525	5,371	---
1968	124,400	118,700	115,700	107,500	---	---	106,846	654	---
1969	112,800	---	112,800	102,000	49	---	100,301	1,650	---
1970	109,800	101,000	98,450	98,450	---	---	90,776	7,674	---
1971	98,800	94,500	94,500	90,000	---	---	84,978	5,022	---
1972	71,200	82,200	77,200	72,500	---	2,600	75,037	63	---
1973	88,027	---	88,027	81,000	427	---	80,900	13	---
1974	77,000	---	77,000	77,000	37	---	76,949	14	---
1975	82,256	---	82,256	77,687	---	---	77,670	16	---
1976	80,826	---	88,468	---	---	---	---	---	---
Transition Quarter	25,729	---	27,887	---	---	---	---	---	---
1977	67,155	---	---	---	---	---	---	---	---

1/ Appropriation transfers are to GSA for all years except FY 1973. In FY 1973, $158,000 was transferred to GSA and $269,000 was transferred to Operating Expenses, Domestic Programs (PL 93-50; 87 Stat. 99).

APPENDIX B: Reconciliation of Appropriation and Obligation Totals
FY 1975 - FY 1976 - Transition
($000)

	FY 1975	FY 1976	Transition
Appropriation	$77,687	$80,826	$25,729
Requested pay supplemental	---	447	194
Budget Authority	77,687	81,273	25,923
Receipts and reimbursements from:			
Federal Funds	49	----	---
Non-federal funds	253	200	40
Host Country Contributions	4,180	4,295	577
Unobligated balance lapsing	-16	-979	---
Total Obligations	$82,151	$84,789	$26,540

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APPENDIX C:- Schedule of Host Country Contributions by Region FY 1968 - FY 1977
($000)

	Actual									Estimated	
	FY 1968	FY 1969	FY 1970	FY 1971	FY 1972	FY 1973	FY 1974	FY 1975	FY 1976	FY 19TQ	FY 1977
Africa	$1,885	$1,624	$1,270	$1,167	$1,179	$1,753	$2,458	$2,799	$2,665	$346	$2,447
Latin America	219	241	343	283	232	245	263	348	251	40	298
North Africa, Near East, Asia, & Pacific	861	1,626	892	755	853	1,007	1,206	1,033	1,379	191	1,280
TOTAL	$2,965	$3,491	$2,505	$2,205	$2,264	$3,005	$3,927	$4,180	$4,295	$577	$4,025

APPENDIX D: Allocation of Volunteer Years by Country FY 1975 - 1977

Summary by Region

	FY 1975	FY 1976	FY 1977
Africa Region	2,326	2,232	2,128
Transition Quarter (TQ)		/ 487/	
Latin America Region	2,047	1,572	1,539
TQ		/ 378/	
NANEAP Region	2,279	2,161	2,033
TQ		/ 509/	
TOTAL	6,652	5,965	5,708 1/
TQ		/1,374/	

1/ Includes a reserve for new countries.

APPENDIX D: Allocation of Volunteer Years by Country FY 1975 - 1977

NANEAP REGION

COUNTRY	FY 1975	FY 1976	FY 1977
Afghanistan	114	81	61
Transition Quarter (TQ)		/ 20/	
Bahrain	11	12	10
TQ		/ 2/	
British Solomons	3	20	72
TQ		/ 9/	
Fiji	129	130	152
TQ		/ 35/	
Gilbert-Ellice Islands	4	2	2
TQ		/ 1/	
India 1/	24	19	---
TQ		/ 2/	
Iran 2/	120	73	---
TQ		/---/	
Korea	242	172	193
TQ		/ 46/	
Malaysia	294	293	223
TQ		/ 68/	
Malta	2	1	1
TQ		/---/	
Micronesia	196	250	145
TQ		/ 40/	
Morocco	180	161	168
TQ		/ 42/	
Nepal	102	100	111
TQ		/ 28/	
Oman	22	20	34
TQ		/ 6/	
Philippines	336	312	299
TQ		/ 77/	
Thailand	214	191	180
TQ		/ 46/	
Tonga	71	80	95
TQ		/ 21/	
Tunisia	88	97	129
TQ		/ 28/	
Western Samoa	105	123	112
TQ		/ 31/	
Yemen	22	24	46
TQ	---	/ 7/	---
TOTAL	2,279	2,161	2,033
Transition Quarter		/509/	

1/ Peace Corps will exit by the end of the transition quarter.
2/ Peace Corps will exit by the end of FY 1976

APPENDIX D: Allocation of Volunteer Years by Country - FY 1975 - 1977

AFRICA REGION

COUNTRY	FY 1975	FY 1976	FY 1977
Benin (Dahomey)	61	59	67
Transition Quarter (TQ)		/ 17/	
Botswana	102	102	81
TQ		/ 24/	
Cameroon	83	76	68
TQ		/ 18/	
Central African Republic	21	35	67
TQ		/ 10/	
Chad	38	42	52
TQ		/ 8/	
Ethiopia	161	43	43
TQ		/ 10/	
Gabon	16	27	26
TQ		/ 6/	
Gambia	27	24	23
TQ		/ 5/	
Ghana	223	211	162
TQ		/ 37/	
Ivory Coast	91	73	74
TQ		/ 18/	
Kenya	179	246	224
TQ		/ 53/	
Lesotho	52	66	78
TQ		/ 19/	
Liberia	277	276	282
TQ		/ 64/	
Malawi	19	14	15
TQ		/ 4/	
Mali	27	38	50
TQ		/ 8/	
Mauritania	10	10	15
TQ		/ 3/	
Mauritius	11	6	---
TQ		/ 1/	
Niger	115	117	142
TQ		/ 31/	
Nigeria	6	5	3
TQ		/ 1/	
Rwanda	---	2	6
TQ		/---/	
Senegal	95	87	99
TQ		/ 22/	
Seychelles	3	4	5
TQ		/ 1/	

APPENDIX D: Allocation of Volunteer Years by Country - FY 1975 - 1977 (continued)

AFRICA REGION

COUNTRY	FY 1975	FY 1976	FY 1977
Sierra Leone	254	206	104
TQ		/ 31/	
Swaziland	96	113	110
TQ		/ 28/	
Togo	82	77	68
TQ		/ 12/	
Upper Volta	61	80	70
TQ		/ 14/	
Zaire	216	193	194
TQ	___	/ 42/	___
TOTAL	2,326	2,232	2,128
Transition Quarter		/ 487/	

APPENDIX D: Allocation of Volunteers Years by Country FY 1975 - 1977

LATIN AMERICA REGION

COUNTRY	FY 1975	FY 1976	FY 1977
Belize	46	47	44
Transition Quarter (TQ)		/ 11/	
Brazil	234	114	116
TQ		/ 29/	
Chile	42	65	67
TQ		/ 17/	
Colombia	265	139	113
TQ		/ 28/	
Costa Rica	155	126	136
TQ		/ 33/	
Dominican Republic	65	61	76
TQ		/ 16/	
Eastern Caribbean			
Antigua	14	12	11
TQ		/ 4/	
Barbados	44	41	40
TQ		/ 10/	
Dominica	--	5	14
TQ		/ 1/	
Grenada	21	18	22
TQ		/ 5/	
Montserrat	11	9	12
TQ		/ 3/	
St. Kitts	18	16	17
TQ		/ 4/	
St. Lucia	17	15	18
TQ		/ 3/	
St. Vincent	20	17	21
TQ		/ 5/	
Ecuador	233	184	170
TQ		/ 44/	
El Salvador	87	104	90
TQ		/ 25/	
Guatemala	143	122	116
TQ		/ 29/	
Haiti	---	---	15
TQ		/ 2/	
Honduras	135	128	146
TQ		/ 36/	
Jamaica	189	140	118
TQ		/ 30/	
Nicaragua	69	98	115
TQ		/ 27/	
Paraguay	67	71	57
TQ		/ 15/	

APPENDIX D: Allocation of Volunteers Years by Country FY 1975 - 1977
(continued)

LATIN AMERICA REGION

COUNTRY	FY 1975	FY 1976	FY 1977
Peru	37	---	---
TQ		/---/	---
Venezuela	135	39	5
TQ	---	/ 1/	---
TOTAL	2,047	1,572	1,539
Transition Quarter		/378/	

Appendix E: Budget Estimates by Region and Country 1/

Summary by Region

	($000) FY 1975 Actual	FY 1976 Estimate	FY 1977 Estimate
Africa	$25,740	$26,199	$22,375
Transition Quarter (TQ)		/$ 7,735/	
Latin America	18,439	16,624	14,749
TQ		/ 5,759/	
North Africa, Near East Asia and Pacific	21,204	21,135	19,208
TQ		/ 7,212/	
World-Wide Support	4,295	7,188	3,782
TQ		/ 2,450/	
Peace Corps Share of ACTION Support	12,719	13,811	10,883
TQ		/ 3,433/	
TOTAL, Direct Programs	$82,397	$84,957	$71,180 2/
TQ		/$26,589/	

1/ Includes both country and Washington associated costs.
2/ Includes a reserve for new countries.

APPENDIX E: Budget Estimate by Region and Country
($000)

Africa	FY 1975 Actual	FY 1976 Estimate	FY 1977 Estimate
Benin (Dahomey)	$ 604	$ 699	$ 712
Transition Quarter (TQ)		/286/	
Botswana	1,043	848	735
TQ		/282/	
Cameroon	1,057	999	767
TQ		/292/	
Central African Republic	326	562	807
TQ		/201/	
Chad	560	648	599
TQ		/165/	
Ethiopia	1,434	696	623
TQ		/214/	
Gabon	333	382	391
TQ		/114/	
The Gambia	205	265	189
TQ		/ 72/	
Ghana	1,777	1,811	1,059
TQ		/404/	
Ivory Coast	1,427	1,311	1,173
TQ		/398/	
Kenya	1,699	2,337	1,849
TQ		/672/	
Lesotho	420	502	638
TQ		/219/	
Liberia	2,644	2,592	2,371
TQ		/840/	
Malawi	212	200	242
TQ		/ 77/	
Mali	459	500	581
TQ		/143/	
Mauritania	161	200	270
TQ		/ 83/	
Mauritius	120	86	--
TQ		/ 20/	
Niger	1,167	1,301	1,311
TQ		/471/	
Nigeria	198	219	24
TQ		/ 38/	
Rwanda	---	15	50
TQ		/ 8/	
Senegal	979	1,133	1,053
TQ		/381/	
Seychelles	19	28	37
TQ		/ 11/	
Sierra Leone	1,981	1,489	1,023
TQ		/385/	

APPENDIX E: Budget Estimate by Region and Country - continued

Africa	FY 1975 Actual	FY 1976 Estimate	FY 1977 Estimate
Swaziland	764	894	718
TQ		/292/	
Togo	867	869	696
TQ		/192/	
Upper Volta	737	887	753
TQ		/227/	
Zaire	3,177	3,356	2,502
TQ		/887/	
Africa Regional Support	1,370	1,370	1,202
TQ		/361/	
Subtotal	$25,740	$26,199	$22,375
TQ		/$7,735/	

APPENDIX E: Budget Estimates by Region and Country - continued
($000)

Latin America	FY 1975 Actual	FY 1976 Estimate	FY 1977 Estimate
Belize	$ 301	$ 321	$ 297
Transition Quarter (TQ)		/114/	
Brazil	2,677	1,742	2,000
TQ		/731/	
Chile	525	687	700
TQ		/272/	
Colombia	2,052	1,484	1,184
TQ		/458/	
Costa Rica	1,081	1,236	1,092
TQ		/448/	
Dominican Republic	609	785	724
TQ		/277/	
Eastern Caribbean	928	977	1,467
TQ		/452/	
Ecuador	1,710	1,487	1,223
TQ		/517/	
El Salvador	797	915	680
TQ		/312/	
Guatemala	1,191	1,339	1,041
TQ		/443/	
Haiti	---	27	105
TQ		/ 22/	
Honduras	1,023	1,149	1,028
TQ		/447/	
Jamaica	1,233	1,111	1,111
TQ		/401/	
Nicaragua	741	1,123	820
TQ		/383/	
Paraguay	727	864	511
TQ		/248/	
Peru	637	---	---
TQ		/---/	
Venezuela	1,358	580	67
TQ		/ 23/	
Regional Support	849	797	699
TQ		/211/	
Subtotal	$18,439	$16,624	$14,749
		/$5,759/	

APPENDIX E: Budget Estimates by Region and Country - continued
($000)

NANEAP	FY 1975 Actual	FY 1976 Estimate	FY 1977 Estimate
Afghanistan	$1,176	$ 952	$ 594
Transition Quarter (TQ)		/332/	
Bahrain	95	141	105
TQ		/ 35/	
Fiji	944	1,017	1,238
TQ		/416/	
GEIC	21	19	28
TQ		/ 15/	
India	277	209	--
TQ		/ 42/	
Iran	1,677	1,042	--
TQ		/---/	
Korea	1,957	1,865	1,851
TQ		/722/	
Malaysia	2,900	2,719	2,178
TQ		/990/	
Malta	8	12	5
TQ		/ 3/	
Micronesia	1,875	2,023	1,526
TQ		/555/	
Morocco	1,694	1,762	1,667
TQ		/641/	
Nepal	1,030	988	952
TQ		/397/	
Oman	289	338	541
TQ		/127/	
Philippines	2,107	2,384	2,329
TQ		/877/	
Solomons	115	251	619
TQ		/138/	
SPC	9	---	---
TQ		/---/	
Thailand	1,684	1,616	1,623
TQ		/589/	
Tonga	455	574	687
TQ		/228/	
Tunisia	878	1,068	1,075
TQ		/380/	
Western Samoa	930	898	919
TQ		/358/	
Yemen	329	323	451
TQ		/121/	
NANEAP Regional Support	754	934	820
TQ		/246/	
Subtotal	$21,204	$21,135	$19,208
		/$7,212/	

Mr. PASSMAN. The fiscal year 1976 appropriation as it passed the House was $80 million. Your fiscal year 1977 estimate is $67,155,000, is that correct?

Mr. GANLEY. Yes, sir.

REDUCTION IN FISCAL YEAR 1977 REQUEST

Mr. PASSMAN. Which is a reduction from the budget request below the fiscal year 1976 House appropriation of $12,845,000.

Mr. GANLEY. Yes, sir.

TOTAL PEACE CORPS EXPENDITURES

Mr. PASSMAN. Would you place in the record at this point what have been the total expenditures on behalf of the Peace Corps since its inception.

Mr. MARKHAM. About $1,300 million since its inception.

Mr. PASSMAN. That doesn't include fiscal year 1976, does it?

Mr. MARKHAM. It includes fiscal year 1976 but not 1977.

Mr. PASSMAN. No part of any appropriation made to the Peace Corps is ever paid back; it is all spent on the personnel abroad and here; there are no loans which are eventually paid back into the U.S. Treasury?

Mr. GANLEY. That is correct, Mr. Chairman.

Mr. PASSMAN. Just a payout.

I think we all want to be abundantly fair, trying to establish a correct record, because we are all taxpayers. As I have stated earlier, when I came to Congress we had a public debt of $259 million. It is now approaching $600 billion. Would you agree that we have had to finance this foreign assistance program with borrowed money?

Mr. GANLEY. Perhaps we can answer it this way: We are not sure that the particular money we are spending is the borrowed money, or whether it is some other Government programs that use the borrowed funds.

Mr. PASSMAN. Let me ask you this question. Are you a married man?

Mr. GANLEY. Yes.

Mr. PASSMAN. Do you have a family?

Mr. GANLEY. Yes.

Mr. PASSMAN. Isn't your first obligation to your family?

Mr. GANLEY. I think so.

Mr. PASSMAN. Let's say that you earn $500. There is a family up the street who is in dire straits. You help them, but you start spending $550, so you have to go to the bank to borrow the extra $50. Can't you tell what you are spending your money for and what you are spending the borrowed money on?

Mr. GANLEY. I would spend my money on my family first.

Mr. PASSMAN. Don't you think that it would be true of all men's families?

Mr. GANLEY. I can't speak for all men's families.

Mr. PASSMAN. Don't you think programs, such as the Peace Corps, where most of the funds are spent abroad would have to be given a lower priority than the domestic programs?

Mr. GANLEY. It could be, Mr. Chairman.

Mr. PASSMAN. Well, I would have been terribly disappointed here if you hadn't appeared here like you always do, very evasive, with no direct answer. Let me say for the record that we have borrowed this money, $1.300 million, at about 6 percent. It will never be repaid. There is no formula that I know of for reducing the public debt. It is just getting bigger and bigger and bigger.

You are the only witness that ever came before this committee that wouldn't gladly cooperate and admit that we are doing these things on borrowed money. And any person—and I certainly hope you will agree with this; if not now, subsequently—is bound to recognize that our first obligation comes to our own country.

HISTORY OF FOREIGN AID

I would like to say this for your benefit: I have been in Congress 30 years. I shall never forget when the foreign aid program started. It required the senior Members, well fortified by seniority, to go down in the well of the House and say "Mr. Speaker, we are now embarking upon a program to save the starving people of Europe, and conceivably it will cost $15 billion. We may have to go into 17 countries, and it will require 5 years to complete the program."

You contrast 17 nations, we have moved this program into 134 nations of the world. The cost, $447 billion. Five years? No. We are in our 28th year, and foreign aid is growing bigger and bigger every year. And you have got a lot of pieces of this aid program. Yours is just one of them.

The purchasing power of the dollar since I came to Congress has lost 68 percent of its value. The dollars I saved as a young man working hard, my government has, since I have been in the Congress, legally confiscated 68 percent of their value.

And as we look at September 30, end of this fiscal year, we are going to have a deficit of about $75 to $76 billion.

Don't you really think that I am trying to do the country a favor by trying to bring this foreign aid program under control?

Mr. GANLEY. I always have believed as chairman you have been doing a strong job.

INTERNATIONAL FINANCIAL INSTITUTIONS

Mr. PASSMAN. I am very fond of our President. He served on this committee for years and years and years. We have a budget before the Congress at this time. In that budget, not one new construction start is permitted in our great public works program in 50 States, not one. Why? You have to hold down expenditures.

But I move over to the testimony that we had before this committee day before yesterday and they said, and let me quote it, "Mr. Chairman, the four International Development Banks made commitments for new loans totaling $8.5 billion for 377 projects in 84 countries."

Under your bilateral program you have many new projects. So here you are, starting major projects in 84 countries of the world out of your international organizations, while they tell my constituents, "I am sorry, you have 32 projects that meet the criteria and the benefit-to-cost ratio is 18 to 1 in the lower valley; however, we just cannot permit you to start a single one of them." And then we turn

funds over to the international organizations where not a dime of it is ever returned to the United States Treasury; no provision for any of it to ever come back.

Then we start examining their terms. We find under IDA where they want $375 million this year, they make it available at zero interest for 50 years. We borrow it at 6 percent, give it to IDA, make it available to these nations for 50 years, no interest.

Then, to sweeten it a bit more, they give them a 10-year grace period.

I wish some of you would explain that to my constituents.

Let us look at the UN development program. We have a new director, fine friend of mine and members of this committee. The former director, Mr. Peterson, threw up his hands in disgust. Why? He lost control of it. You have 10,000 projects under the UNDP. The new director said there were too many projects.

Instead of cutting down on the projects, the pressure is on for more money.

I don't want to antagonize witnesses before our committee. This foreign aid program must be brought under control. We are wrecking the economy of America.

VIETNAM FAILURE

Many years ago we went into South Vietnam, a primitive underdeveloped country. Their accounting department didn't have an adding machine; they did everything in longhand. There has never been a more primitive country than South Vietnam. Now, we moved them from poverty into prosperity. We took them out of the shacks and put them in air conditioned homes. We gave them TV's and radios. We gave them fine highways. As we say in Louisiana, they were eating high on the hog. We brought them into an era of prosperity.

Undoubtedly you will agree with me that we should have expected 99 percent of those people to rally behind the government in Vietnam on account of the great prosperity that we had furnished them, at a cost of $140 billion. And almost overnight the country went down the tube, didn't it? Now, we cite these things to let you know just what a complete failure foreign aid has been. India, we gave them $7.8 billion. We would cut the bilateral program in this committee; then they would go to a multilateral organization and fund the same project. Upon examination we found out that out of $8 billion paid to IDA, 44 percent of it went out to India to cancel out a good part of the cuts that were made in this committee. These are things that worry me.

BENEFIT OF PEACE CORPS

The total appropriations provided to the Peace Corps since its inception through fiscal year 1976 and the transition period amounts to $1,318,614,000. Could you please tell the committee what benefits have been received by the United States for this huge investment?

Mr. GANLEY. The benefits of the Peace Corps to the United States can be broadly categorized in three ways:

1. Opportunity for service: The Peace Corps has provided an opportunity for tens of thousands of Americans to serve the cause

of world peace and friendship in a very concrete and personal way. Most of them would not otherwise have had such an opportunity.

2. Experience: Individually, Peace Corps volunteers bring back with them experience in a particular field of work, in cross-cultural skills and generally in a foreign language. Most of them would not otherwise have acquired this experience.

3. Good will: Individually, Peace Corps volunteers promote better understanding between the people of America and the people of other countries, not only by sharing their life and work with those overseas, but also by sharing their overseas experiences with other Americans when they return home. Formal expressions of gratitude and continued requests for volunteers from host countries indicate that Peace Corps promotes good will at the country-to-country level, too.

UNOBLIGATED BALANCES

Mr. PASSMAN. Each year the Peace Corps indicates that they would have a very difficult time existing on the appropriations that are finally made available by Congress, but I note in each year the Peace Corps has had an unobligated balance available at the end of the fiscal year and this year the budget request is $12.8 million below the 1976 appropriation. Could you please tell the committee what unobligated balance you anticipate to be available at the end of fiscal year 1976 and the transition period and indicate why you have decided to reduce the Peace Corps by such a large amount in fiscal year 1977?

Mr. GANLEY. The unobligated balance in fiscal year 1975 was $16,000, or two one-hundredths of 1 percent of our total fiscal year 1975 appropriation. The balance in fiscal year 1975 was $14,000, in fiscal year 1973 it was $13,000. We have consistently required all of the funds requested. We do not anticipate any unobligated balance at the end of fiscal year 1976 and the transition quarter. The decision to reduce the level of appropriation requested for the Peace Corps in fiscal year 1977 is intended to provide an adequate program at an extremely austere fiscal level given the Nation's overall economic situation.

PEACE CORPS DEPARTURES

Mr. PASSMAN. How many countries have Peace Corps volunteers been kicked out of or asked to leave since the inception of the program?

Mr. GANLEY. Since the inception of Peace Corps, volunteers have left the following 18 countries. The years indicate the duration of Peace Corps presence in those countries.

Africa: Guinea, 1963–66, 1969–71; Mauritania, 1966–67, 1972–; Nigeria, 1961–70, 1972–; Somali Republic, 1962–70; Tanzania, 1961–69; Uganda, 1964–72.

Latin America: Bolivia, 1962–70; Guyana, 1966–70; Panama, 1963–70; Peru, 1962–75; Uruguay, 1963–73.

NANEAP: Ceylon, 1962–63, 1968–70; Cyprus, 1962–63; Indonesia, 1963–64; Libya, 1966–69; South Pacific Commission, 1972–75; Turkey, 1962–71; Pakistan, 1962–66.

Mr. PASSMAN. Have Peace Corps volunteers returned to any of these countries?

Mr. GANLEY. Yes; volunteers have returned to Mauritania and Nigeria and are still there.

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Mr. PASSMAN. Is it not true they have been asked to leave some of these countries twice?

Mr. GANLEY. Yes; volunteers have left Ceylon twice, 1963 and 1970; and Guinea twice, 1966 and 1971.

Mr. PASSMAN. How many countries and which ones have asked the Peace Corps to leave this past year?

Mr. GANLEY. This past year the Peace Corps has been asked to leave India, and has decided on its own to leave Iran and Mauritius.

PEACE CORPS IN BRAZIL

Mr. PASSMAN. According to a newspaper article in August 1975, it was indicated that the author had an interview with an official of the foreign ministry in the Government of Brazil and asked him what Brazil actually thought of the Peace Corps. His reply indicated that hardly anyone remembered that the Peace Corps was still in Brazil. The article went on to say that as a parting shot the foreign ministry man said: "Brazil is not interested in being a psychiatrist's couch for young Americans who don't have anything to do at home and so start worrying about other people's problems." In light of this reaction that was received from the foreign ministry in Brazil, could you please tell the committee how you can justify a $2 million program in Brazil for fiscal year 1977?

Mr. GANLEY. An official from one of Brazil's more technically oriented ministries would probably not have made a comment such as the one reported in the August 1975 newspaper article. The technical people who know of our activities in their country would have a much more accurate and favorable view of Peace Corps work in Brazil. In any case, the opinion expressed in the article does not reflect the policy or opinions of the official's country, both at higher and lower levels of the government. Peace Corps receives more host country requests from Brazil for volunteers than it can fill or would even attempt to seek to fill. As an example of their interest, a major university in the State of Minas Gerais has provided for us the complete facilities required to run a training center there. Individual contributions of volunteers are too varied and numerous to enumerate. However, many volunteers have provided valuable technical assistance to Brazil through their research or study; cottage industries have sprung up, profitable organizational procedures or techniques have been provided to local businessmen, new breeds of animals have been developed for the small farmer, and even traffic-flow patterns for large cities have been organized. Overall Peace Corps program activities in Brazil cover the entire spectrum from agricultural education, forestry and wildlife conservation, to rehabilitation of handicapped children and hospital administration.

Mr. PASSMAN. In any event, could you tell the committee why you have a $2 million program for Brazil in fiscal year 1977 in light of this country's great progress and economic conditions?

Mr. GANLEY. It is true that Brazil has enjoyed a remarkably high rate of economic growth in the 10 or 11 years since the change of government in 1964. Yet in consideration of where Brazil was economically before the spurt, it has in no way yet achieved a level of economic health which is comparable to any "developed" nation. The annual

per capita income for one of Brazil's richest states, Santa Catarina, is only a bit over $300. A Brazilian official recently estimated that 40 percent of the population—that is, 45 million people—have not benefited from the Brazilian economic upsurge.

If the northeast of Brazil were an independent country it would be the third largest in Latin America and in a position of vying with Haiti for the title of most poor. It is an area to which Peace Corps has devoted a major portion of its resources. It should also be noted that inflation is once again rising dramatically in Brazil and the periodic drought is once again oppressing the mass of Brazilians who live in the backlands of the northeast and central west.

Peace Corps will allot about 124 volunteer-years in Brazil for fiscal year 1976; for fiscal year 1977 about 165; and 230 for fiscal year 1978. We are growing at this rate because of a very clear and pressing need and desire for volunteer assistance in that country. Therefore, in contrast to some reports of tremendous prosperity throughout Brazil, it may reasonably be argued that Brazil is a country which actively requires Peace Corps' assistance as much as most other host countries.

PEACE CORPS IN VENEZUELA AND THAILAND

Mr. PASSMAN. Along the same line, I guess it could be asked why we have a Peace Corps program in Venezuela and Thailand when these countries seem to have the resources to finance their own programs. Could you please comment?

Mr. GANLEY. As to Venezuela, it should be noted that Peace Corps will phase out our present operations in Venezuela by the end of the transition quarter. We are, however, exploring the possibility of fielding a small number of volunteers beyond that date to assist Venezuela in her efforts to develop her own national volunteer operation similar to the domestic side of ACTION.

As to Thailand, if the narrow perspective of Peace Corps as primarily a technical assistance organization is espoused, and the level of Thailand's "development" is referred to in attempting to allocate Peace Corps' resources purely on a "need" basis, an evaluation of Thailand's socio-economic development—based on indicators giving equal weight to per capita income, per capita electric power production, levels of education and health, et cetera—finds Thailand in the lower percentile of "developed" countries. Therefore, Thailand would qualify for Peace Corps assistance on the basis of need.

ADMINISTRATIVE SUPPORT AS A PERCENT OF BUDGET

Mr. PASSMAN. What amount of your fiscal year 1977 budget request will be used for administrative support and how does that work out as a percentage of your total request?

Mr. GANLEY. We estimate that during fiscal year 1977 approximately $23,301,000, or about 33 percent of the total Peace Corps budget, including host country contributions, will be used for administrative support. However, it must be remembered that those who are supported—the volunteers—provide services at a cost to the taxpayer that is well below market value. Administrative support expressed as a percentage of volunteer costs is a deceptive statistic.

SEPARATION FOR MISCONDUCT

Mr. PASSMAN. Have you separated any volunteers this past year because of misconduct and if so, indicate the circumstances surrounding these separations?

Mr. GANLEY. During calendar year 1975, 46 Peace Corps volunteers and 16 trainees were separated for misconduct or unacceptable performance. The following table, submitted for the record, indicates the reasons for these separations by region.

PEACE CORPS INITIATED—VOLUNTEER AND TRAINEE SEPARATIONS FOR MISCONDUCT OR UNACCEPTABLE PERFORMANCE BY REGION AND CAUSE, CALENDAR YEAR 1975

Region	Volunteers separated	Trainees separated	Total misconduct separations
LA	21	3	24
AF	16	5	21
NANEAP	9	8	17
Total	46	16	62

Reasons for misconduct separations	V/T Total	Volunteer separations				Trainee separations			
		LA	AF	NANEAP	Total	LA	AF	NANEAP	Tota
Unsatisfactory job or training performance	11	5	2	2	9	0	1	1	2
Unacceptable social behavior	11	0	5	2	7	0	2	2	4
Leave policy violation	10	1	4	2	7	0	2	1	3
Drug policy violation	9	3	3	0	6	3	0	0	3
Inability to adapt to host culture	8	3	0	2	5	0	0	3	3
Violation of host nation's border/customs regulations	3	3	0	0	3	0	0	0	0
Using PC job or status for personal gain	3	1	1	0	2	0	0	1	1
Vehicle policy violation	2	2	0	0	2	0	0	0	0
Misuse of host country assets	2	2	0	0	2	0	0	0	0
Inappropriate political activity	1	1	0	0	1	0	0	0	0
Publications policy violation	1	0	0	1	1	0	0	0	0
Fiscal irresponsibility	1	0	1	0	1	0	0	0	0
Total separations	62	21	16	9	46	3	5	8	16

TOTAL PEACE CORPS ACTIVITY

Mr. PASSMAN. How many countries is the Peace Corps presently operating in and what is your projection for fiscal year 1977?

Mr. GANLEY. The Peace Corps is currently operating in 69 countries. The projection for fiscal year 1977 is 66.

Mr. PASSMAN. Please indicate the countries you plan to add in fiscal year 1976?

Mr. GANLEY. Peace Corps will enter one country in fiscal year 1976—Dominica.

Mr. PASSMAN. Please also list the countries that you plan to add in fiscal year 1977?

Mr. GANLEY. The Peace Corps does not unilaterally decide to enter a country. Entry is accomplished through issuance of a formal invitation by the host country. Under active consideration, but with no specific date projected for entry, are Haiti, Nigeria—currrently three PCVs are there under an informal agreement—Cape Verde, and Egypt.

Mr. PASSMAN. What countries do you plan to withdraw operations from in fiscal year 1976 and fiscal year 1977, and for what reasons?

Mr. GANLEY. Peace Corps plans to withdraw from Iran by June 30, 1976 because of the rapid increase in Iran's development and the need to focus Peace Corps resources in countries of greater need. We shall leave India by September 30, 1976 because of a decision by the Government of India that all foreign volunteer programs assisting in development projects should be phased out.

We shall leave Mauritius by the end of May 1976, based upon a determination that the program in Mauritius is not of sufficient quality to continue at the present time.

PEACE CORPS CONSULTANTS

Mr. PASSMAN. During fiscal year 1976, did the Peace Corps employ any contract people or consultants and if so, how many?

Mr. GANLEY. So far during fiscal year 1976 the Peace Corps has, on the average, employed 230 personal service contract personnel and 55 consultants. These are used mainly for training activities.

ENTERTAINMENT ALLOWANCE

Mr. PASSMAN. Would you please tell the committee how much is budgeted for fiscal year 1977 for representation or entertainment allowance, and how does this compare to the last several fiscal years?

Mr. GANLEY. Each year the Peace Corps has spent considerably less for representation and entertainment expenses than is authorized under the Peace Corps Act. In fiscal year 1973, we obligated $143 for entertainment and $1,879 for representation. In fiscal year 1974 we obligated $1,053 for representation and $1,311 for entertainment expenses. In fiscal year 1975, we obligated $2,501 in representation expenses and $600 in entertainment expenses. In fiscal year 1976, our records to date show we have obligated only $800 for representation expenses and $300 for entertainment.

TOTAL PEACE CORPS PROJECTS

Mr. PASSMAN. How many projects are presently being administered by the Peace Corps?

Mr. GANLEY. Peace Corps divides volunteer work activities into five basic sectors—agriculture, health, business and public management, education, and urban development and public works. Sector activities in each country are further subdivided into "management units"—the basic grouping of volunteers with common goals and objectives. Planning and programing activities within each country are generally based on the management unit.

For example, "agriculture extension" is a typical management unit within the agriculture sector of a country operation. This unit may have volunteers with a cattle background working as cattle extensionists, those with a background in feed crops working as crops extensionists, and volunteers with a degree in planning assisting the host government plan its extension service activities. All will be in different sites.

Thus, for Peace Corps, the management unit has replaced "project" as the focus of volunteer activities. During fiscal year 1976, Peace Corps volunteers are assigned to approximately 475 different management units.

PROGRAM REVIEW

Mr. PASSMAN. On page 3 you indicate that you are going to phase out of Iran, India, and Mauritius, and you indicate that other aspects of the program have been pinpointed which need close attention for the balance of this year and in fiscal year 1977. Could you please tell the committee what sort of programs you are talking about here?

Mr. GANLEY. Peace Corps constantly reviews its programing position in each country in which it operates to determine if its goals are being achieved, if programs actually serve the needs of the countries, and if Peace Corps presence is needed and wanted. Such review often indicates programs which may already have accomplished their purposes and should be phased out, or those which may need to be increased in order to fulfill their goals. The "close attention" mentioned above refers to the scrutiny given each program to determine if changes need to be made to make or keep it effective. Existing programs in all present host countries have been reviewed and found to be viable and productive.

HOST COUNTRY CONTRIBUTIONS

Mr. PASSMAN. On page 6, you indicate that the host country contributions are being decreased in fiscal year 1977 as compared to fiscal year 1976 and fiscal year 1975. Could you please tell the committee why these host countries contributions are decreasing and what the Peace Corps is doing to try and get the host countries to increase these contributions?

Mr. GANLEY. The total host country contributions for fiscal year 1977 are anticipated at $4,025,000 as compared to $4,295,000 in fiscal year 1976. There are three basic reasons for the small decline which we are projecting: First, Iran has been a heavy contributor, but our program there will have been phased out by the end of fiscal year 1976; Second, many of our host country contributions are tied to volunteer levels and thus, as our volunteer level will decline some for fiscal year 1977, so will these tied contributions; and, most importantly, worldwide inflation and energy costs have severely damaged the economies of most of the underdeveloped nations and they simply find themselves unable to contribute at the same level as they have previously.

Peace Corps regularly reviews contribution level with host governments. Some countries are simply not able to contribute more heavily for political as well as economic reasons. Governments which strongly support Peace Corps can sometimes be restrained from increasing support by the existence of a small, vocal anti-American political group.

PEACE CORPS EVALUATIONS

Mr. PASSMAN. On page 10, you indicate that you plan to decrease the evaluation activity by $218,000 in fiscal year 1977. Do you think this would be beneficial to your program?

Mr. GANLEY. The reduced level of funding for evaluation will have a minimal impact on evaluation activities for fiscal year 1977. Many of the evaluation studies planned for fiscal year 1977 will be initiated or ongoing during fiscal year 1976 and the transition quarter. Additional funding during fiscal year 1977 will not be required.

TRAINING PERIOD

Mr. PASSMAN. On page 13, you indicate that the average length of preservice training will run about 9 weeks in fiscal year 1977. Could you please tell us what the shortest and longest period is for this training?

Mr. GANLEY. The shortest preservice training is 2.5 weeks and is found in countries having minimal or no language requirements.

The longest preservice training is 15 weeks in Nepal in the bridge construction program whereby trainees actually construct an expansion bridge.

Mr. PASSMAN. Could you please tell the committee what the total time will be for all training provided to a Peace Corps volunteer?

Mr. GANLEY. The average Peace Corps volunteer receives the following training: NANEAP Region—11 weeks—9 preservice, 2 inservice; Africa Region—10 weeks—9 preservice, 1 inservice; Latin America Region—11 weeks—10 preservice, 1 inservice.

PRIST SITES

Mr. PASSMAN. You indicate that you have several PRIST sites in the United States. Could you please list for the record where these PRIST sites are located?

Mr. GANLEY. The present sites for preinvitational staging are at the Pick Congress Hotel, Chicago, and the National or Presidential Hotels, Washington, D.C.

RECRUITMENT

Mr. PASSMAN. Could you please tell the committee what total you plan to spend for recruitment in fiscal year 1977 from all sources and indicate the type of methods you employ?

Mr. GANLEY. We plan to spend for Peace Corps in fiscal year 1977 $4,491,000 for our recruitment effort and $328,000 for specialized recruitment costs, a total of $4,819,000.

A wide variety of methods of recruitment are employed including the following: Contractual arrangements with universities, professional organizations, and societies; preinvitational staging interviews; paid advertising and public service announcement; and direct contact with paid recruiters.

TRAVEL ALLOWANCES

Mr. PASSMAN. Could you please tell the committee how much you have budgeted in the fiscal year 1977 request for all travel including volunteers and staff?

Mr. GANLEY. The total travel costs in fiscal year 1977 are estimated at $9,525,000. This includes $1,127,000 for Peace Corps staff, $6,976,000 for travel of volunteers, and $1,422,000 for travel of

trainees. Included in the request for agencywide support costs is $1,226,000 for travel. A portion of the total agencywide support costs is charged to the international operations appropriation by formula.

Mr. PASSMAN. On page 19, you indicate that international travel will total $7,175,000 and the fiscal year 1975 total for the same category was $7,163,000. However, I note that the volunteer years in fiscal year 1975 were 6,652 and the same number for fiscal year 1977 totals 5,708. Could you please tell the committee why this international travel amount is not much lower due to the decreased activity that you project for fiscal year 1977?

Mr. GANLEY. Despite the overall decrease in volunteer years, increased travel rates require almost the same amount in our estimate for volunteer travel for fiscal year 1977. Individual components of international volunteer travel do not correspond directly to volunteer years. Each item which comprises international volunteer travel is based upon a separate estimate of the number of trips that will be required and not solely upon volunteer years. For instance, the volunteer travel to host country item is estimated to require 3,370 trips in fiscal year 1977, which is an increase of 115 over fiscal year 1975, although in that period volunteer years have decreased 944, because the estimate is based on trainee input. The average cost of travel has increased in this period about 12 percent.

READJUSTMENT ALLOWANCE

Mr. PASSMAN. According to the authorization bill that has been recently introduced, it is indicated that they plan to require you to spend a certain amount to raise the readjustment allowance to $125. Could you please tell the committee what the result of this earmarking will be on your Agency if the budget estimate is not increased accordingly to reflect this increase in readjustment allowance?

Mr. GANLEY. If the authorization bill to which you refer is passed, given the requested appropriation, it will mean that we will be forced to decrease the size of the program by about 540 volunteer years from the 5,708 level we have estimated. In addition the number of trainees in fiscal year 1977 will have to be correspondingly reduced. This will be a 9 percent reduction in volunteer years and may well affect the program in a number of countries.

SETTLING-IN ALLOWANCE

Mr. PASSMAN. On page 24, you indicate that some of the settling-in allowance will be needed to buy dishes, cooking utensils, and bedding. Aren't some of these items left over from the previous volunteers and would not require an additional purchase?

Mr. GANLEY. Items purchased by volunteers out of their settling-in allowance become the volunteers' personal property. Peace Corps policy encourages volunteers to donate their property to other volunteers or to return these items to the Peace Corps. It is not practical to turn over to other volunteers some items such as bedding for health and cost reasons.

VOLUNTEER MEDICAL NEEDS

Mr. PASSMAN. Do you feel that the volunteers overseas are adequately covered for their medical needs? Do they get regular checkups

during their overseas tour; how often do they get these checkups; and are U.S. doctors employed?

Mr. GANLEY. Yes, we feel that volunteers overseas are adequately covered for their medical needs. We realize that there may have been some difficulties in the past, but we feel that current medical coverage, through doctors, nurses, and host country contract health facilities, is adequate. Of course, when we speak of adequacy in underdeveloped countries, we are not using the same standard which we would use to judge adequacy of care and facilities in most parts of our own country. I might note that the results of a survey taken of all of our volunteers by the National Advisory Council on ACTION showed that the volunteers themselves were more satisfied with medical care received from Peace Corps than any other support service.

(*a*) All volunteers are required to have annual physicals during their service and a complete physical prior to leaving their country of assignment at the completion of service.

(*b*) American doctors are employed and posted in Peace Corps countries where the services of competent physicians are unavailable or nonexistent. In addition, a number of competent English-speaking and American-trained physicians are employed to care for volunteers in Peace Corps countries, especially in the Latin American and NANEAP regions.

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

FISCAL YEAR 1976 APPROPRIATION LEVEL

The Peace Corps has been operating at the continuing resolution level of $77,687,000 for the first 8½ months of fiscal 1976. Is that correct?

Mr. GANLEY. Yes, sir.

Mr. SHRIVER. The House has passed the regular 1976 bill on the Peace Corps at $80 million, and the Senate subcommittee yesterday recommended $80,826,000. We are going to conference soon, so would you tell us how the House and Senate levels would affect your operations?

Mr. DELLENBACK. Mr. Markham has the specifics to that question.

READJUSTMENT ALLOWANCE

Mr. SHRIVER. I especially want to know would any of these funds be used for the increase in the readjustment allowance?

Mr. DELLENBACK. The action which has just been taken by the Senate Appropriations Subcommittee, making the Peace Corps budget $80,826,000 for fiscal year 1976, adds a requirement that the readjustment allowance be raised to $125 a month as of the 1st of April. We estimate the cost to be $1,070,000 for fiscal year 1976.

If the full amount of $80,826,000 that the Senate subcommittee has set were to be approved by the Congress, we would be able to meet the requirement that there should be this increase in the allowance as of April.

VOLUNTEER REDUCTION

Mr. SHRIVER. As I understand it, the budget request for 1977 is $67,155,000, or a cut of more than $14 million below the 1976 program

level. In coming up with this budget, how much of a cutback is due to administrative savings and how much is due to the cutback of 257 volunteers?

Mr. MARKHAM. Mr. Shriver, probably $4 million of that is due to administrative savings in terms of shifting costs to the State Department for their share of the administrative support. It wouldn't affect this appropriation at all. The rest of the costs are traceable to the reduction in volunteer man-years and to the program supporting costs associated with that. But we believe that we can maintain the Peace Corps at essentially that slightly reduced level with $67 million.

ORIGINAL FISCAL YEAR 1976 REQUEST

Mr. SHRIVER. How much did you originally request from the Office of Management and Budget?

Mr. MARKHAM. $89,500,000.

Mr. SHRIVER. Isn't that a big cut? Wouldn't you have a reduction in program and people, especially if you go ahead with the Senate provision on the readjustment allowances?

Mr. GANLEY. There was no provision in our figures for the readjustment allowance increase. So on a comparable basis with the fiscal year 1976 request the cut would be about $8–9 million.

Mr. SHRIVER. It would be what I said, $14 million less the $4 million that you cite as administrative transfers.

Mr. MARKHAM. There is no provision in this budget to cover that readjustment allowance which works out to $3,978,000, based on the Senate proposal for this year.

Mr. SHRIVER. You think you are going to have about the same number of volunteers under $67 million as you had in this year?

Mr. GANLEY. No, sir. There will be a 257-man-year cut.

PHASEOUT OF PEACE CORPS

Mr. SHRIVER. Does that mean that this administration is proposing a phaseout of this program, about 10 percent a year?

Mr. GANLEY. No, sir. Dr. Balzano and I met with the President in late December and discussed the Peace Corps program and the other programs of ACTION, and there was no indication or intent at that time on the part of the administration to phase out the Peace Corps. On the contrary, we think the Peace Corps is alive and well and has a very strong base.

VOLUNTEER REDUCTION

Mr. SHRIVER. If you have to take funds for an increase in the readjustment allowance from the $67 million, how many volunteers would have to be cut?

Mr. GANLEY. It would cost 540 volunteer man-years.

Mr. SHRIVER. Five hundred and forty people?

Mr. GANLEY. Yes, sir. That's volunteer man-years.

Mr. SHRIVER. How many people would it be?

Mr. GANLEY. Five hundred and forty people, seven hundred on a full-year basis.

Mr. SHRIVER. How many countries would likely be cut, then?

Mr. GANLEY. We don't have a figure on the exact number of countries. We more than likely would have to come out of some countries. We haven't picked them. It depends on the size of the countries and programs.

Mr. SHRIVER. How many countries are you in?

Mr. GANLEY. Sixty-nine.

Mr. SHRIVER. Most of them are in Africa, aren't they?

Mr. GANLEY. Twenty-seven in Africa, Mr. Shriver.

Mr. SHRIVER. By far the largest part of the projected cut is for program support, $8.6 million. How would a typical volunteer in the field likely be affected by this cut in program support?

Mr. DELLENBACK. Mr. Shriver, in comparing the fiscal year 1977 budget request against the 1976 budget request, there are reductions in three major fields: in training and recruiting, a reduction of a total of $1,386,000; in volunteer support, $3,750,000; and in program support, $8,641,000.

That would be a reduction in overseas staff cost of about $2,400,000, a reduction in evaluation of about $200,000, in shared administrative support (SAS), which Mr. Markham referred to earlier, about $3,130,000 and in agencywide support about $2.9 million.

With that budget level, those were the areas where we felt we could most soundly make the reductions.

FISCAL YEAR 1977 BUDGETARY DISTRIBUTION

Mr. SHRIVER. I think it might be well for this part of the record to have a table showing the reductions that you just outlined for us.

Mr. DELLENBACK. We can supply for the record the comparison of the two budget requests.

[The information follows:]

SUMMARY OF MAJOR CHANGES

Fiscal year 1977 includes a decrease of $14,188,000 below the estimated fiscal year 1976 obligation level. The major changes are:

Fiscal year 1976 estimate	$84,957,000
Activity 1—Training and specialized recruiting	−1,386,000
The decrease in estimated costs for training and specialized recruitment is largely the result of a reduction of preservice training and 74 fewer preservice trainees.	
Estimated savings in preservice training cost per trainee week through utilization in fiscal year 1977 of materials and concepts developed in fiscal year 1976 and transition quarter	−785,000
Reducing the inservice training program to cover only new volunteers in fiscal year 1977 and use of materials developed in fiscal year 1976 and transition quarter	−307,000
Reductions in the grants awarded in the intern program for recruitment of volunteers with specialized skills	−294,000
Activity 2—Volunteers	−3,750,000

The decrease in volunteer costs is the direct result of the volunteer-year level being 257 lower than fiscal year 1976.	
Estimated savings in other international travel due to the lower volunteer level and some rescheduling	−1, 254, 000
Reducing settling-in allowances, holding living allowances at the fiscal year 1976 level despite overseas inflationary pressure	−1, 217, 000
Estimated savings in international assignment travel through increased use of charter flights	−151, 000
Reducing in-country travel, conferences and meetings, supplies, equipment and transportation, and medical supplies and services	−1, 128, 000
Activity 3—Program support	−8, 641, 000
The decrease in program support cost is primarily attributable to:	
Estimated savings in international operations staff through decrease in salary benefits and travel associated with reduction of 63 positions and decrease in vehicle purchases	−2, 373, 000
Decrease in evaluation	−281, 000
Transfer of responsibility for funding of State Department's portion of foreign affairs administrative support system to State	−3, 130, 000
Savings in ACTION agencywide costs associated with revisions in allocation formula and other decreases in administrative costs	−2, 920, 000

Mr. SHRIVER. Did the rest of your agency, ACTION, have a similar reduction?

Mr. GANLEY. Yes, sir, the reduction on the domestic side was of about the same magnitude as on the Peace Corps side.

Mr. SHRIVER. Why have you changed the formula for the allocation of agencywide costs which resulted in your being able to lower this request by almost $3 million?

Mr. MARKHAM. The change in the formula wasn't the major reason for that reduction. We have been under some pressure from the authorization committees to review that formula, and we have. What we decided was that the administrative costs that the State Department gives us overseas under their Foregin Affairs Administrative Support (FAAS) system, which is a new system this year, are the same kind of administrative support costs that we give domestically.

So in effect, we are giving the Peace Corps a credit in using that formula this year. The formula is still based upon the direct labor we have in the foreign side versus the direct labor we have in the domestic side, to work out that formula as we have described on page 47 of the estimates. We subtract from the formula result the SAS cost of the Peace Corps to arrive at the most equitable costs we can.

STAFF REDUCTIONS

Mr. SHRIVER. Would you tell us more about the staff reductions you have made and the better lines of responsibility you mention in your statement?

Mr. GANLEY. Yes, sir.

Mr. DELLENBACK. One of the most significant things we have done in the way of lines of responsibility, Mr. Shriver, was in looking at ACTION and realizing that there are three principal legs: national, international, and staff support for both national and international.

We have made a significant move in taking the Office of Placement out of staff support and moving it over partially, in the direct line of

international operations. We feel that this has made possible a much closer relationship between the creation of programs and the placing of people in programs. This is one of the more significant moves that we have made in connection with staff line operations.

RECRUITERS (WAE'S)

Mr. SHRIVER. You say these recruiters are called WAE's.

Mr. DELLENBACK. When actually employed. It is a case of when we need them. When we actually hire them, that is what the acronym stands for.

Mr. SHRIVER. How has that worked?

Mr. DELLENBACK. It has worked on the basis of bringing people aboard, without their knowing how long they would be employed or whether they would be employed for 6 months, 8 months, or 12 months. They are paid only for the time they actually worked in recruiting.

It was a type of employment that was not conducive to getting professionals or maintaining permanency. We had a periodic turnover in the employment under those circumstances. Many of the recruiters were former volunteers, who served as recruiters for a while, and then left. The move that was made by Peace Corps was to take these positions and give them permanency. In so doing, we hope to get people who will use this as career advancement, to become professionals, trained professionally, and then move in an upward mobility fashion.

Mr. SHRIVER. They are being converted to permanent general scheduled seasonal employees.

Mr. DELLENBACK. That is correct.

PEACE CORPS ACHIEVEMENTS

Mr. SHRIVER. I have for a number of years tried to get from the Peace Corps a report of the specific accomplishments of its efforts over the years in terms of improvement in the economies and societies of the recipient countries.

My office has been told several times that someone is working on such report, but so far I haven't seen it. Has anything been put together on that, or could it be?

Mr. DELLENBACK. Mr. Shriver, it is a very difficult task.

Mr. SHRIVER. Is it too abstract?

Mr. DELLENBACK. It is a difficult thing to quantify, especially on the direct impact of Peace Corps on the economy and the skills and the technical level of the countries where our volunteers work. We have gotten some information on that issue. If I may, let us see that we give either for the record or for you, personally, the results of some studies which have been made, showing a series of programs all around the world in which we have been involved.

[The information follows:]

PROJECTS STILL ACTIVE
PEACE CORPS ACCOMPLISHMENTS BY PROGRAM SECTOR
1961-1973

Program Sector/ Sub-Sector	Number of Volunteers	Number of Countries	People Served Directly	Additional Beneficiaries
I. AGRICULTURE AND RURAL DEVELOPMENT				
Crop Extension/Production Development	1,560	21	92,400	450,000
Animal Extension/Production Development	555	18	19,400	175,000
Fisheries Research and Development	308	13	5,400	175,000
Forestry Research and Development	243	12	4,200	*
Agriculture Cooperatives/ Other Marketing Development	520	18	80,000	350,000
Environment Protection/ Conservation/Wildlife	121	9	450	*
Irrigation/Water Systems/Wells	159	9	*	*
Equipment Maintenance/Repair/ Instruction	22	2	170	*
Agriculture Planning/Research	135	12	1,820	215,000
Rural Community Development/Home Economics Extension	1,250	20	225,000	*
4-H Youth/Agriculture Training Development	82	2	40,000	100,000
Agriculture Education	63	7	2,000	100,000
Geology/Mining/Exploration Development	4	2	750	*
SUBTOTAL	5,022		471,590	1,565,000

*Not quantifiable.

PROJECTS STILL ACTIVE -- Page 2

Program Sector/ Sub-Sector	Number of Volunteers	Number of Countries	People Served Directly	Additional Beneficiari
II. BUSINESS AND PUBLIC MANAGEMENT				
Small Business/Industry/ Tourism Development	182	12	23,000	550,000
Non-Agricultural Cooperatives	149	5	7,000	122,000
Handicraft/Cottage Industry Development	5	2	400	2,000
Public Administration Development	78	7	600	*
SUBTOTAL	414		31,000	674,000
III. EDUCATION				
Pre-School Education	97	2	2,200	*
Elementary School Education	1,367	7	242,500	*
Math/Science Secondary Education	6,112	15	860,000	*
TEFL/TESL/Other Secondary Education	4,349	22	741,500	*
Teacher Training	1,030	18	40,500	550,000
University Education	784	14	52,000	*
Adult Education	26	3	736	7,000
Vocational Education/Industrial Arts	466	19	165,000	720,000
Curriculum Development	575	9	*	*
Sports/Physical Education Recreation	871	12	72,500	*
Home Economics/Business Education	6	3	700	5,000
Educational TV/Radio/Library Science/Audio Visual Aids/ Special Education	87	8	3,500	*
SUBTOTAL	15,770		3,782,636	1,282,000

*Not quantifiable.

PROJECTS STILL ACTIVE --Page 3

Program Sector/ Sub-Sector	Number of Volunteers	Number of Countries	People Served Directly	Additional Beneficiari
IV. HEALTH				
Professional/Nurse/Para-Medical Health Services	267	7	130,000	*
Medical/Nurse/Para-Medical Training and Education	207	13	2,300	*
Health Education	1,080	14	55,500	240,000
Disease Control Eradication	594	11	*	*
Family Planning/Mother-Child Health	74	5	9,500	*
Nutrition	227	7	6,500	183,000
Sanitation	85	2	300	*
SUBTOTAL	2,534		204,100	423,000
V. URBAN DEVELOPMENT AND PUBLIC WORKS				
Architecture/Drafting Services	155	5	200	*
Civil Engineering/Surveying Services	75	5	1,000	*
Industrial/Mechanical/Electrical Engineering Services	11	2	336	*
Urban Community Development/ Social Work	416	9	312,000	*
General Construction/On-The-Job Training	198	7	390	400,000
Highway/Transport Maintenance and Repair Services	66	7	571	*
Electrification	53	4	625	456,000
City/Regional Planning Services	188	6	477	*
SUBTOTAL	1,162		315,589	856,000
TOTAL	25,902		3,204,115	4,800,000

*Not quantifiable.

Mr. SHRIVER. Maybe you can't put dollar amounts on it, but you could show the improvement of various segments.

Mr. DELLENBACK. We would like to supply to you some of the information that we have in that regard, Mr. Shriver. Let me say just briefly two other things.

The second major thing Peace Corps does is to create relationships between the peoples of the countries in which our volunteers are serving and people from our country. Those ties have yielded various kinds of results other than economic.

Mr. SHRIVER. OK, but I feel with the kind of experience we have had and the money expended on this program, there should be some way to measure the results. For instance, pick a country. Take Mali, a country that never votes with us in the United Nations, but I know we have Peace Corpsmen there. What are they doing? One of the purposes of your agency is to produce good will for the United States. Can't that be written about? Is there some way we can defend this program by picking out some examples of success?

Mr. DELLENBACK. Let me give you two examples briefly if I may, Mr. Shriver. One is a situation where the Ambassador to one of the countries of Western Africa, near Mali, sat in my office and made this statement—this is the American Ambassador to that country. His comment was: "Every experience that I have in the country I am assigned, every relationship I have with the government of that country is favorably affected by the fact that the Peace Corps is here." He concluded in his experience as an Ambassador that every relationship he had with the people of that nation was benefited by the Peace Corps.

In another nation in Western Africa, in a situation where there was a close working relationship between Peace Corps and a pro-Western government, the government changed and was no longer pro-Western. The government froze transportation around the country.

But the government called the Peace Corps director after the coup and said, "you know there is a freeze on transportation; we don't want people moving around. But we want to say to you that we want Peace Corps to continue to move around the country because we know what Peace Corps is doing. And we like its work."

That is the kind of a link between our countries that is clearly beneficial.

Just very briefly on the third major benefit of Peace Corps—the 63,000 Americans who have served as volunteers since the beginning of the program. There are all sorts of advantages that have accrued to America from those volunteers coming back, particularly in the educational field and in public service. After all, two of them, as you know, are now Members of Congress. How they have benefitted from being in the Peace Corps I am absolutely certain redounded very materially to the benefit of America.

REDUCTION OF FISCAL YEAR 1977 REQUEST

Mr. SHRIVER. Was there a similar reduction in bilateral foreign aid requests from the Office of Management and Budget this year? Yours is a rather substantial decrease from prior years.

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

Mr. SHRIVER. Does anybody know? Was AID hit the same way you were?

Mr. GANLEY. Their budget request was less than for fiscal year 1976, but I can't tell you the figures.

Mr. SHRIVER. Was the State Department hit the same way you were?

Mr. GANLEY. Yes, sir, in its outlays. I know that.

PEACE CORPS IN DOMINICA

Mr. SHRIVER. Where is Dominica?

Mr. GANLEY. Dominica is a Leeward Island in the Caribbean and an associated state of Great Britain. Peace Corps was first invited into Dominica in 1963 to work primarily in education and also as well as in health and rural development.

In 1975, the Government of Dominica approached Peace Corps to discuss a request for volunteer programs. As a result of these discussions, Peace Corps made plans for re-entry into Dominica during the 1976 fiscal year.

In December of 1975, Peace Corps transferred one volunteer, a civil engineer, from one of the eastern Caribbean countries to Dominica. Five additional volunteers are scheduled to begin service in Dominica in the spring of this year. The volunteers designated for entry include a music program supervisor, a physical education coordinator, a handicrafts instructor and coordinator, and a veterinarian.

COUNTRY SUMMARY

Mr. SHRIVER. Why was the Country Summary not included in the justificatons? When will we get that?

Mr. GANLEY. The Country Summaries, statements on Peace Corps activities in each of the 69 host countries, is an undertaking that has not as yet been completed but will be submitted to you by the end of next week.

HOST COUNTRY CONTRIBUTIONS

Mr. SHRIVER. What is included in the $4 million the Peace Corps will get in host country contributions? Is that money?

Mr. GANLEY. The $4 million includes direct cash contributions, which will be about 25 percent. The rest of these contributions are comprised of donated materials and services, the value of which is estimated in U.S. dollars according to the amount of appropriated funds it would be necessary to spend if these materials and services were not donated by the host countries.

PEACE CORPS IN EGYPT

Mr. SHRIVER. The book mentions you are considering a program in Egypt. Have they asked for that? Could you do that with this $67 million budget?

Mr. GANLEY. There have been very preliminary discussions with Egyptian Embassy officials here in Washington regarding Peace Corps entry into Egypt, and there has been no immediate follow-up.

No additional initiatives are anticipated from the Embassy in the near future. Since negotiations would probably continue for at least a year, volunteers would not be able to enter Egypt until possibly 1978. Consequently, this year's budget amount has no immediate relevance to Peace Corps programing in Egypt.

PEACE CORPS IN ISRAEL

Mr. SHRIVER. Has Israel ever requested Peace Corps volunteers?

Mr. GANLEY. No, Israel has never requested Peace Corps volunteers.

RECRUITMENT PROCEDURES

Mr. SHRIVER. Tell us more about how better prepared your recruiters are when they go out now. Can they tell a prospective volunteer where he or she might be going if they join up?

Mr. GANLEY. Last year at this time, Peace Corps operated on the basis of recruiting as many persons as possible in each of the skill areas. The recruiters were obliged to deliver an average of seven applications to yield one trainee. The large numbers of applications were necessary because we could not be certain, as far as 8 months ahead of receiving the final program request, precisely what kind of volunteer would ultimately be a suitable match for a specific request, and the program staff, for its part, could not anticipate with any precision our needs that far in advance.

Today's methods are entirely different. We operate under a "pre-slot system". Our first step was to shorten the applicant processing time to about 3 months. This shortened processing brought about another advance. The program staff could now describe with some accuracy to the recruiter himself the skills requested of volunteers.

Now, when the recruiter discusses prospective services with an applicant, he has at hand a detailed volunteer task description to share with the applicant. He can tell the applicant where the assignment is, when training begins, and much about the culture, physical conditions, and needs of the host country. He can even tell the applicant exactly how many other applicants will be recruited to assure the filling of each description. After the applicant's qualifications have been assessed, the applicant is advised where he stands in order of invitation for the particular assignment of interest.

These new methods require highly disciplined, well trained recruiters. Promises cannot be offered which cannot be kept. A considerable degree of experience is subjective and the necessary evaluation ability must be developed in each recruiter rapidly.

To accomplish this goal, ACTION provides intensive training to its recruiters to provide them with comprehensive skills in administration, evaluation, and knowledge of agency objectives in a relatively short time.

PEACE CORPS APPLICANTS

Mr. SHRIVER. Do you still have more people wanting in the Peace Corps than you can handle with your budget?

Mr. GANLEY. We have substantially more people requesting to join Peace Corps than we can field overseas. During 1975 we had a total

of 26,734 applications and ended up by sending 3,255 volunteers overseas to begin training. We do not yet have similar statistics for 1976.

At present, we have a new recruitment procedure underway—the "pre-slot test". Under this system, we are accepting applications from individuals who are specially matched against a particular overseas request. Consequently, under this procedure we expect to receive dramatically fewer applications than we have in the past. This reduction, however, does not in any way reflect, we feel, a lessening of interest of the American people to serve in the Peace Corps. Rather, we will be fielding fewer applications in an effort to tell more straightforwardly an interested individual about his chances of getting into the Peace Corps while at the same time reducing the amount of paperwork we process and thereby permitting us to process more efficiently the applications we do handle. There are many people who would like to serve in Peace Corps but whom we discourage from even making application because there is no chance of placing them.

Mr. SHRIVER. Are there standing requests from Egypt and Israel if you did have more volunteers?

Mr. GANLEY. At present, we do not have any standing requests from Egypt or Israel. However, throughout the 69 countries in which Peace Corps serves, we have substantially more requests for volunteers than we are able to place. We are unable to meet these requests because of budget constraints and our inability to recruit volunteers with the specific skills being requested. In fiscal year 1975 we had requests for approximately 4,500 volunteers and we placed about 3,250 volunteers. In fiscal year 1976, we are expecting to have approximately 4,450 requests for volunteers while we estimate placing approximately 3,250 volunteers.

These figures, however, are a somewhat misleading measure of the desire of host country governments to have Peace Corps volunteers. Our Peace Corps country staffs are given projected volunteer levels for the upcoming year based on anticipated budgets. At the same time, they know approximately what skills we are able to recruit and field. Consequently, many desires for Peace Corps volunteers by host country governments are not turned into formal requests because of these two constraints.

Mr. SHRIVER. Mr. Dellenback, you might want to comment further on the advisability of expanding the Peace Corps program.

Mr. DELLENBACK. All in all, we believe very strongly that the Peace Corps has a vital role to play in the world. The Congress wisely gave the Peace Corps the purpose of "promoting world peace and friendship". While I agree that our Nation must remain militarily strong, at the same time we absolutely must be making serious effort to build the strong ties of friendship with the peoples of the world which will be the long run determinant of whether we have world peace. In this light, the Peace Corps should be in as many countries as possible which are desirous of our presence and at the levels they request where they have real needs which we can effectively meet. This, unfortunately, is not always possible because of budgetary restrictions.

LATIN AMERICAN HOST COUNTRY CONTRIBUTIONS

Mr. SHRIVER. The tables at the back of your book show that the Latin American countries contribute considerably lower amounts of host country input than the other regions. Your program is somewhat smaller in Latin America, but not that much smaller. Would you explain their lower contributions?

Mr. GANLEY. The Peace Corps will do all it can to continue to seek host country cooperation in the Peace Corps effort, both through increased offsetting and nonoffsetting host country contributions. It should be noted that the figures do not represent the full amount of assistance we receive from these countries. The providing of school facilities for our training sites, additional technical training given by the host country government agency with which we are working, provision of worksite transportation, and other similar types of assistance have not in some cases, been treated as a strict offsetting contribution though their existence certainly has helped Peace Corps carry out its mission.

The Peace Corps is presently undertaking a study to clearly define all items which should be counted as offsetting host country contributions. As a result of this study, we expect much more accurate, and certainly larger, figures for host country contributions in this area than we have been able to provide to date.

Peace Corps believes it is essential to understand the real value of host country contributions. While contributions help reduce the cost to the United States Government, the deeper value is that they represent the cooperative agreement between our Government and the country in which we serve to support the work of the Peace Corps. In many ways, the Latin American countries demonstrate this cooperative spirit through nonoffsetting contributions such as assistance in training of volunteers, in bringing Peace Corps into its high level planning efforts, in assisting Peace Corps in extraordinary ways when a Peace Corps volunteer is lost or injured. Through many ways the Latin American countries demonstrate their commitment to Peace Corps in manners which do not register on the accounting sheet for host country contributions.

PEACE CORPS IN INDIA

Mr. SHRIVER. You will have no volunteers in India in 1977, is that correct?

Mr. GANLEY. Yes, that is correct. All volunteers will leave India by September 1976. The Government of India has requested that all foreign government aid missions leave the country, not just Peace Corps or those sponsored by the United States. It was agreed between the Government of India and Peace Corps that all volunteers would be out by the end of fiscal year 1978. Because of the small number of volunteers remaining in the country and the accompanying costs, we have decided to leave.

PEACE CORPS IN BRAZIL

Mr. SHRIVER. Why would you continue to have large number of volunteers in Brazil?

Mr. GANLEY. Peace Corps will allot about 124 volunteer-years in Brazil for fiscal year 1976; for fiscal year 1977 about 165; and 230 in fiscal year 1978. We are growing at this rate because of a very clear and pressing need and desire for volunteer assistance in that country.

It should be noted that Peace Corps receives more host country requests from Brazil for volunteers than it can fill or would even attempt to seek to fill. For example, a major university in the State of Minas Gerais has provided for us the complete facilities required to run a training center there. Volunteers have provided valuable technical assistance to Brazil through their research or study: cottage industries have sprung up, profitable organizational procedures or techniques have been provided to local businessmen, new breeds of animals have been developed for the small farmer, and even traffic-flow patterns for large cities have been organized.

PEACE CORPS IN CHILE

Mr. SHRIVER. How about Chile? I thought we had no aid programs there now.

Mr. GANLEY. United States supplies aid to Chile in various forms, including Peace Corps assistance. With respect to Peace Corps, volunteer strength is expected to go up only slightly from last year—an increase from about 65 volunteer years to about 70 volunteer years.

Peace Corps is changing its focus in Chile from providing very highly skilled volunteers mostly in environmental programs, to providing more volunteers who will work in a more direct fashion with the poor and underprivileged sector of Chile's population. Specifically, these volunteers will work mostly in the areas of technical assistance to food-producing cooperatives, nutrition, and special education.

PEACE CORPS IN VENEZUELA

Mr. SHRIVER. Venezuela is an oil producing country. Why have volunteers there?

Mr. GANLEY. As to Venezuela, we have concluded that because of Venezuela's increasing wealth Peace Corps will phase out our present operations in Venezuela by the end of the Transition Quarter. We are, however, exploring the possibility of fielding a small number of volunteers beyond that date to assist Venezuela in her efforts to develop her own national volunteer operation similar to the domestic side of ACTION. However, in spite of its relative prosperity. Venezuela still has very serious problems. One of the greatest needs is for trained, experienced personnel to help carry out the reform programs. Very often, carefully laid plans end in failure because of the lack of qualified people, and it is in this area that Peace Corps has been able to make its greatest contribution.

Mr. SHRIVER. Thank you.

Mr. PASSMAN. I think I could make a contribution to the overburdened American taxpayer, in stating categorically for the record that your accomplishments that you claim are entirely mythical; you just really can't put your finger on anything, other than a lot of conversation and imaginary results. There isn't any question about that.

Now, as I read the record, the Peace Corpsmen were asked out of 17 countries, is that correct, since the inception?

Mr. DELLENBACK. I believe there are some 18 countries, Mr. Chairman, which we have left, not all because we were ordered out of those countries.

TOTAL FOREIGN AID

Mr. PASSMAN. If you will turn to page 9 of the committee's report for fiscal year 1976 you will see that the foreign aid, not including $161 billion in military assistance, but the actual economic assistance, plus interest, is $285,879,100,000. I don't know why we continue all these programs.

Mr. Roush?

Mr. ROUSH. Mr. Chairman, I want the record to reflect that I would very respectfully disagree with your conclusion that the results of the Peace Corps are merely mythical.

Mr. PASSMAN. Cite one accomplishment that you can put your finger on.

Mr. ROUSH. I am trying to be agreeable in my disagreement. Since you have asked me for a specific example, I would like to point to a young Peace Corpsman I met in Brazil. I believe the name of the city was Pentacosta. He was an accountant by trade. He had been in that area, at the time I visited with him, for approximately a year, and through his efforts a cooperative had been set up in that particular area which had permitted the farmers of that area to increase their income by almost 100 percent, in the brief time that he had been working with them. I think that is a concrete example of accomplishment by a single Peace Corpsman, and I am sure if we sat down and looked at it we could find many, many more. But I didn't come to argue with my chairman.

PEACE CORPS REENTRY RECORD

Of the countries that we have left, how many have we gone back into, if any?

Mr. DELLENBACK. We have gone back into four of the countries we have come out of. I might mention that we left at our own decision—largely for the safety of the volunteers—Uganda, Uruguay, Cyprus, Indonesia, and Turkey. In at least three other countries there has never been a formal request to leave, but we have been unable to work out further specific requests from the country for additional volunteers.

The decision to leave in these instances have been made by Peace Corps, because we felt the program was not viable there any longer.

Mr. ROUSH. Thank you. It must be terribly difficult for you to come here today to justify this budget, in view of the fact that just a short while ago you must have been pleading with the Office of Management and Budget not to so drastically cut from the $89 million you had requested of them. It must be terribly difficult for you. I will say that it is terribly difficult for you. As Mr. Shriver pointed out, that is quite a cut. I would like to pursue this readjustment allowance.

READJUSTMENT ALLOWANCE

According to your testimony, and now we are going to talk about the fiscal 1977 budget, regrettably you say:

> We have not included funding of the authorized increase in the readjustment allowance. The requested expenditure level for fiscal year 1977 makes an increase imprudent since it requires us to eliminate from plans for fiscal year 1977 a number of support services which, if continued, in the long run could do serious injury to program quality. It requires us to reduce projected volunteer years by about 260.

Now, as I understand it, the possibility is that this money for this increased readjustment allowance will be earmarked for that purpose. Now, in that event, does that create additional problems for you, dealing with this kind of budget?

Mr. GANLEY. Yes, sir. If the Congress earmarks that amount of money and we stay within the current ceiling that we have, we would have to lose about 540 more volunteer years.

Mr. ROUSH. Let me ask you, what would be the additional cost to the Peace Corps if, in fact, we do provide for the readjustment allowance?

Mr. GANLEY. If it started on the first day of the fiscal year it would be $3,978,000.

Mr. ROUSH. If you had the $3 million-plus for fiscal year 1977, you would then not have to cut your program beyond that which you have described in your statement and justification. Is that correct?

Mr. GANLEY. That is correct. That would pay for the increased readjustment allowance.

COUNTERPART FUNDS

Mr. ROUSH. In those countries where we have available counterpart funds, do you use those funds?

Mr. GANLEY. Yes, sir, to the extent they are available.

Mr. ROUSH. The reason I ask is in my work on other subcommittees which deal primarily with domestic programs but with some programs abroad, such as the National Science Foundation, they set out a specific sum in their budget justifications of the amounts to be used from the counterpart funds. I don't find that in your justifications.

Mr. GANLEY. There is a basic reason that the countries in which we are most active do not generate counterpart funds.

Mr. ROUSH. I know most of those are, but you are in countries where counterpart funds are available, are you not?

Mr. MARKHAM. Counterpart funds are available in only two countries in which we have been in recently. One is India. We are leaving India at the end of this fiscal year. The other is Tunisia. Frankly, we have been discouraged by OMB from using these funds to meet continuing type activities which, in fact, we represent. So, for that relatively small amount invested in Tunisia, it has never seemed worthwhile to go ahead and ask for that in a special authorization.

TERMINATION OF PROGRAMS

Mr. ROUSH. Just one more question concerning the countries you are leaving. I believe I read in your testimony that you are leaving three countries. What are those three?

Mr. DELLENBACK. Iran, India, and Mauritius.

Mr. ROUSH. Are you leaving those countries voluntarily?

Mr. DELLENBACK. The situation in Iran is voluntary, the situation in Mauritius is voluntary. In India it is because of a declaration by the country that they are reducing all volunteers, not just Peace Corps volunteers from the United States, but from any other country. And in phasing us out, they phased us down to a level which we feel is uneconomic, so we are anticipating the withdrawal time.

Mr. ROUSH. I was somewhat taken aback by an answer to one of Mr. Shriver's questions, in which you inferred that you had no plan to leave other countries. Did you say that?

Mr. GANLEY. I don't believe we said that, Mr. Roush.

Mr. DELLENBACK. I think the statement earlier that you made had to do with specific countries.

Mr. GANLEY. What I said was that we had no specific plan for leaving any countries in fiscal year 1977. We have, of course, plans this fiscal year to leave three countries.

Mr. ROUSH. I received the wrong inference from that. You do have plans to phase out your work in various countries as you see it appropriate to leave, do you not?

Mr. GANLEY. We are looking at all countries on a continuing basis, and while we don't have exit dates established for a whole host of countries, we are continuing to look at whether or not we should be in particular countries.

Mr. ROUSH. You don't think it would be appropriate to plan ahead and to notify the other countries ahead of time that we are planning to terminate our Peace Corps program here in say 5 years, 4 years, 3 years?

Mr. DELLENBACK. Mr. Roush, if I may say so, the fact is that we do not have specific plans to leave any other countries than those three which I have just mentioned. The point Mr. Ganley made is that we are constantly looking at the host countries and we are evaluating how best we can use the dollars that are now available to us. We do not have any secret plans to leave country "A" or country "B" at the end of such and such a period of time. At the time that a year goes by, in the process of evaluation, we may then say "Now as for Mauritius and Iran, we will go out of those countries." If that readjustment allowance increase were forced upon us without additional funds, we would have to look very hard at coming out of other countries.

Mr. ROUSH. I am not probing for secret plans. As you know, under the Budget Control Act which the Congress passed, the Congressional Budget Office is required to make projections for 5 years. I believe it has been Mr. Bevill on this subcommittee who has been insisting that we do some advance planning so we know where we are going with the AID program.

It just appears to me, and this is my own personal observation, that it would be appropriate that the Peace Corps do the same thing. We would know where we are going. The other countries would know what we are planning for them. It wouldn't come as a great shock to them when we did leave, and it would somewhat stabilize our image abroad if we could do that in our foreign aid program, Peace Corps program, any other program abroad, as well as with our domestic program.

Mr. Chairman, thank you.

Mr. PASSMAN. Mr. Long?

LIGHT CAPITAL TECHNOLOGY

Mr. LONG. You know, I think, of the interest of the committee in the field of intermediate or light capital technology. It would seem to me that this is an area in which the Peace Corps could really accomplish something—instead of teaching teachers to teach teachers to teach a lot of stuff that ends up mainly arousing false hopes in underdeveloped countries. Can you give us some concrete examples of what Peace Corps volunteers have developed in the area of light capital technology?

Mr. GANLEY. Yes, Mr. Long. Mr. Dellenback can give you those.

Mr. DELLENBACK. Mr. Long, we know of your real interest in this field and are pleased at the interest you have demonstrated for a long time in Peace Corps' activity in intermediate technology. Peace Corps is really such a natural instrument to utilize light capital technology and has been deeply involved in it right from the very beginning of the agency. It has been a very major part of what we have been doing. I would like to give some specific examples of our activities, because we feel that our record in this is really exemplary. We have in the field created some instruments of intermediate technology of our own and refined some ideas of others. We have taken these ideas and spread them around, teaching them in area after area.

We have very recently gone into an attempt to systematize this approach, because our 15-year experience of doing things in this field of intermediate technology all over the world has yielded hundreds of ideas and plans that ought to be used much more broadly than they have been to date. We are now in the process of retrieving and reviewing as much material as is available from all over the world and preparing technical manuals on a myriad of self-help projects such as grain storage, forestry, fisheries, wells, health education, secondary education, low-cost development projects, and general technology developed by volunteers. We are also working with outside organizations because we feel that we shouldn't keep this knowledge to ourselves alone.

PEACE CORPS INTERACTION WITH OTHER AGENCIES

Mr. LONG. What do you mean by "outside organizations"? AID?

Mr. DELLENBACK. We have been dealing with AID in two ways. We have been working with AID in local projects funded by AID, such as in the Sahel. With this assistance, we have been able to implement some of our own ideas. Also, we have been in dialog with AID about taking some of the ideas generated by Peace Corps and making them available to AID. We are discussing with them the utilization of the $20 million that the Congress has recently provided for intermediate technology.

LIGHT CAPITAL TECHNOLOGY

Mr. LONG. That is the question I wanted to lead into. This program is now part of the law. AID has pledged to move ahead on it and will

hopefully develop an organization within AID, whose members' career interest will be in this area. We need to try to do the same in all the various countries of the world, because it seems to me we can start off by giving the development of light capital technology a push, but in the end, this process has to be indigenous. There are no real examples of economic development that have gone very far that have depended on exogenous forces, forces from the outside.

I just wonder what you feel specifically that the Peace Corps can do to help AID or what AID can do to help Peace Corps, in view of this new look in foreign aid, if you want to call it that.

Mr. DELLENBACK. Congressman, if the Peace Corps is not involved in the utilization of those funds, I am personally persuaded that the United States will have wasted a tremendous asset, because we have done so much already in this field. We are trying to bring all of our information together, then distribute it not only within agencies like AID but to every country in the world.

Mr. LONG. That is your intent, but how do you go about doing it?

Mr. DELLENBACK. Some of this is being done in-country right now, where we have made the information on wells, for example, available throughout the Sahel through our own Peace Corps people.

So through our own apparatus, this information is getting into those countries that have no Peace Corps presence. The first of these manuals is now in the process of being completed. In such things as wells, for example, we are getting a distribution list. Everybody on that list will receive the information which we have put together. We are also working through other Federal Government agencies and directly with instrumentalities in the countries themselves to make this information available.

We have a chart which shows every country in which we are present and every program in which we have been involved. We are making that chart available to all of the host countries. So a given country which has not been involved in, say, wells or fisheries, would be able to go to our own prepared chart and say: "Look; here are six different countries in which something like this has occurred." We can then open dialog with that country and provide that kind of information.

Mr. LONG. This happens, of course, with an idea that has already been developed and has been working somewhere. The need as I see it, in this field of intermediate or light capital technology, is to get new ideas, new processes, new products.

There has been a considerable shortage of appropriate technology because we really haven't had a good system for developing it. What is Peace Corps doing or what institutions or organizations can you set up to develop these new ideas—not to see how you can build wells better, but how you can develop some new idea which represents the counterpart of a well?

Mr. DELLENBACK. Drilling wells is just one narrow example of our efforts, although this is not a simple undertaking, because there may be as many as 50 different kinds of wells. We have also dealt with agriculture, public works, health, business, visual aids of all sorts and a whole host of other endeavors.

Mr. LONG. Let's take the example of a well now; as you pointed out, there are many different ways to build a well. You can build one very expensively——

Mr. DELLENBACK. Very expensive ones are not involved in our projects.

Mr. LONG. Yes. When you say an inexpensive well or one that would represent light capital technology or appropriate technology, of what cost are you thinking?

Mr. DELLENBACK. You might be talking, for practical purposes, of anything from no dollars, just using a shovel, which does not involve any capital, to a situation where you are spending a few hundred dollars.

Mr. LONG. That would be called primitive technology.

Mr. DELLENBACK. We are running the gamut of degrees of technology.

Mr. LONG. We don't want primitive technology, because that is no technology at all.

Mr. DELLENBACK. I was trying to get the scope of what it is we do. As you know, what we are talking about are low-cost approaches where you can take into account locally available materials and yet use those materials in a way that doesn't call for a great infusion of capital. It might run a community several thousand dollars. But we are not talking about building a great complex system such as a dam that would be in the millions of dollars. That isn't the kind of thing that Peace Corps really feels is involved in our unique effort. We want to assist a community in a way that will benefit that community to produce for themselves and be functional without inserting a great amount of capital.

Mr. LONG. Who comes up with your ideas? How does the idea for a new well evolve, come out as an idea?

Mr. DELLENBACK. Sometimes, our involvement comes out of the need of the particular community or country. We found that out in areas like the Sahel, where there is a great, desperate need for water. Othertimes, it is the Peace Corps volunteer himself who gets the idea. Or it comes from a local citizen in the community, the country or its ministry, or from an agency like AID.

Mr. LONG. I am sure you understand that America developed its great industrial revolution out of its own indigenous geniuses—our Eli Whitneys, John Deeres, and so on. There were hundreds and thousands of new gadgets developed which didn't come out of any laboratory or any mathematical genius. A smart, intelligent person just happened to be close to a production process and saw a way in which it could be done much more simply and cheaply. Now, Peace Corps people are going to come and go. We don't want them to be the inventive geniuses. We want the people in the countries themselves to do the inventing. We want to develop the African Eli Whitneys, in the Ivory Coast or Senegal. What is the Peace Corps doing to try to develop that kind of indigenous innovation?

Mr. DELLENBACK. We don't have great amounts of funds where we can set up schools and run contests in countries. Rather, the principal things that we are doing are through our volunteers within the given country concerned, working on the projects, generating or bringing in ideas from the outside, working with the people to stimulate them.

We do a great deal in counterpart training, as you know, where we will have a volunteer working with the counterpart in the host country, so that, there is someone in that country trained in that kind of work.

We are also trying to work in the area of agriculture. For example, in a country we might be charged with the responsibility for water development. In that instance, we will work with the ministry in that country on any ideas they have, urging them to come up with ideas, and trying to stimulate the creation of productive programs. We are working all the way from the individual, on the local level, through the communities, into the national level.

Mr. LONG. But are these ideas that you are bringing in from outside or are these ideas you are trying to get the people in the habit of discovering for themselves?

Mr. DELLENBACK. Ideally, we would prefer the latter, because it is our hope that the people themselves will be able to pick up the kind of work Peace Corps was engaged in and carry it on themselves.

Mr. LONG. I understand there are all kinds of bright, intelligent, innovative people——

Mr. DELLENBACK. We are not trying to spoon-feed the peoples of other nations at all. To the degree that is posssible, we want very much to see them develop the ideas for projects in their own countries.

Mr. LONG. Would you explain briefly what activities the Peace Corps is undertaking in the field of intermediate or "light capital" technology?

Mr. GANLEY. Intermediate technology has been the focus of Peace Corps activities since our first Volunteers went into the field. Volunteers living and working at the local level tend to meet traditional problems with inventive approaches and adaptations which make use of low-cost, locally-available materials; often they have developed simple-to-build designs at a fraction of standard costs. In a very real sense, Peace Corps has been a vast field workshop in intermediate technology. We are currently collecting from the field all materials relating to development strategies and technologies developed by Volunteers. We have established an Information Collection and Exchange (ICE) to review and classify these materials and to share relevant information within Peace Corps and with other assistance agencies working in intermediate technology.

We are also preparing a series of manuals based on our experience in intermediate technology. With funding from Rockefeller Brothers Fund, Volunteers in Technical Assistance is working with Peace Corps on these manuals so that the presentation and format will meet the needs of people in developing countries—agriculture extension workers, for example—who have special difficulties otaining resource materials they can use effectively.

Mr. LONG. Can you give some concrete examples of specific items—devices or techniques—that Peace Corps volunteers have developed that are examples of light capital technology?

Mr. GANLEY. Some examples of intermediate technology developed or adapted by volunteers or with volunteer assistance are: "101 Well" Lifting Device; small box culverts constructed from scrap iron; post earthquake temporary housing (Peru construction plans forwarded to Guatemala); barrel bridges; crop duster constructed with a Quaker Oats box as the central piece; cement stave silo; mud-walled grain dryer; simplified accounting bookkeeping systems; materials for training local extension workers for development of freshwater fisheries; adjustment for the Cinvaran Press so that several blocks may be made simultaneously.

Mr. LONG. In view of the over $14 million reduction in your budget request over fiscal year 1976, will you be able to continue and increase your activities in intermediate technology?

Mr. GANLEY. Peace Corps activities in the field of intermediate technology fall under two broad categories: those that have always occurred in the field as a result of normal volunteer assignments, and those that we have initiated in this past year—the information collection and exchange and the Peace Corps technical manuals—which attempt to collect and disseminate field-generated information. The former will continue to be an integral part of Peace Corps as long as volunteers work in development related activities at the local level. The latter requires a conscious effort on our part and it is to this that I will address myself.

In fiscal year 1976 our office of Multilateral and Special Programs proposed to collect field-generated program information on a very limited number of topics: wells, grain storage, inland fisheries, forestry and conservation, rural construction, and health education. Preliminary results indicated that a wealth of information existed throughout the Peace Corps.

A second step was then initiated to review and classify field-generated program materials on a Peace Corps-wide basis. This activity is currently underway and promises to produce a substantial amount of practical information relating to intermediate technology.

In fiscal year 1976, the collection and dissemination of intermediate technology information was initiated at a cost of $131,200.

Mr. LONG. You state that the area of program support will take the largest cut—a cut of $8.6 million. What part of your work in intermediate technology is financed by funds from the program support area? Will you be able to continue these activities in intermediate technology in spite of this cut?

Mr. GANLEY. Of the $131,200 budgeted for fiscal year 1976, $52,300 came from program support. We plan to increase that budget line to $150,000. The increase is justified as the fiscal year 1976 level represents just over 6 months of effort.

Mr. LONG. Please provide for the record details on what the Peace Corps is doing in intermediate technology. Please include concrete examples—with cost comparisons—of intermediate technologies that Peace Corps volunteers have developed.

Mr. GANLEY. Trained by Peace Corps in cross-cultural relations and language as well as in technical skills, our volunteers have always lived and worked at the local level; they have learned to function in remote areas of the developing world where people as often as not still fear outsiders and distruct new ideas. Intermediate technology—the working out of local problems with low-cost designs making use of locally available materials and taking into account local attitudes and customs—has been the very nature of the Peace Corps program. Peace Corps volunteers have been responsible for a number of developments in intermediate technology; following are a few specific examples

Grain storage.—Research and development projects carried out by Peace Corps volunteers and local employees of the Ministry of Rural Development and Cooperative Action in Benin led to adoption for use by local farmers of the cement stave silo and a modified mud-walled grain dryer. The silo costs approximately $100, one-half the

cost of a standard metal silo. The dryer costs about $50 in contrast to the estimated $1,000—both include labor—for the dryer developed in the International Rice Research Institute.

Building construction.—Working with the Government, Peace Corps volunteers in Liberia developed construction plans and commenced building three classroom village schools costing approximately $4,000 each. The two classroom schools planned by CARE/Liberia, in contrast, cost approximately $38,000 each. The CARE schools use different materials and include a cafeteria; the cafeteria is generally used as a classroom when construction is completed because a third classroom is ordinarily necessary.

Transportation networks.—A "Barrel Ferry" designed by a Peace Corps volunteer was constructed for approximately $1,000 in 1967. The rural bridges may be built for approximately $30 per square foot exclusive of labor. The standard alternative—use of reinforced concrete—costs approximately $60 per square foot—exclusive of labor.

Agricultural production.—The Crop Duster developed by a Peace Corps volunteer costs approximately 50¢ to construct. The body of the duster originally constructed from a Quaker Oats tin, may also be made with a tomato tin or whatever else is locally available. An extremely simple crop duster of standard manufacture costs approximately $5, while technically more complex dusters range from about $30 to $75.

Today, as other international agencies are redirecting their program efforts toward intermediate technology, Peace Corps has an obligation to share relevant technologies and strategies developed over 15 years by 63,000 volunteers. Our Office of Multilateral and Special Programs has for several months been retrieving Peace Corps-generated materials—project manuals, work programs, lession plans, and the like—written with regard to particular programs. After systematic classification and review, relevant materials will be made available within Peace Corps and shared with other development agencies. Among the materials collected are those listed above in response to question 2.

Some of these information collection and exchange materials are now being utilized in a series of manuals Peace Corps is preparing on subjects vital to local level development. These manuals are clear and thorough guides in intermediate technology, based firmly on our field experience.

The village level grain storage manual, for example, includes description of a mud-wall dryer developed by Peace Corps volunteers and adaptations made by volunteers to convert a sophisticated storage silo design to one practical for use by subsistance farmers. The rural construction manual presents plans for building, roads, bridges, and so forth, developed by Peace Corps volunteers in conjunction with local government development agencies. Manuals are being prepared in forestry and conservation in arid lands, fresh water fisheries, wells, health education, and secondary education; manuals on low-cost development projects and volunteer technology are in the early planning stages. In fact, these manuals represent a unique contribution in intermediate technology, for their proposed distribution extends beyond the Peace Corps and other international organizations. The Rockefeller Brothers Fund is providing some

support to volunteers in technical assistance (VITA) to work with Peace Corps on format and presentation so that the manuals will meet the needs of people in developing countries—agriculture extension workers, who have special difficulties obtaining resource materials they can use effectively.

One of the great strengths of our volunteers has always been in developing new approaches and adapting established techniques to the local situation. Our current efforts supplementing volunteer contributions to intermediate technology unquestionably broaden the general arena in which Peace Corps can participate in the development community.

Mr. LONG. I am sorry. I yield back the balance of my time.

Mr. PASSMAN. We have a new Member of the committee. We are going to make him an honorary member of this subcommittee, Mr. Larry Coughlin, Jr. I am going to yield to you at this time, and then you yield to your father.

FISCAL YEAR 1977 BUDGET REDUCTION

Mr. COUGHLIN. Thank you very much for that, Mr. Chairman. I want to welcome our distinguished former colleague, Mr. Dellenback. I share Mr. Roush's concern about the size of the cut in the Peace Corps budget because I do regard this program as perhaps one of the very best international programs that we have. I would like to direct a couple of questions to that. I note that your fiscal 1975 budget authority was $77 million, and that supported a volunteer level of about 6,652 volunteers. Your fiscal 1976 budget authority was $81 million, but the number of volunteers dropped then to 5,965 volunteers. Then in your 1977 estimate, it would indicate budget authority of $67 million, supporting 5,708 volunteers.

I can't understand the cutback in the volunteers, a large part of which occurred at a time when your budget authority was going up, between 1975 and 1976.

Mr. MARKHAM. I think the answer to your question is basically that costs have been rising each fiscal year. The budget that we propose for this fiscal year is going to be based on a number of actions we are going to take, on a one-time basis, which we hope we won't have to repeat every year. We are going to restrict travel severely, cut out conferences that we would normally have. We are moving out of three Peace Corps countries; Iran, for example, has been fairly a large country.

Mr. GANLEY. Mr. Coughlin, one of the largest reductions comes from the transfer of our shared administrative expenses over to the State Department budget, which amounts to over $3 million. That is a major budgetary reduction. In 1977, the State Department is going to pick up shared administrative costs which we have previously had in our budget.

Mr. COUGHLIN. About $3 million?

Mr. GANLEY. $3,130,000. So to get on a comparable basis, you would have to either subtract $3 million from last year or add $3 million this year. We have specifics that can we recite to you on the various other reductions. They are in the justification.

CUT BACK IN LATIN AMERICA

Mr. COUGHLIN. I note that a substantial part of the cutback in volunteer years has occurred in the Latin American portion of your program. The African portion and NANEAP, have not experienced a similar cutback. Can you tell me the rationale for cutting back so substantially in Latin America rather than in other parts of the world?

Mr. DELLENBACK. It is not a decision that we make in a vacuum, and say cut there. Our programs are located throughout the world: Latin America, Africa and our third region, NANEAP, which means North Africa, Near East, Asia and Pacific.

Rather than our saying arbitrarily, "This is what it is that you will have in the way of dollars," we go through a program development plan called a country management plan, where we ask the countries to come up with their projections as to the needs of that country, and what it is that they feel can soundly be developed in the way of programs. It is less a conscious decision on our part into which region and country we shall allocate our resources than what is requested by the countries themselves and the actual development of those nations. The Latin American countries are in a different stage of technical development and economic development than those in the other two regions. And we have found that they are asking for a higher degree of technical skill than the countries in the other two regions. The net result is that programs of the nature that we would have in Africa, for example, where we can readily supply such volunteers, are no longer really viable in Latin America.

We are frankly looking very hard at Latin America to determine whether or not there are new kinds of programs in which Peace Corps could and should be involved in to reverse the present downward trend of the number of volunteers in that region.

Mr. COUGHLIN. I would like to say for the record, that at least in my judgment, no part of the world is more important to us in the long run than Latin America. It is our neighbor to the south, and I would certainly not want to see that particular part of the world get the short shrift of the Peace Corps effort.

Mr. DELLENBACK. I mean very seriously what I have said. We are in the process of looking at our involvement in Latin America, because it is a tremendously important area to us.

RATIO OF TRAINEES TO VOLUNTEERS

Mr. COUGHLIN. You indicate that the planned Peace Corps level is 5,708 volunteer years and 3,370 trainees. That seems like a high ratio of trainees to volunteers. Can you explain that?

Mr. DELLENBACK. We asked for this number of trainees and are seeking to get that number. It is our experience that the time that elapses between the time the trainees actually sign up and finally end up in the field, there is a great deal of weeding out during the intervening screenings. That is why we need that large a number of trainees.

Mr. COUGHLIN. It takes more than half as many trainees as you have volunteers in the field to maintain that area?

Mr. DELLENBACK. The figure is constant. The trainees are on an annual basis while the volunteers serve on a 2-year basis. We turn

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over roughly about half of the field every year. We need to put initially into the process about 3,300 trainees annually. We must seek and obtain that number in order to be able to maintain the strength of the volunteers in the field at about 5,700.

TOUR EXTENSIONS

Mr. COUGHLIN. Do you encourage people to stay on beyond the 2-year period?

Mr. DELLENBACK. We have what we call "extensions," determined through a bilateral decision. We are desirous that volunteers who are particularly good and want to stay, continue. However, we are quite frankly not trying to get every volunteer in the field to stay.

At the same time, since we are limited in our resources, we would be depriving some Americans of a chance to participate in our program as volunteers.

TECHNICAL ORIENTATION OF VOLUNTEERS

Mr. COUGHLIN. What percentage of your volunteers are technically oriented? That may be difficult to define.

Mr. DELLENBACK. It is hard for us to pin that down, because of grade classifications and skill codes that we use within our own processes. It moves incrementally from generalists who have college degrees with no technical skill, to somebody who is very highly skilled. Instead of it being flatly in one grouping or the other, there is a gradation. I would like to, if I may, submit for the record this kind of analysis.

[The information follows:]

The following categories indicate the various skills of Peace Corps volunteers during fiscal year 1976, and the percent of the total number involved in those areas: agriculture/forestry skills, 21 percent; skilled trades, 5 percent; professional skills (health, architecture, civil engineering, etc.), 24 percent; math/science teachers, 33 percent; generalists, 17 percent.

(These skill categories do not account for the specialized technical and language training which all volunteers, including generalists, receive before beginning service.)

PROGRAM SUPPORT VS. VOLUNTEER COSTS

Mr. COUGHLIN. Finally, I note, that your program support level, projected for 1977 is $29 million and your volunteers are $34 million. Is there any way we can determine—as they say in the military—the "tooth to tail" ratio? Is there any way of increasing the tooth at the expense of the tail?

Mr. DELLENBACK. May I say as a generalization that we strive to keep that ratio down in the sense of how much is needed in pure backup as opposed to the real "bite or tooth" in the field. We are constantly looking at specific items. Again, as you know, it is impossible to draw a clean line, because if we talk about a vehicle and the vehicle is working directly with the volunteer in the field, is that support or is that something directly for the volunteer himself? Remember, we only have 158 staff slots here in Washington of 749 slots in total.

Most of our support is directly in the field. Even though it may be called staff, it is staff right there with the volunteers, oftentimes

training them, working with them in the development of program, and in the implementation of the program. We are trying to make the dollars in the highest percentage possible directly attributable to what is being done in the field.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Coughlin.

HOST COUNTRY COSTS

If you have volunteers in country "X", what does it cost that country, out of their economy, to maintain a Peace corpsman for a year?

Mr. GANLEY. We can tell that host country contributions this year are roughly 8 percent of our budget.

Mr. PASSMAN. Please, gentlemen, let's be specific. We have to borrow this money. I don't care if I do irritate people, I feel a responsibility. My government has legally confiscated 68 percent of my savings since I came to Congress. From a selfish standpoint I have to be more responsible. The dollars I saved are only worth 32 cents. I am trying to establish that there is some good in this, other than having a nice bunch of Americans go abroad. I want to know what it costs the host government to maintain a Peace Corpsman in their country for a year. That is a good question, isn't it?

Mr. GANLEY. Yes, sir, it is a very good question.

Mr. PASSMAN. What would you think it costs them? Give me a general idea. Would you say $100 per Peace Corpsman? Would that be in the ball park?

Mr. GANLEY. No, sir. Without having a specific down to the last jot and title figure, it probably costs them at least half as much as it costs us.

Mr. PASSMAN. Let's take the Peace Corps' own record. Let's do a little mathematics here. Host countries' contributions in 1976 were $4 million. All right. Now, how many Peace Corpsmen?

Mr. GANLEY. About 6,000.

Mr. PASSMAN. How much is that per individual? We will get this right down to within 30 cents of the cost if you will cooperate.

Mr. GANLEY. It would be approximately $660.

Mr. PASSMAN. Let's give you the benefit of the doubt and say $700.

Mr. GANLEY. All right.

Mr. PASSMAN. Let's do a little mathematics to figure out how host countries feel about your outfit. In India you have 600 million people, do we not?

Mr. GANLEY. That is the last figure I heard, Mr. Chairman.

Mr. PASSMAN. Poorest country on the face of the earth; is that correct?

Mr. GANLEY. Certainly one of them.

Mr. PASSMAN. India thought so much—and I share your disappointment; don't think that I don't, because I am an American just like you are—India was not sufficiently impressed with the Peace Corpsmen to spend $13,000 to maintain 19 people.

Let's take the three poorest countries on the face of the earth, Pakistan, Bangladesh and India. Two of them, for various reasons, in diplomatic language, said "get out." You must not have made too

good of an impression in India when they are not willing to spend $13,000 to keep Peace Corpsmen there.

Now, when we read the record, just what could 19 technicians do in a country of 600 million people, anyway?

Mr. GANLEY. That is not a meaningful example. How about talking about Ethiopia, one of our success stories?

Mr. PASSMAN. How about Bangladesh, where you have possibly 100 people a day starving to death?

Mr. GANLEY. We are not in Bangladesh.

Mr. PASSMAN. I know you are not, nor in Pakistan, either, or India, three of the poorest nations on earth.

To be frank with you, they don't want us in there. I wish we could look at the record as it is. I am just a little bit disturbed about it. We have been very good to India. We have given them out of bilateral agreements $7,800,000,000. Then from the International Development Association another $3.5 billion. So we have given India, if we include both items, over $11 billion. They don't want your Peace Corpsmen, they don't want us in there. Somewhere along the way we ought to find out why India, with 600 million people, where we have given them $11 billion, is not willing to absorb $13,000 to keep 19 Peace Corpsmen there.

Gentleman, we thank you very much. I am thinking about dollars, not personalities, you understand. Mr. Roush?

CONTRIBUTIONS IN CASH AND KIND

Mr. ROUSH. I just wanted to pursue one thing, Mr. Chairman. On the contributions of the other countries, I notice in your justifications you state "Contributions in cash and kind," I believe. Would it be fair to say that most of the $4 million is a contribution in kind?

Mr. MARKHAM. 75 percent, approximately.

Mr. ROUSH. Thank you, Mr. Chairman.

Mr. PASSMAN. Which means in reality we can cut this $13,000. The government itself is putting up about $3,500 and the other contribution is the labor contributed by the natives. Is that right?

Mr. GANLEY. No, Mr. Chairman. This does include housing, for example.

Mr. PASSMAN. I know. The government, itself, then, we are just going to have to think the outlay of their currency in foreign exchange would be about $3,500.

Mr. GANLEY. I don't believe——

Mr. PASSMAN. That would be 25 percent of $13,000. Is that right?

Mr. GANLEY. We couldn't say that this has any impact on their foreign exchange. Housing does not require them to use foreign exchange.

Mr. PASSMAN. You are not saying it cost India zero, are you?

Mr. GANLEY. No, sir.

Mr. PASSMAN. It is costing them $13,000.

I share with you your disappointment and I share with you the embarrassment we are going to have when the record is read. As far as I am concerned, each Member speaks for himself. If there is anything that ever was mythical in the main, it is the Peace Corps.

I hope someday we will realize that the program condemns itself. I am talking about foreign aid, because we promised the American

people that this program would be a one-shot-in-the-arm program for 17 nations, at a cost of $15 billion, but we have carried it to 134 nations of the world and it is getting bigger every year. In fiscal year 1976, the foreign aid bill was over $5 billion.

We must bring this program under control. It has caused us nothing but trouble. It is just impossible for us to find places where we have poured our massive resources where we have friends left. Mr. Bevill?

HOST COUNTRY CONTRIBUTIONS FROM AFRICA

Mr. BEVILL. In fiscal year 1976 and again in fiscal year 1977, the host country contributions from Africa have dropped. Why has this happened?

Mr. GANLEY. Several factors have influenced the decline in host country contributions for the Africa region in fiscal year 1976 and fiscal year 1977. The main reasons for this decrease are as follows:

Upward revaluation of the U.S. dollar in relation to the local currency.

The Central African franc has devalued 11 percent thus far in fiscal year 1976. Thirteen Africa region countries are affected, causing an estimated $146,443 loss in U.S. dollar value of host country contributions. Also, the South African rand was devalued by 18 percent; the net decrease for the three Southern Africa Peace Corps countries is an estimated $56,124.

Host country contributions from the Government of Ethiopia declined sharply from $468,000 in fiscal year 1975—with a volunteer strength of 161—to $83,000 in fiscal year 1976 at 43 volunteer years. Host country contributions from Ethiopia in fiscal year 1977 should level off at $75,000.

The definition of host country contributions was changed in fiscal year 1976 to eliminate from our calculations some items that were included earlier. Host country contributions for project-related equipment and supplies provided by host governments are no longer counted. Under the new rules, expenditures by host countries are counted as contributions only if they offset expenditures which the Peace Corps would otherwise have to make.

VOLUNTEER REDUCTION

Mr. BEVILL. The total number of volunteers will be decreasing in fiscal year 1977, yet the amount requested for dependent support will not drop. Why is this?

Mr. GANLEY. Since the number of dependents is controlled by the number of volunteer families in Peace Corps, this number is not directly related to number of volunteer years. We plan to maintain the number of children years at the same level as in fiscal year 1976 because the highly skilled individual, whom we are trying to recruit, is quite likely to have a family.

INTERNATIONAL OPERATIONS STAFF

Mr. BEVILL. You are reducing the request for your international operations staff from $18.97 million to $16.59 million. How much of a reduction in personnel will this result in?

Mr. GANLEY. The planned reduction of International Operations staff during fiscal year 1977 will be 63 permanent positions which include 27 positions in headquarters and 36 positions overseas.

AFRICAN PROGRAMS

Mr. BEVILL. In what areas of the development of Africa do you plan to concentrate your efforts during fiscal year 1977? How will your emphasis differ from last year?

Mr. GANLEY. During fiscal year 1977, the Africa region plans to expand its programs in agriculture/rural development and public health. This orientation will not differ from our fiscal year 1976 plan, although the contribution of the additional staff members employed for these sectors of development should begin to make a positive impact.

Mr BEVILL. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Conte?

FISCAL YEAR 1977 BUDGET REQUEST

Mr. CONTE. This year you are requesting $14,118,000 below the request of last year. How much of that cut is due to transfer of various costs to State Department?

Mr. GANLEY. An amount equal to $3,938,000 in fiscal year 1977 has been reflected in the State Department budget instead of ACTION's to cover the expenses of the State Department's Foreign Affairs Administrative System.

Mr. CONTE. How much of the support and support personnel would be cut if this level of funding is approved?

Mr. GANLEY. Within our appropriation request for fiscal year 1977, we have planned to reduce the level of support both in Washington and overseas which we feel will not have a serious impact on the Peace Corps program. Specifically, we plan to cut Peace Corps permanent positions by 63, 36 of which are overseas staff slots. And agencywide support positions to be reduced by 141. Many of these positions will be replaced by temporary positions where necessary to meet spasmodic workload demands. A portion of these positions are paid from the domestic operations appropriation. Our appropriation request for fiscal year 1977 contains a decrease from our fiscal year 1976 request of $8,641,000 for program support. The Peace Corps share in fiscal year 1977 of agencywide support estimates will be reduced by $2,928,000 from the fiscal year 1976 amount.

Mr. CONTE. Could Peace Corps maintain the quality and quantity of programs abroad without this support, training, and screening?

Mr. GANLEY. The level of our request for fiscal year 1977 is indeed austere. We do not believe that this austerity will have a long-term effect on the quality and quantity of our programs abroad. It is a level that was planned to provide adequate support, training and screening for the program size in fiscal year 1977 of 5,708 volunteer years.

VOLUNTEER TRAINING PROCESS

Mr. CONTE. What does your present screening and training process for new volunteers entail?

Mr. GANLEY. There are five phases of screening prior to becoming a volunteer. First, an initial screening for Peace Corps applicants takes place at the Regional Service Center level. This screening is done in the form of an oral interview with a recruiter which contains the following elements: medical, legal, suitability (such as maturity, flexibility, and motivation), commitment (what is the meaning to the trainee of PC), skill.

If an applicant is found to be qualified at the end of the interview, an application is filled out and the candidate is preslotted to a particular position in a specific country. The application, together with appropriate references, is then reevaluated at the Service Center. If the aggregate of this information is favorable, the folder is sent to International Operations Placement in Washington.

In the secondary screening, the Placement Office must decide within 3 days of receipt of the folder whether or not she/he concurs that the applicant matches the slot.

If there is concurrence, the Placement Officer may take one of four actions: (1) Invite the applicant immediately, (2) Place the applicant on hold (based on medical/legal hold or quality comparison with other applications), (3) Ask the applicant to consider another position, or (4) Reject the applicant.

At the time of this action, a national agency check is initiated. If the results of this check are questionable, either a full field investigation is required or general counsel will look into the matter and determine what other action is required. In the past this has been either additional investigation by general counsel, our own security office, or a psychiatric interview.

The third screening is called staging, where trainees are formally registered, are evaluated for skill or suitability, and receive an orientation about the country to which they will be assigned and the Peace Corps projects in that land.

Fourthly, the training process heavily emphasizes achieving specific terminal training objectives in language skills, cross-cultural sensitivity, technical competence, and a 2-year commitment to serve.

The final screening is then based on a trainee's ability to meet these objectives by the end of the training period. Prior to being sworn in as a volunteer, the country staff, in conjunction with the training staff, has the authority to disqualify a trainee who has not achieved these objectives.

FISCAL YEAR 1977 BUDGET REDUCTION

Mr. CONTE. What would be cut out if the requested reduction is approved?

Mr. GANLEY. If the fiscal year 1977 budget the Peace Corps has requested is approved, the Peace Corps plans to decrease in size by an estimated 257 volunteer years, 74 trainees, and 63 staff positions. Specific reductions also include: the average cost of pre-service and in-service training; the number of grants awarded under the intern program for specialized recruiting; the average allowance paid for settling-in costs; other volunteer support costs including in-country travel, conferences and meetings, supplies, equipment, and medical services and supplies; evaluation studies performed;

vehicle purchases; changes in allocation of agencywide costs and in the transfer to State Department for shared administrative support costs; and staff salaries and benefits, travel, supplies and equipment.

Mr. CONTE. Would you withdraw from any countries now served if the request of $67,155,000 is approved?

Mr. GANLEY. Mr. Conte, we do not anticipate leaving any countries as a direct result of the present budgetary request. We plan to conduct programs in 67 countries in fiscal year 1977. The Peace Corps plans to exit from Iran, India, and Mauritus by the beginning of fiscal year 1977. These exits are not planned as a result of the lower appropriation request for fiscal year 1977 but for reasons of program policies which were decided before the fiscal year 1977 budget request was formulated.

SUCCESS OF PEACE CORPS

Mr. CONTE. Is there any actual evidence of satisfaction on the part of host governments with the Peace Corps?

Mr. GANLEY. There are numerous actions taken by host countries recognizing the contribution of individual volunteers and staff members. However, the following are just three examples of countries that have recently taken definite steps to express their appreciation for Peace Corps assistance:

Malaysia—In a recent—1975—meeting between Assistant Secretary of State Habib and the Prime Minister of Malaysia, the Prime Minister singled out the Peace Corps program for praise, and expressed the appreciation of his country for the assistance given through this effort.

Philippines—In May 1974, the Government of the Philippines represented by the Secretary of Agriculture and Natural Resources, names the Peace Corps to receive the Department's highest award for "* * * enlisting the best of America in the highest cause of all—the elimination of hunger and malnutrition."

Tunisia—The Government of Tunisia, as a direct consequence of its high regard for Peace Corps, has pledged to double its financial support of Peace Corps. This step means that beginning January 1976, the Tunisian Government will be providing 47 percent of the total in-country training, volunteer and staff budget.

FUTURE DIRECTION OF PEACE CORPS

Mr. CONTE. If reductions in program and support are going to be made, what direction do you foresee the Peace Corps taking in the next few years?

Mr. GANLEY. The reductions we project for fiscal year 1977 are hopefully for 1 year only. If the economic picture of this Nation does not improve in future years, we may have to drastically reduce volunteer levels and the number of countries in which we serve.

We believe that the original concept in which the Peace Corps was founded remains as solid today as it was in 1960. The people of the United States wish to express their concern for, and interest in, the peoples of other countries through an organization which brings Americans into close contact with the common people of other lands. For 15 years the Peace Corps has been the major organization through which this concern has been expressed.

We anticipate that changes in the Peace Corps will continue to occur in the future as world conditions change, although always in the context of our original mission. We expect to begin programs in some additional countries—as many as three in fiscal year 1977—and to end programs in other countries. Although changes sometimes occur which are beyond our control, we will be making decisions concerning country exits and entries in terms of our resource allocation criteria. Ideally, we would prefer to be in every country which wants us and which is capable of making good use of our volunteers. More realistically, we expect to have to make choices, in recognition of limited funds but always with the emphasis on coming as close as possible to our ideal. In other words, we will quite likely have far more opportunities to place volunteers than we have resources to support them.

PEACE CORPS IN THE SAHEL

Mr. CONTE. Last year the Peace Corps indicated an interest in increasing its effort in the Sahel. This committee also shares that interest and appropriated $5 million for Sahel programs. What specifically are your plans for that area?

Mr. GANLEY. In May 1975, the Director of ACTION reported to the Congress that 348 man-years were provided by Peace Corps in the Sahel region during fiscal year 1975. During the first 5 months of fiscal year 1976, the total number of Peace Corps volunteers serving in the Sahel increased by 11 percent: on December 1, 388 volunteers were serving in the Chad, Mali, Mauritania, Niger, Senegal, and Upper Volta programs. In addition, the Peace Corps anticipated sending 28 Sahel agriculture volunteers into training in the spring quarter, bringing Peace Corps' total contribution in the Sahel to over 400 man-years in fiscal year 1976.

In fiscal year 1977, a newly conceived program in nutrition and health-related aspects of agricultural development will add 87 new agriculture trainees to Peace Corps/Sahel programs.

RECRUITMENT PROGRAM

Mr. CONTE. Last year you spoke of the great overhaul you did on the recruitment program. Have you had more success in recruiting skilled volunteers?

Mr. GANLEY. In the past 12 months we have converted both the Domestic Operations and International Operations divisions of ACTION's volunteer recruitment to a "pre-slot system," beginning with Domestic Operations in the spring of 1975 and International Operations for spring 1976 programs. "Pre-slot" means that volunteers with specialized skills are sought out for specific program positions, and thus, know at the time of recruitment, their actual place of assignment and duties.

A statistical comparison of Domestic Operations training entries and percent of goal achievement indicates that we have had more success in recruiting skilled volunteers in a 6-month period of pre-slot recruitment (see first half fiscal year 1976) than in 12-month periods of prior fiscal years.

Peace Corps pre-slot is as yet considered experimental. The first objective is to fill the spring 1976 staging and training programs. In

1975, recruitment filled only 68 percent of the trainee positions set as of its spring 1975 goal. As of March 5, 1976, on the other hand, this year's pre-slot recruitment has already reached 74 percent of the spring goal and there are 6 to 8 weeks of recruitment remaining.

READJUSTMENT ALLOWANCE

Mr. CONTE. The level you have requested would not allow the increased readjustment allowance to $125; would it?

Mr. GANLEY. No; an additional amount of $3,798,000 will be required to cover the additional readjustment allowance for the number of volunteer years we plan during fiscal year 1977 unless we reduce the program.

PEACE CORPS IN GUATEMALA

Mr. CONTE. Could you describe the role played by the Peace Corps volunteers in Guatemala during the recent earthquake there?

Mr. GANLEY. Following the earthquake in Guatemala on February 4, 1976, which took the lives of 25,000 and left over a million homeless, all 132 PCV's were immediately integrated into disaster relief work, either among local community authorities or through such organizations as CARE, the Red Cross, or Catholic Relief Services.

Fortunately, all volunteers serving in Guatemala came through the earthquake without serious injury and were joined by volunteers serving in the neighboring countries of Honduras and Nicaragua. Soon after the initial quake and tremors had ceased the Peace Corps moved into action and began serving where they were needed. In one area, 12 of the 27 persons working in a CARE relief project were Peace Corps volunteers. And six others were former volunteers. The Peace Corps volunteers' effectiveness was aided by their language fluency, an understanding of the cultural mores of the Guatemalan people, and an almost total acceptance by the community.

Peace Corps volunteers performed in diverse roles during the emergency. A Peace Corps crisis center was established at the American Embassy when the Peace Corps office was damaged by the earthquake, and served as a clearinghouse for the volunteers, linking needs to resources. Some volunteers served at Control One, a center for the coordination of relief efforts set up by AID and the American Embassy at the military airport.

In the early days of the relief efforts, information developed by PCV's in the field was considered the best available by the Guatemalan military and the international volunteer agencies on the scene. PCV's compiled daily field status reports which pinpointed the problem areas and needs, updated a master list of relief agency target areas, and facilitated massive helicopter airlift operations for the American military by identifying appropriate landing areas and local organization of supply lines.

Some volunteers hauled the injured to hospitals and after treatment returned them to their homes. Others carried food and medical supplies to the villages that were inaccessible to land transport. Still others did scouting, that is, evaluated the damage done to homes and villages and assessed the needs of the people and communities. Other volunteers helped set up water systems, did aerial photo

interpretation, and conducted surveys. Many volunteers served as translators for special service teams, army medics, American doctors, and pilots who flew in supplies.

Peace Corps volunteer nurses from Honduras worked in field hospitals, set up a pharmacy, assisted people returning to their villages from hospitals and collected data for epidemiology studies.

REDUCTION OF PROGRAMS

Mr. CONTE. Are you reducing the programs in countries which are becoming comparatively efficient?

Mr. GANLEY. Peace Corps continues to concentrate its spending in the poorest of the countries in which it serves. In fiscal year 1977, 74 percent of its expenditures will be concentrated in countries which are included in (a) the United Nations list of poorest countries, (b) other Fourth World countries, and (c) the lower half of the Third World countries. In total, these countries represent 52 percent of the total population in Peace Corps countries. Countries that are members of the Organization of Petroleum Exporting Countries (OPEC) will receive about 3 percent of the fiscal year 1977 budget compared to 9 percent in fiscal year 1975. Also, in fiscal year 1976, we shall remove Peace Corps presence from Iran and reduce the number of volunteers in Venezuela to only five.

PEACE CORPS IN FORMER PORTUGUESE COLONIES

Mr. CONTE. Do you plan any program in the former Portuguese colonies of Africa?

Mr. GANLEY. Negotiations commenced in January 1976, between the Peace Corps and United Nations to develop a multilateral manpower assistance model which would be acceptable to the Government of Cape Verde. These discussions are still being conducted.

A general interest have been expressed in the establishment of a Peace Corps program in Guinea-Bissau. This possibility is presently being explored.

No programs are now being considered for Angola and Mozambique.

PRESERVICE TRAINEES

Mr. CONTE. On page 14 of the justification, I see an increase of 559 preservice trainee weeks and a decrease in the cost of preservice training. How do you propose to accomplish this?

Mr. GANLEY. The estimate for preservice training in fiscal year 1977 includes a savings in the average cost per trainee week which will be achieved through the use of standardized curricula and related materials, which will have been developed before fiscal year 1977 training begins. Also, in order to effect savings in the costs of housing, food, instruction, and transportation for trainers, the Peace Corps will schedule larger groups of trainees per preservice cycle.

SKILL TRADE TRAINEES

Mr. CONTE. In looking at the breakdown of specialized recruiting I noticed the largest cut was in skill trade trainees. Why is that?

Mr. GANLEY. Peace Corps program requests for skilled trades trainees have been lowered for this year. The reason for this situation is because of Peace Corps' inability to provide the number of very specialized volunteers that host countries have been consistently requesting. It should be noted, however, that the lowered total of skilled volunteer requests constitutes a higher than average proportion of those skilled trades which are very expensive—$2,300 per recruit. We are allocating $105,000 to recruit 65 requested skilled trades trainees.

PREINVITATIONAL TRAINING

Mr. CONTE. In what type of facilities do you hold PRIST, pre-invitational staging?

Mr. GANLEY. Low priced hotels are used for PRIST'S. In Washington the National Hotel—18th and I—or the Presidential Hotel—19th and I—is used; in Chicago, the Pick Congress Hotel is used.

SETTLING ON ALLOWANCE

Mr. CONTE. What is the average settling-in allowance per volunteer?

Mr. GANLEY. For fiscal year 1977 the average settling-in allowance is $233; and the average living allowance is $2,487 per volunteeer.

VEHICLE PURCHASES IN 1976

Mr. CONTE. Does the Peace Corps plan to purchase any new vehicles in fiscal year 1976?

Mr. GANLEY. The Peace Corps plans to purchase 86 new vehicles during fiscal year 1976. All will be utility vehicles suitable for the poor road conditions generally found in all countries where we operate. This represents replacement of about 20 percent of our present vehicle fleet.

HOST COUNTRY SUPPORT

Mr. CONTE. Which countries supply the least amount of support for Peace Corps in relation to the size of their program?

Mr. GANLEY. I must discuss this in terms of host country contributions offsetting expenditures which the Peace Corps would be obliged to make if the host country did not provide a cash or inkind contribution. This is all we have a record of. But it is a narrower concept than host country support of Peace Corps, which can include things furnished by the host country that we would not be providing for our volunteers, such as some aspects of planning and supervision of volunteer projects; provision of office space and transportation to volunteers which could not otherwise be funded by Peace Corps but makes volunteers more efficient and effective; and participation of host government officials in Peace Corps training.

With our definitions established, let me say that in fiscal year 1977 we anticipate that the host countries will provide contributions averaging 7.5 percent of the total program cost by country. Some country contributions are as high as 29 percent. It is estimated that 11 countries will provide over 15 percent of the country program cost. The 10 countries which provide very small amounts are Afghanistan, Malta, Philippines, Colombia, Eastern Caribbean, Honduras, Chad, Rwanda, and Seychelles.

ADDITIONAL FUNDING REQUESTS

Mr. CONTE. To what uses would additional funding, above the request, be put?

Mr. GANLEY. If we were given an increase above our requested appropriation for fiscal year 1977 of $67,155,000 we would increase the level of volunteer years and trainees and would improve the quality of our staff support. The extent of the increase in volunteers and trainees depends on the amount of the increase.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Conte. Thank you gentlemen. The committee's hearings into the fiscal year 1977 budget request for the Peace Corps are concluded.

The committee is adjourned.

THURSDAY, MARCH 18, 1976.

INTERNATIONAL NARCOTICS CONTROL PROGRAM

WITNESSES

AMBASSADOR SHELDON B. VANCE, SENIOR ADVISER TO THE SECRETARY OF STATE AND COORDINATOR FOR INTERNATIONAL NARCOTICS MATTERS
MALCOLM LAWRENCE, SPECIAL ASSISTANT TO THE SENIOR ADVISER FOR INTERNATIONAL NARCOTICS MATTERS
CRAIG G. BUCK, PROGRAM PLANNING OFFICER, OFFICE OF SENIOR ADVISER FOR NARCOTICS MATTERS

PROGRAM AND FINANCING

[In thousands of dollars]

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Program by activities:				
1. Country programs	20,939	30,809	10,900	21,800
2. International organization programs	5,301	5,050		4,100
3. Program support and development	816	815	250	850
4. Interregional programs	4,897	6,749	1,850	7,250
Total obligations	31,953	43,423	13,000	34,000
Financing:				
Unobligated balance, start of period	−15,376	−923		
Unobligated balance, end of period	923			
Budget authority:				
Appropriation	17,500			34,000
Appropriation request pending		42,500	13,000	

OBJECT CLASSIFICATION

Personnel compensation: Special personal services payments	16			
Personnel benefits: Civilian	2			
Other services	10,800	13,483	6,408	13,265
Equipment	15,834	24,890	6,592	16,635
Grants, subsidies, and contributions	5,301	5,050		4,100
Total obligations	31,953	43,423	13,000	34,000

Mr. PASSMAN. We will resume our hearings. The next item under consideration is the budget request for the international narcotics control program. We have as the main witness this morning Hon. Sheldon B. Vance, Senior Adviser to the Secretary of State and Coordinator for International Narcotics Matters.

Please proceed, Mr. Vance.

GENERAL STATEMENT

Mr. VANCE. Mr. Chairman and members of the committee, it is a pleasure to appear again before this committee to support the request

for funds for the international narcotics control program. We are seeking an appropriation of $34 million for fiscal year 1977. This amount was based on our earlier request of $42.5 million for fiscal year 1976 and $13 million for the interim quarter.

Reduction in these amounts would cause contraction of our planned programs around the world and, if the reduction is major, important projects would have to be delayed.

Mr. Chairman and members of the committee, the problem of drug abuse in the United States, after improving, is becoming worse. In April of last year, President Ford expressed his concern with the problem and directed the Domestic Council to undertake a priority review of the overall Federal effort and to make recommendations for ways to make the Federal drug abuse program more effective.

The resulting "White Paper on Drug Abuse" recognized an increase, once again, in the availability and use of illicit drugs and estimated the social cost of the scourge of drug abuse at $17 billion a year.

The recommendations of the "White Paper" to reverse the upward trend of drug abuse were endorsed by the President in December. The international narcotics control program is an integral and essential part of the national strategy called for in the "White Paper". The money we spend on our foreign programs represents a mere two-tenths of 1 percent of the annual social cost of the drug problem to our country. This is a very small price for developing cooperative programs with foreign governments whose countries are the source for most of the drugs we are concerned about.

Our international narcotics control program is a unique form of foreign assistance. It is true that the use of these funds has an impact on the drug problem in the recipient countries, but, more importantly, it has a significant effect on the problem here in America. It is not a giveaway program. The funds provided by Congress are being used on programs abroad designed to stem the production and flow of drugs to the United States. They are financing technical advisers, training and equipment inputs to mutually planned programs being carried out by foreign governments as part of their efforts in an international effort to combat the illegal trafficking of drugs. Aside from the training operations and the financing of travel for some technical personnel for approved special projects in Latin America, program funds are not used to finance expenses of the Drug Enforcement Administration or other U.S. enforcement agencies.

In the early years of the program, obtaining the cooperation of other governments in narcotics control was an uphill struggle because many of them looked upon the drug problem as an American phenomenon. More recently, however, the problem has begun to hit them at home, and an increasing number of them are beginning to appreciate the worldwide aspects of the problem of drug abuse. The drug control network is just beginning to function in many countries—we have had some very important successes, but much more remains to be done.

The highest priority of the international narcotics control program is the eradication and interdiction of opium and its derivatives. These substances are the most socially debilitating and incur the highest social cost of all narcotic drugs in the United States. Almost 80 percent of the funds we are requesting for bilateral country programs will be used in programs to curtail or eradicate the production,

processing, and trafficking in opiates. These funds will be concentrated largely on four countries, Mexico, Burma, Thailand, and Pakistan.

The second priority of this program is limiting production of coca and stopping the illegal processing and trafficking of coca and cocaine. More than 20 percent of the bilateral program funds we are requesting will be concentrated on those substances. In the cocaine belt of South America—that is, in Colombia, Ecuador, Peru, and Bolivia—we propose to continue the Andean regional program to develop a coordinated, regionwide enforcement effort primarily against cocaine. We also propose an additional $1.8 million for individual cooperative programs with those four countries.

Drug processors and traffickers make effective use of modern, sophisticated equipment as they ply their trade. For this reason as sound enforcement plans are developed we seek to provide material capable of doing the job. Our equipment grants have ranged from simple test kits to sophisticated communications equipment to aircraft.

For example, a large part of our program funds has been for helicopters because this is the only appropriate equipment to get the job done in major opium-growing countries. In Mexico opium fields are spotted in the remote regions of the western mountains of the country. One can only get to them on foot, on a donkey, or by helicopter. Similarly, Burma's opium crop is grown by hill tribes in the mountainous north of that country. If we did not provide helicopters the job could not be done.

For several years the Mexicans used U.S.-provided helicopters to move troops to the plots where they knocked down the poppy plants. This year they made the decision to shift mostly to herbicides, and helicopters fitted with spray attachments are being used very effectively in accelerated poppy destruction. In the last week of February, over 3,400 Mexican poppy fields were eradicated. About 18,000 fields have been destroyed to this date, compared to some 6,000 fields destroyed last year at the same date. This does not mean there will be no Mexican heroin in the United States this year because some of the fields were harvested before spraying, some were missed, the traffickers also have stockpiles and there is the pipeline. However, considerable damage has been done the "Mexican connection."

I should like to point out here that the Mexican Government has increased its own resources put into this effort commensurate with the requirements of its expanded and more effective methods of narcotics enforcement. Our Embassy in Mexico City estimates that in the past year total Mexican Government expenditures on narcotics control and drug abuse prevention and treatment was over $34 million.

Notable achievements have also been made in Burma. With the arrival of six U.S.-supplied helicopters in late summer of 1975, repeated major operations have been mounted successfully against narcotics refinery sites, drug caravans, and trafficking organizations. Within the past 6 months, the Burmese authorities have seized 12 tons of opium, 400 pounds of heroin and several heroin labs, along with some 800 gallons of morphine solution which was in the process of conversion into heroin. In addition, the Burmese have destroyed about 8,000 acres of poppy fields, an area capable of yielding another

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42 tons of opium. The Burmese authorities have convincingly proved their determination and their ability to make good use of this equipment to help curb production and trafficking in opiates.

As evidences of Burmese technical proficiency, helicopter courses conducted in pilot training by the in-country training team from the American aircraft manufacturer were reduced by 50 percent from the training initially envisaged because of what the team found about the high adaptability of the Burmese pilots. Also, the Burmese mechanics received the most extensive and complete training ever established by the company. Even though there was a language problem, all of these students were at or above the company's average in all of the courses. One of the officials of the company told us that the Burmese mechanics attended 13 courses in their training. He said that they are as well qualified as any mechanics operating on helicopters.

For fiscal year 1976, we programed 12 additional helicopters to Burma to augment its capabilities. Our $2.5 million request for fiscal year 1977 is to support a spare parts and maintenance program for the U.S.-supplied helicopters, provide communications equipment, and furnish any additionally needed aircraft.

Other major parts of the fiscal year 1977 program are the training of foreign law enforcement officials, $6.8 million; and the U.S. contribution to the U.N. Fund for Drug Abuse Control, $4 million.

I believe the committee will agree that the development of human resources is one of the most important elements in motivating foreign narcotics enforcement officials and building a framework of cooperation to deal with the international traffic of narcotics. Assistance provided under this program will be most effective when countries with major problems have adequate professional narcotics agents, customs officer, and border patrol agents capable of carrying out narcotics enforcement operations using the most up-to-date techniques as adapted to the local environment.

Our training program has played a key role in the development of a cadre of professional narcotics enforcement officials in many key countries along the production, processing, and trafficking routes. During the past 4 years, the Drug Enforcement Administration and the U.S. Customs Service have trained a combined total of 11,763 foreign enforcement officials. Many of them are now providing narcotics training to their fellow officers, thereby multiplying the impact of our training.

Our training is now geared to institution building so that foreign governments can increasingly assume the training job themselves. The $6.8 million we are requesting for fiscal year 1977 is to be equally divided between DEA and Customs.

The U.N. Fund for Drug Abuse Control (UNFDAC) was established 5 years ago largely in response to U.S. initiative. It has proven itself in strengthening international drug control efforts. We have thus far been its largest financial supporter. But UNFDAC has been vital to U.S. narcotics control interests notably where countries for their own foreign policy reasons prefer multilateral rather than bilateral arrangements.

Certainly the most significant contribution made by UNFDAC was its role following the Turkish decision to lift the poppy ban. The

Government of Turkey accepted the recommendation of an UNFDAC mission of experts that Turkey adopt the nonopium production method of cultivation—the so-called "poppy straw" method. Now no opium gum is legally produced, and poppy straw cannot be utilized by traffickers. All evidence available to us indicates that the 1975 Turkish control system was effective, and the Turkish authorities have publicly stated their intention to maintain effective control over the forthcoming crop. The resolution of the Turkish situation is one of the brightest spots of the international control program. The U.N. Fund achievements there could not have been accomplished on a bilateral basis, by the United States or any other country.

The fund is an essential part of the control network, an activity we should continue to support. There is now new management in the UN Fund which is more actively seeking contributions from other governments, and the Secretary General of the United Nations himself is working to get more contributions from other governments. In the meantime, it is certainly in our interests to keep the fund going at a level where it can be effective.

To sum up. Our program strategy involves a global approach with concentration first on those places, such as Mexico and Burma, from which we are getting, or likely to get heavy inflows of hard drugs. At the same time, through diplomatic efforts and through assistance in crop substitution, in places like Pakistan for opium, and some of the Latin American countries for cocaine, we are getting increased willingness by the local governments to control. This will take time. But because there is a growing awareness of the drug problem around the world and increasing willingness to do something about it, we have reason to be optimistic.

Just because a problem is a big one and just because you can't get a quick or a full solution, you don't just leave it. Like fighting crime, or like weeds in a garden, you've got to keep after it and continue your effort. Otherwise, you'll be overcome.

At a time when the drug problem in the United States is increasing in scope, our international control program must go forward. The funds requested for fiscal year 1977 are fully programed, as they are for fiscal year 1976. I sincerely believe that a cutback in this program would be a tragic signal to the American public, and to foreign governments whose help is essential, that we are slackening in our efforts about the drug problem.

Mr. Chairman and members of the committee, I therefore urge this committee to approve the $34 million requested for the program. This would permit us to maintain the momentum we have built up over the past 4 years and to strengthen further the network of international narcotics controls.

Mr. PASSMAN. We will insert certain justification materials at this point.

[The justification material follows:]

INTERNATIONAL NARCOTICS CONTROL PROGRAM
Fiscal Summary

(dollars in thousands)

I. COUNTRY PROGRAMS

	Actual FY 1975	Planned FY 1976	Planned Interim Quarter	Requested FY 1977
Latin America	($18,680)	($13,849)	($ 7,873)	($16,040)
Andean Regional	-	3,502	4,310	2,470
Argentina	81	19	-	-
Bolivia	500	427	127	435
Brazil	199	229	6	603
Chile	41	45	9	125
Colombia	552	1,272	209	800
Costa Rica	57	62	-	38
Ecuador	432	486	125	330
Jamaica	734	25	-	25
Mexico	15,829	7,362	3,000	10,942
Paraguay	10	15	3	12
Peru	150	405	84	260
Uruguay	23	-	-	-
Venezuela	72	-	-	-
East Asia	($ 2,821)	($15,930)	($ 1,027)	($ 3,910)
Burma	639	13,950	785	2,500
Indonesia	56	67	-	75
Laos	924	-	-	-
Philippines	324	110	20	-
Thailand	878	1,803	222	1,335

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INTERNATIONAL NARCOTICS CONTROL PROGRAM Cont'd
Fiscal Summary

(dollars in thousands)

I. COUNTRY PROGRAMS

	Actual FY 1975	Planned FY 1976	Planned Interim Quarter	Requested FY 1977
Near East & South Asia	($ 175)	($ 57)	($ 2,000)	($ 1,800)
Jordan	162	-	-	-
Lebanon	5	-	-	-
Pakistan	8	57	2,000	1,800
TOTAL COUNTRY PROGRAMS	$21,676	$29,836	$10,900	$21,750

II. INTERNATIONAL ORGANIZATIONS

CENTO	8	-	-	-
Colombo Plan	159	100	-	100
U.N. Fund for Drug Abuse Control	5,000	5,000	-	4,000
INTERPOL	135	-	-	-
TOTAL INTERNATIONAL ORGANIZATIONS	$ 5,302	$ 5,100	-	$ 4,100

INTERNATIONAL NARCOTICS CONTROL PROGRAM Cont'd
Fiscal Summary

(dollars in thousands)

		Actual FY 1975	Planned FY 1976	Planned Interim Quarter	Requested FY 1977
III.	INTER-REGIONAL PROGRAMS				
	Treatment & Rehabilitation	-	450	100	500
	Training	4,927	6,299	1,750	6,750
	TOTAL INTER-REGIONAL	$ 4,927	$ 6,749	$ 1,850	$ 7,250
IV.	PROGRAM SUPPORT & DEVELOPMENT	$ 816	$ 815	$ 250	$ 900
	PROGRAM TOTAL	$32,721	$42,500 1/	$13,000	$34,000

1/ Excludes $923,034 of prior year funds available for programming in FY 1976.

INTERNATIONAL NARCOTICS CONTROL PROGRAM
BY FUNCTIONAL ACTIVITY

($ millions)

	FY 1975 Actual	% of Total	FY 1976 Estimated	% of Total	FY 1977 Proposed	% of Total
ENFORCEMENT AND CONTROL	25.9	79	33.9	80	26.7	79
CROP REPLACEMENT	.7	2	.6	1	1.5	4
INTERNATIONAL ORGANIZATIONS	4.9	15	6.3	14	4.1	12
DEMAND REDUCTION	.2	1	.8	2	.7	2
PROGRAM DEVELOPMENT & SUPPORT	1.0	3	.9	2	1.0	3
TOTAL PROGRAM	32.7		42.5		34.0	

USE OF INTERNATIONAL NARCOTICS ASSISTANCE
RESOURCES TO CONTROL ILLICIT DRUGS

(by drug category - dollars in millions)

Illicit Drug	Major Country Program	Proposed FY 1977 Bilateral Program	As a Percentage of Total Bilateral Program
Opium & its derivates	Mexico, Burma, Thailand, Pakistan	17.3	79
Cocaine	Colombia, Bolivia, Peru, Ecuador	4.5	21
Cannabis & its derivatives		-	Less than 1%
Total Bilateral Program		21.8	

Note: Some countries are involved in the producing, processing or trafficking of more than one illicit drug. For this analysis, countries have been categorized by the primary illicit drug problem.

Mr. PASSMAN. Mr. Ambassador, I believe your budget request for fiscal 1977 is $34 million.

Mr. VANCE. Yes, sir, it is.

Mr. PASSMAN. That is $3.5 million below the appropriation bill that passed the House of $37,500,000.

Mr. VANCE. Yes, sir. We asked for only $34 million for fiscal year 1977 because we assumed most of the high cost items will have been supplied to the major programs by then.

Mr. PASSMAN. We are working under a tight schedule this year because of the new Budget Control Act. If you would gentlemen, when the transcript comes back to you please try to expedite its approval and get it back to the committee if at all possible in 3 days but not over 4 days; otherwise we will have to insert in the record a copy which will be incomplete.

Mr. Ambassador, the justifications indicate that a great deal of the fiscal year 1977 budget request will be used for the purchase of equipment. Is that correct?

Mr. VANCE. Yes, sir.

Mr. PASSMAN. Could you tell the committee how much of the $34 million budget request will be used to purchase commodities?

Mr. VANCE. Of the $34 million requested, Mr. Chairman, just under $16 million or 46 percent, approximately, includes equipment that would be financed under this program. Ranges all the way from equipment for crop substitution projects, through books, publications, audio-visual equipment, for treatment programs—but very little for these; mainly we provide communications equipment, and vehicles, both surface and air, for enforcement programs. The last mentioned type of equipment is, as I see, the biggest group of items.

EFFORTS ABROAD VERSUS EFFORTS ON U.S. BORDER

Mr. PASSMAN. Mr. Ambassador, I think I recognize the terrible menace that we are confronted with in this country on account of the increased use of narcotics. I am indeed not an expert in this field. It would appear to me that the emphasis should be on border protection in this country, not trying to educate people some 12,000 miles away and trying to supervise a program that is so far removed from our own borders. What is your thinking on that?

Mr. VANCE. Well, sir, increased attention is being given to the U.S. border. The President requested the establishment of a task force about a month ago to study the possibility of increasing the effectiveness of controls on the Mexican border in view of the threat of smuggled drugs from Mexico. However, our experts estimate that, even with our best efforts, with all of the thousands of officials and equipment that we have in the United States and on our borders, we are lucky if we catch 10 percent of the illicit narcotics entering the United States and moving about in the United States.

In an effort to improve that percentage, we are going back to the source, and that is why we are extremely interested in this international program, because this relatively small amount of money has a tremendous leverage dollarwise, in our opinion. If we can eliminate one field of poppies—and we have seen the elimination of thousands of fields in Mexico and in Burma, as examples—we have achieved 100 percent elimination of the narcotic product of that field.

Now, I might say with regard to education that the small amount we are spending on helping foreign treatment and rehabilitation programs is destined mainly to help the countries that are major sources of illicit narcotics for the United States to recognize that they too have a problem that the problem is not just ours——

Mr. PASSMAN. I wonder if you care to elaborate more for the record?

Mr. VANCE. Yes, sir.

[The information follows:]

The essence is that experience has shown that border controls and strict enforcement have not given our society the protection it needs from the onslaught of drugs originating abroad. Therefore, steps are needed to get the drugs seized and stopped abroad. And the purpose of this program is to inspire other governments to work on that more, and to work on it more effectively. This is happening and there are successes—in Turkey, and now Colombia, Burma and Mexico—but there is much yet to be done.

ADDICTION IN PRODUCING COUNTRIES

Mr. PASSMAN. Narcotics have been present in many of these supplier countries for centuries. How have they dealt with this problem all of these years?

Mr. VANCE. Well, they tend to live with it, or have until recently. When it came to be a problem in the United States, we have gone to them and urged them to make efforts to check the export of this material. That is the reason for our program.

Mr. PASSMAN. Is it true that there is little drug addiction in most of those nations? Take Turkey for an example.

Mr. VANCE. In Turkey there is very little.

Mr. PASSMAN. The next question would be what kind of a program do they have?. These people who deal with this every day of their lives, raise it, and they do not become addicted. Has it been an educational program that the Turkish people brought around, or what is it?

Mr. VANCE. I might add, Turkey is the only traditional producer or grower of opium that does not have a very serious addiction problem.

Mr. PASSMAN. Isn't that true in Burma?

Mr. VANCE. They do have an addiction problem in Burma.

Mr. PASSMAN. I know, but it is not as great as ours.

Mr. VANCE. That is true.

Mr. PASSMAN. What has been their solution? We are looking for the answers. We are on your side. What is the answer?

Mr. VANCE. We don't know all of the answers.

Mr. PASSMAN. All right. Do they have the answers?

Mr. VANCE. No. We have sought them—we have talked to them.

Mr. PASSMAN. Is the answer the harshness of their penal system?

Mr. VANCE. Well, our experts are trying to find the answers to those questions.

COMMODITIES

Mr. PASSMAN. Mr. Ambassador, I hope you find the answer. May I ask you this question: Would all these commodities previously referred to be purchased in the United States?

Mr. VANCE. The vast bulk of them would be. If you would like, I can supply for the record——

Mr. PASSMAN. Furnish for the record what commodities will be purchased in the United States in one category, then what commodities will be purchased offshore, and give us the description of the commodity that you will purchase offshore.

Mr. VANCE. We will, and we will explain why we made the exception.

[The information follows:]

I have not yet approved the purchase of any commodities outside the United States for fiscal year 1977. When we are further along in concluding individual agreements with various countries for the fiscal year 1977 program we will be able to determine whether any commodities may need to be purchased from other than U.S. resources. Our policy is that all items provided under this program will be purchased from U.S. sources unless there are very strongly overriding reasons convincing us that we should use foreign sources. One reason would be, for example, the need to purchase foreign vehicles so that they can be used for undercover purposes in some countries where U.S. vehicles would be conspicuous and easily identified. Another reason would be to provide small items on an urgent basis in order to keep an enforcement operation going. Attached is a list of commodities we are purchasing in fiscal year 1976 from non-U.S. sources.

Country	Item	Cost	Reason for Foreign Procurement
Burma	1 F-27 aircraft	$710,000	The Burmese Government is prepared to send troop units to seize heroin laboratories or intercept opium caravans in northern Burma when it has information about their location. There are many bands of armed traffickers and guerrillas in the area, well equipped with radios. In order to have the possibility of surprise (the F-27 is fitted for parachute drops), the Burmese Government wished to have one medium-sized transport plane identical to those used by its civil air service domestically; the traffickers would not then be able to tell whether the plane in the sky was an airline plane -- which they see often -- or an anti-narcotic plane. Also, such a plane could overfly poppy growing areas to spot fields for later destruction, without warning traffickers that, if feasible, they should hasten harvest or increase armed protection. Burma Airline is so thinly equipped for its commercial services that none of its equipment could be made available for this program. The only type of plane in Air Burma's domestic fleet is the Fokker Friendship F-27. In order to reduce offshore procurement cost to the minimum, we sought and found a secondhand plane, in good condition, which met the requirements of this highly crucial anti-narcotics effort in Burma. Another factor was that the Burmese pilots and mechanics are already familiar with this aircraft, and spare parts are also available. No similar additional expenditure is anticipated for this program.

Country	Item	Cost	Reason for Foreign Procurement
Burma (Cont'd)	A spare parts and maintenance contract	$450,000	Heli-Orient is the only helicopter maintenance and repair company in the area and stockpiles spare parts in Singapore. It is a wholly owned subsidiary of a US company and supplies only Bell Company parts manufactured in the US. To attempt to obtain spare parts and service directly from the United States for Burma would be extremely time consuming and inefficient.
Colombia	50 reflecting jackets	1,000	These jackets were urgently required for an interdiction program and using US procurement sources would unduly delay Colombian efforts.
	4 trailers and repair tools	2,920	The trailers are urgently required for an interdiction program and are readily available in Colombia. Procurement from US sources would inordinately delay this critical program.
	Audio-visual equipment for training	3,300	Most of these items are small, expendable commodities which must be purchased on the spot during training sessions on drug abuse and treatment.
Ecuador	7 canoes	7,000	These commodities are readily available deep in the interior of Ecuador. Procurement of these commodities in the US and shipment of them to Ecuador would inordinately increase the cost of this program.
	4 trailers and repair tools	3,560	These trailers are being used in an integrated interdiction program with Colombia and, since these trailers are available off the shelf in Colombia, we determined that they should be procured immediately from non-US sources.

Country	Item	Cost	Reason for Foreign Procurement
Ecuador (Cont'd)	Visual aids and training material	$ 8,000	Most of these items are small, expendable commodities which must be purchased on the spot during training sessions on drug abuse and treatment.
Mexico	Misc. tools and spares	5,000	This provides miscellaneous tools and repairs for the Mexican eradication program. Our mission has purchased them locally in order not to delay urgent requirements for the Mexican eradication program.
Thailand	7 video tape recorders; 28 video monitors; 1 lot video tapes; 1 lot narcotics enforcement manuals; 1 lot training slides	56,600	The video equipment is available only from Japanese sources. The tape equipment available in the US will not meet Thai 50 cycle CCIR requirements. Therefore, US procurement was not feasible. The enforcement manuals and training slides are in the Thai language. Procurement in Thailand rather than the US was most appropriate.

Mr. PASSMAN. Please show for the record a list of the types, numbers and cost of vehicles, aircraft, boats, helicopters, so forth, that will be supplied in fiscal 1977 and to what countries they will be supplied.

Mr. VANCE. I would be very happy to, sir. This equipment is directly linked to the achievement of our enforcement objective—the development of a professional capability and technical capacity to interdict illicit drug traffic. The culture of drug-producing plants takes place in remote and often physically difficult terrain. Those who traffic in drugs, who buy it in its raw state, refine it and move it internationally are well organized, use sophisticated techniques and equipment and are extremely well financed. The equipment provided by the United States under this program helps balance the scales—by giving foreign narcotics units the technical and logistical capability to control production and carry the battle to the traffickers on their own ground.

[The information follows:]

ESTIMATED FY 77 EQUIPMENT
($000)

COUNTRY	
ANDEAN REGIONAL	
Water	10 River patrol boats (250) 10 Ocean going patrol boats (600)
Telecom	Four country communications network (1,500)
BOLIVIA	
Land	3 Utility vehicles (18)
General	Office Equipment (2) Seeds, fertilizer & other agricultural supplies for crop substitution program (25)
BRAZIL	
Water	2 River patrol launches (50)
Telecom	15 Radio base & repeater stations (43) 200 Portable receivers (300) 30 Mobile receivers (45)
General	Laboratory & narcotics test equipment (30)
CHILE	
Land	1 Jeep (6) 5 Utility vehicles (40)
Telecom	5 Portable receivers (7)
Border Interdiction	- 1 Baggage X-ray machine (27)
General	Narcotics identification kits & spare parts (5) Jacks, mirrors & other specialized equipment for check points (20)

COLOMBIA

Land	5 Jeeps (70) 5 Sedans & 5 Fourwheel drive vehicles (30)
Fixed Wing Aircraft	2 Single engine visual reconnaisance aircraft (71)
Water	2 River patrol boats (20)
Telecom	12 Radio base stations (20) 19 Portable receiver (38) 20 Hand held receivers (30)
General	Light amplification devices, binoculars, cameras & narcotics test kits (206)
	Training material, photo processing equipment, projectors & recorders for drug abuse education program (21)

COSTA RICA

Land	2 Sedans & 2 Fourwheel drive vehicles (28)

ECUADOR

Land	5 Jeeps (30)
General	Miscellaneous enforcement equipment (10)
	Equipment & chemicals for narcotics laboratory (10)

JAMAICA

General	Office equipment (25)

MEXICO

Transportation -	2 Short take off & landing aircraft (600) 1 Pursuit aircraft with forward looking radar (1,500) 2 Bell 212 helicopters (2,000)
Border Interdiction -	Border gap filling radar & related communications network (1,800)

General	Multi-spectral aerial poppy identification system (1,300)
	3 Micro-foil herbicide spray systems (200)
	Sensors targetted at airborne traffickers (400)
	Library materials (5)

PERU

Land	5 Fourhweel drive vehicles (35)
Water	2 River patrol launches (40)
Telecom	12 Radio base stations & 6 radio repeaters; 20 Portable receivers (60)

BURMA

Transportation -	Spare parts for Bell 212 helicopters (750) (supplied earlier) 1 Bell 212 helicopter (850) 2 Bell 206 helicopters (700)
Telecom	Ground air telecommunications system (200)

INDONESIA

Land	5 Motorcycles (10)
Telecom	4- 2 Way battery operated portable radios (6)
	1 Radio base station (6) 5 Mobile radios (9)
General	2 Urinalysis laboratory (7) Cameras and accessories for evidence purposes (2)

THAILAND

Water	10 Marine patrol vessels (830)

PAKISTAN

Land	69	Jeeps (350)
Telecom	177	Transceivers (300)
General	4	Battery chargers (2)
	70	Cameras & lens (21)
	70	Binoculars (10)
	5	Copy machines (10)
	70	Narcotics test kits (3)
	2	Projectors (5)
	40	Tool kits (4)
	40	Night vision binoculars (12)
	40	Tape recorders (8)
	40	Small cameras (4)

Mr. PASSMAN. There has been some indication that the helicopters supplied to Burma have been used to carry troops to various parts of the country for political purposes, instead of for narcotics control. Will you elaborate on that?

Mr. VANCE. We have no evidence of that, and indeed, evidence to the contrary. That I do not believe is an accurate report.

Mr. PASSMAN. But you don't know? Have you conducted an investigation so that you can say categorically this is absolutely false?

Mr. VANCE. Our embassy would say that is absolutely, categorically false.

Mr. PASSMAN. Wait a minute. Can you furnish any proof?

Mr. VANCE. Yes.

Mr. PASSMAN. How do these stories get started?

Mr. VANCE. I have no idea how this particular story got started, because this is the first time I heard it. I can assure you, we have excellent evidence against this.

Mr. PASSMAN. I wonder if you would cable our Embassy there and get a report.

Mr. VANCE. Yes, sir.

[The information follows:]

The U.S. Embassy in Burma was queried and the substance of its response is as follows: "We have no repeat no evidence that the six USG supplied Bell helicopters have been used for other than narcotics control efforts and, of course, pilot training. We know that aircraft have been used in support of operations to interdict caravan routes. The GUB has publicized fact that helicopters also used for reconnaissance and transport of personnel in connection with current campaign to destroy poppy fields prior to current harvest; more than 8,000 acres have thus far been destroyed. As part of this campaign, aircraft carried Narcotics Control Committee Chairman and Home Minister U Ko Ko to growing areas in Chin Hills and around Taunggyi to boost this campaign. Also, GUB officials have gone to considerable length to stress fact that strict control over personnel traveling in helicopters is being maintained to assure that they are not misused." (Embassy Rangoon, March 19, 1976.)

Mr. PASSMAN. This is important, because we will be going to conference in a very few days on the appropriations bill. As you know, our great President called me and personally asked me to vacate my convictions, that is the convictions of the committee, and reinstate the cuts, which we had initially made. If your office had been willing to compromise initially, then we could have resolved this whole issue much earlier. Instead your office took the position that you had to have all or nothing. That doesn't sit very well with me. I don't think any department head should take the position, "Either give it all to us or none," because that won't buy you a hamburger out here, Mr. Ambassador.

WORLD OPIUM SUPPLY

Mr. PASSMAN. Could you please tell the committee if there presently is an opium shortage in the world for the use of medicinal purposes?

Mr. VANCE. No sir, there is not such a shortage. Our assessment of the supply situation closely parallels that contained in the 1975 Report of the International Narcotics Control Board. There was a tight supply situation in 1973, 1974, and early 1975. However, the supply difficulties which have been experienced should soon come to an end as good 1975 harvests enter the market. We have enough opium in the U.S. stockpile to cover at least 1 year's medicinal requirements. Furthermore, the United States is capable of growing enough poppies in one season to satisfy our medicinal needs for codeine. Therefore, opium is unlike oil, on which we must depend on foreign supplies, since we could readily meet our own domestic requirements with domestic production if a crisis developed.

Mr. PASSMAN. Could you tell the committee how much opium the United States has had to draw from its strategic stockpile in order to supply opium to the various drug manufacturers?

Mr. VANCE. To date, 238 metric tons of opium with a morphine content of 29,800 kilograms has been withdrawn from our stockpile; there is a balance of 152 metric tons of opium (18,900 kilograms of morphine content) plus 17,900 kilograms of morphine in alkaloids. Thus about 45 percent of the stockpile based on morphine content has been drawn. The decision last year to authorize the importation of concentrate of poppy straw and poppy straw itself have put us in a position to take advantage of the increase in the supply of poppy straw (for example, Turkish production), as well as to continue to import opium. Because of the importance of codeine to medical use, the President's Opium Policy Task Force will continue to monitor the situation.

HEROIN SMUGGLED INTO THE UNITED STATES

Mr. PASSMAN. Could you please supply for the record the amount of heroin that has been smuggled into the United States in 1973, 1974, and 1975?

Mr. VANCE. Because heroin is illegal and moved illicitly within the United States, there are no precise figures, only estimates. During the 1969–71 heroin firestorm period, estimates of heroin flow into the United States ran as high as 8 to 12 tons per year. Later estimates would be 3 to 4 tons in 1973, 4 to 5 tons in 1974, and 5 to 6 tons in 1975.

HEROIN ADDICTS IN THE UNITED STATES

Mr. PASSMAN. Could you also supply for the record a table showing the number of addicts in the United States in 1973, 1974, and 1975?

Mr. VANCE. Again there are no precise figures. Estimates for the number of heroin addicts in the 1969–71 period are 500,000 to 600,000. Indicators reflected a drop by 1973, to perhaps as much as one-half of the earlier period. The National Institute on Drug Abuse has recorded a steady rise in the number of addicts since 1973 and now estimates the number of addicts as in the range of 300,000 to 400,000.

DRUG SEIZURES

Mr. PASSMAN. Could you tell the committee how much drugs have been seized during 1974 and 1975, worldwide and then break out the United States separately?

Mr. VANCE. Drug removal data for calendar years 1974 and 1975, as furnished by the Drug Enforcement Administration, are as follows:

Drug	Calendar year— 1974 (pounds)	1975 (pounds)
Foreign cooperative removals:		
Opium	16,378.0	19,427.0
Morphine base	527.0	451.0
Heroin	541.0	1,474.0
Cocaine	991.0	2,202.0
Hashish	43,919.0	33,026.0
Marihuana	1,118,578.0	569,631.0
Total domestic removals:		
Opium	40.5	46.5
Heroin	682.0	994.0
Cocaine	1,233.0	1,352.0
Hashish	7,036.0	14,007.0
Marihuana	902,572.0	948,242.0

STRAW HARVESTING

Mr. PASSMAN. Could you please tell the committee how successful the new Turkey program is regarding the straw process of harvesting the poppy plant?

Mr. VANCE. On the basis of all indicators available to us, Turkish Government controls have been highly effective. The change in the harvesting process to poppy straw has in itself been an important factor in the control program, and we are indeed fortunate that the U.N. Fund was available to work with the Turkish Government in adopting the straw processing technique and setting up its control program. We have no reports or evidence of illegal incising or leakage into illicit channels from the 1975 harvest. The Government of Turkey has assured us that it will continue to implement its successful control program to insure that there will be no diversion of legally produced opium poppies.

AID AND NARCOTICS CONTROL

Mr. PASSMAN. Could you please tell the Committee if the President has expended economic and military assistance to any country that has not taken adequate steps to reduce the narcotics production or trafficking through the country as proposed in section 481 of the Foreign Assistance Act?

Mr. VANCE. Economic and military assistance has not been terminated to any country in connection with this provision because there has, fortunately, been no such siutuation.

OPIUM PRODUCTION

Mr. PASSMAN. Will you please list for the record what countries are involved in production of opium or any other narcotic or illegal drug, both legally and illegally?

Mr. VANCE. The countries which produce opium, coca, cannabis, and psychotropic drugs are as follows:

DRUG AND PRODUCING COUNTRY

OPIUM

Legal producers for export: India, Turkey.

Legal producers for internal consumption: Australia, Bulgaria, France, Iran, Pakistan, Peoples Republic of China, and U.S.S.R.

Illicit producers: Afghanistan, Burma, Laos, Mexico, Pakistan, and Thailand.

COCA

Bolivia, Colombia, Ecuador, and Peru.

CANNABIS

Afghanistan, Colombia, Jamaica, Lebanon, Mexico, Morocco, and Nepal.

PSYCHOTROPIC DRUGS

Virtually all developed and some developing countries.

NARCOTICS CONTROL SUCCESSES

Mr. PASSMAN. Could you briefly tell us what success this program has had in helping to dry up narcotics production in the world?

Mr. VANCE. The greatest success story is that of Turkey, which before 1971, was the origin of the majority of the heroin reaching the United States. The 1971 ban on opium poppy cultivation in Turkey, together with enforcement actions against heroin laboratories in France, resulted in almost complete disappearance of "French Connection" heroin from our east coast cities. While the ban was lifted in 1974 by the Government of Turkey, the U.N. Fund played a key role in working with the Turkish Government to achieve an effective control system, the most important element of which was the Turkish decision to permit only poppy straw production and not opium gum. The controls have proven successful. We have seen no evidence of leakage from Turkey's poppy cultivation since the ban was lifted; Turkish production is being used to meet legitimate pharmaceutical needs.

We currently anticipate a highly successful opium poppy eradication program in Mexico. Already this year some 18,000 illegal poppy fields have been destroyed. This is the bulk of them. The campaign management is running well and we have every reason to expect effective eradication again next year, and a major reduction in Mexican heroin availability. But these accomplishments mean that drug traffickers will turn to other potential suppliers.

This is why our programs in Burma and Pakistan are so important. We are convinced that if we work on the elimination of substitute sources now, our problems will be considerably reduced in the future.

SECTION 3679 VIOLATION

Mr. PASSMAN. I note in a letter dated February 17, 1976 that the narcotics control program was in violation of section 3679 of the revised statutes. Could you please explain to the committee what happened to require this letter?

Mr. VANCE. While total obligations for fiscal year 1976 were within the total amount of the appropriation and apportionment, one category of the apportionment authorized by the Office of Management and Budget was exceeded. The $32,876,164.51 available in fiscal year 1975 was apportioned on April 7, 1975 and actual obligations as of June 30, 1976 were as follows:

[In thousands of dollars]

	OMB apportionment	Actual fiscal year 1975 obligations
Country programs	22,813	21,676
International organizations	4,302	5,302
Training	4,945	4,927
Program support costs	816	816
Total	32,876	32,721

The point is that obligations for international organizations exceeded the apportionment for that category by $988,877, thereby requiring a report of violation of section 3679 of the revised statutes. As our fiscal year 1975 congressional presentation indicates, it always had been our intention to obligate funds in excess of the actual OMB apportionment for international organizations, and the violation occurred because of a failure in communication with OMB. Since that time, we have established more rigid apportionment controls to insure that a similar error is not made in the future.

DRUG ABUSE IN THE UNITED STATES

Mr. PASSMAN. On page 6 you indicate that the problem of drug abuse in the United States has worsened. Could you tell the committee why this situation has been brought about and does this indicate that your program is not working?

Mr. VANCE. During 1972–73 the breakup of the Turkish-French connection coupled with increased availability of treatment gave the United States new hope in our battle against growing drug addiction. The reduced availability of heroin which played a major role in halving the number of addicts actively seeking their drug in the period 1971–73. This progress however was reversed by the rapid rise in availability of Mexican heroin. The number of addicts began to rise again and, while not yet at prior levels, the trend line is definitely upward. This development is not an indication that our international program has failed but does illustrate the ability of international traffickers to identify and exploit new drug sources as old ones are dried up. The U.S. Government and the Mexican Government have responded to this new challenge and the intensive eradication efforts in Mexico now hold great promise of drastically reducing heroin flows from Mexico. It must be recognized, however, that so long as there is demand for illicit drugs, new sources of supply will be sought and the struggle will continue—but we must not let up in our attack. This is precisely why we are now directing our international program toward the potential alternatives to Mexico as the prime source of heroin for the U.S. market, such as Burma.

TREATMENT OF OTHER COUNTRIES

Mr. PASSMAN. On the same page you indicated that the objective of this program is to intensify efforts to reduce the flow of illicit drugs into this country from abroad. Could you tell the committee how the treatment and rehabilitation projects that you propose to be funded in this program for other countries will help to do this?

Mr. VANCE. We have found that law enforcement cooperation becomes more effective as the other government becomes aware or more aware that it, as well as the United States, has a drug abuse problem. This is not at all surprising. In many countries, however, particularly those in developing areas, the government is unaware of the dimensions of its domestic drug abuse problem. In such countries the attitude is much like that in suburbia several years ago when drug abuse was seen as a ghetto problem and by no means a fitting topic for a PTA meeting. Even in countries with a low awareness of domestic drug problems there is invariably a small group—frequently medical doctors or social workers—who realize the nature of the problem. By working with these people and by providing assistance for their programs (at very small amounts), we can help them carry their message to the country's policymakers. And from the policymaker's concern, enforcement cooperation grows. And from enforcement cooperation, we see drugs seized abroad that would otherwise head for the United States.

CROP REPLACEMENT PROGRAM

Mr. PASSMAN. Could you please tell the committee what success you have had in the crop replacement program?

Mr. VANCE. None of our crop replacement projects have been operational long enough for us to fully evaluate their potential and success. The income replacement program in Turkey was beginning to come up with a variety of potential alternate income sources when the Government revoked its ban on poppy cultivation, and we terminated our assistance in this area. This assertion that our joint efforts with the Turkish Government in this regard were beginning to be productive is demonstrated by the fact that several of these programs were continued by the Turkish Government at its own expense.

In Thailand we have identified a number of crops which will produce an income equivalent to or greater than that earned by growing the opium poppy. Field research is expected to identify additional alternate crops suitable to Thailand's conditions. We expect the Government of Thailand to move forward on extending this knowledge to former opium poppy growers and providing an adequate control system to insure that they no longer grow poppies.

In regard to Bolivia, the Bolivian Government concluded a contract with the University of Florida to help Bolivia identify potential alternate crops and test the economic and agricultural feasibility of producing them in that country. The Bolivian Government has announced its plans to the Bolivian coca growers and they have indicated their willingness to participate in a crop replacement program.

I would say that we have had an encouraging beginning and that the outlook is positive. The effort must be pursued since getting to the source of production is the only sure way to cut the drug traffic.

NARCOTICS DEMAND

Mr. PASSMAN. You indicate that one of your objectives is to reduce demand for narcotics. Could you please tell the committee how you are going to do this?

Mr. VANCE. I hope that our budget submission clearly implied that we do not believe we have the final answers to drug abuse treatment, prevention and education. We certainly have no intention of providir assistance to foreign governments merely to reproduce abroad our o' .i programs. We do propose an exchange of drug specialists, shared research where this would be beneficial, and—if a particular approach looks promising in the foreign culture—shared funding of test projects to provide a basis on which the foreign government can make critical decisions. This involves very little expenditures.

COLOMBO PLAN

Mr. PASSMAN. Could you please tell the committee about the Colombo Plan?

Mr. VANCE. The Colombo Plan is a consultative organization comprising governments, mostly in developing countries in the South and East Asian area, which is designed to further economic and social development. U.S. narcotics assistance to the Colombo Plan has already led to some valuable progress in area efforts. We are financing a Drug Abuse Adviser and some of the local costs of seminars and meetings to stimulate coordination on narcotics control among the Colombo Plan member states, and increase awareness within those countries of their own drug problems.

DEA AND CUSTOMS TRAINING

Mr. PASSMAN. The people that are trained by the Drug Enforcement Administration and the U.S. Customs Service, are they trained in the United States and do you reimburse the DEA and the Customs Service for this task?

Mr. VANCE. Yes. We finance the Customs and DEA international narcotics training program with narcotics control funds. The programs include 5 to 6 weeks training programs by DEA and Customs in the United States for supervisory and mid-management personnel. They also include 2-week training programs given in foreign countries by DEA and Customs instructors for foreign operational enforcement agents. Each agency also conducts certain special programs which we finance. For example, DEA trains drug chemists from foreign countries in the identification and analysis of narcotic drugs, and Customs helps train foreign Customs training instructors in the training and use of narcotics sensor dogs. We are now orienting the training program away from providing instruction to the operating enforcement agents and more toward developing the institutional capabilities of foreign training facilities so they can provide narcotics training to a larger number of officers with their own resources.

Mr. PASSMAN. Could you please tell the committee if the Drug Enforcement Administration and the U.S. Customs Service has its own overseas narcotics program?

Mr. VANCE. In accordance with reorganization plan No. 2 which created the Drug Enforcement Administration, that agency assumed the responsibility as the leading enforcement agency in our narcotics enforcement operations. As of January 1976 DEA was authorized 360 positions outside of the United States with the breakdown being 204 special agent positions and 156 support positions. This is financed by DEA with its own appropriation and not out of international narcotics control funds. The U.S. Customs Service does not have a narcotics program overseas.

Mr. PASSMAN. Could you please tell the committee the amount of funds included in the DEA budget to carry out this task?

Mr. VANCE. According to the Drug Enforcement Administration, its total obligations for overseas operations, including salaries and office space, were $16,939,000 for fiscal year 1975—actual—and $21,332,000 for fiscal year 1976—projected.

TOTAL DRUG ENFORCEMENT PROGRAM

Mr. PASSMAN. Could you supply for the record a list of all U.S. agencies or departments that are involved in the drug enforcement or drug prevention area and indicate how much they plan to spend on this area in fiscal year 1977?

Mr. VANCE. The following table lists the U.S. agencies or departments involved in drug enforcement and prevention and their proposed fiscal year 1976 program. Similar crosscut budget data is not yet available for fiscal year 1977. These figures are for Federal enforcement and prevention program; State expenditures would add a considerable increase to this level.

Drug Abuse Prevention Programs

Agency	*(Thousands)*
Department of Health, Education, and Welfare	$299.6
Veterans' Administration	33.2
Department of Justice	37.2
Department of Defense	67.9
Department of State	0.8
Civil Service Commission	0.5
Department of Labor	1.7
Department of Transportation	0.9
Department of Agriculture	1.6
Action	0.4
Total	433.8

Drug Law Enforcement Program

Drug Enforcement Agency	152.0
Law Enforcement Assistance Administration and Other Justice	64.7
Department of State	42.5
Internal Revenue Service	20.0
Customs	42.6
Department of Agriculture	1.5
Department of Defense, Civil	0.4
Total	323.7
Grand total	767.5

TRAVEL

Mr. PASSMAN. Could you tell the committee how much of the $34 million request will be spent on travel of any type?

Mr. VANCE. We plan to spend an estimated $145,000 on the travel of program technicians—AID—both stationed in Washington and overseas, $968,000 on the travel of DEA and Customs training instructors carrying out the training program, and $224,000 for the travel of foreign narcotics officials coming to the United States or going to other countries for narcotics training.

HERBICIDE SPRAYING IN MEXICO

Mr. PASSMAN. On page 15 you indicate that the Mexican Government has decided to turn to herbicide spraying to destroy poppy fields instead of carrying troops there to physically destroy them. Since they have decided to switch their strategy, are they going to return all the troop-carrying helicopters that we provided to them?

Mr. VANCE. The model 212 helicopters which we supplied for troop carrying purposes are basic to the revised eradication strategy and are as essential now as they were earlier. They are used for spraying herbicide, for security purposes to fly escort in protection of spraying aircraft, and for logistical support such as transporting fuel, chemicals and pumps. They are also well suited to the transportation of personnel engaged in interdiction efforts.

HELICOPTERS TO MEXICO

Mr. PASSMAN. How many troop-carrying helicopters did we provide to Mexico?

Mr. VANCE. We have provided 20 of the model 212 troop-carrying helicopters (3 have been destroyed in accidents). These are used in the poppy eradication program, both for herbicide spraying and to meet logistical support requirements.

BURMA PROGRAM

Mr. PASSMAN. Since the Mexican Government decided that the carrying of troops to a poppy field to physically destroy them did not work, could you tell the committee why we are still using that system in Burma and indicate if they are also going to change to herbicide spraying.

Mr. VANCE. We have followed the policy that it is up to the country with the production problem to decide what elimination technique, manual and/or chemical, they wish to use. We feel that this is a judgment only they can make. The farmers—the people growing the poppy are their countrymen, the land—the ecology is theirs and only they can make such a delicate decision. In Mexico, we made herbicide information available to the government. In Burma, we arranged for Burmese officials to be invited to visit Mexico and they are aware of the Mexican eradication program and their use of herbicides. We understand the Burmese are studying the matter and will make their decision on the technique to be used based on their appreciation of Burmese conditions.

REPLACEMENT OF HELICOPTERS IN BURMA

Mr. PASSMAN. On page 19 you indicate that some of the funds will be committed to replace helicopters made available to Burma. Could you tell the committee why in the world we are replacing helicopters when they could only be 2 or 4 years old?

Mr. VANCE. This is a contingency item. Much of the terrain where opium is grown and trafficked in Burma and Mexico is rugged and remote. The traffickers, and this is particularly true in Burma, are often well armed and organized, and are prepared to fight. The Burmese have been extremely fortunate not to have lost any aircraft thus far due either to the terrain or hostile action, but there may be some losses and since this is a high payoff program we have planned for the possibility of replacements if the Burmese utilization continues to be as effective as it has been to date.

PROGRAM IN BRAZIL

Mr. PASSMAN. You indicate that you plan to provide Brazil with $603,000 in fiscal year 1977. Could you please tell the committee why Brazil cannot finance this small sum herself?

Mr. VANCE. We estimate that the Brazilian Government already is providing some $1.9 million in 1975 to support the salaries and operational expenses of the 455 Federal police working full time on narcotics control. We are providing funds for a communications system which we are jointly financing with the Government of Brazil in which the United States provides only a small part of the total resources required for the network. Our marginal contribution to this program insures that state narcotics units are tied into adequate communication and cordination of effort is effected. We are also financing two river launches which are newly required because of shifts in cocaine trafficking routes due to pressure generated in Peru, Ecuador, and Colombia. The Government of Brazil is not able to adjust its budgetary requirements rapidly enough to respond to these new trends and we are providing interim support until the Brazilians can pick up these costs on their own. A final major input of our funds will go to help set up a Braxilian Customs narcotics training program. Heretofore Brazilian Customs has not been actively involved in narcotics interdiction efforts and we believe that our assistance in training customs officials will motivate them to take more decisive action to control the traffic in narcotic drugs.

VEHICLES TO CHILE

Mr. PASSMAN. On page 30 you indicate that you will supply five vehicles to Chile at a cost of $40,000. This works out to about $8,000 per vehicle. Could you please tell the committee why these vehicles are so high and indicate what type of vehicles they are?

Mr. VANCE. The proposed four-wheel-drive utility vehicles, which are like carryalls, cost approximately $5,500 for the basic model. We normally provide an additional 10–15 percent above the basic price for a spare parts package of the most rapidly consumed replacement items. In accordance with standard government procurement

procedures we also pay a 10 percent charge to the General Services Administration for procurement. Finally, surface freight costs from the United States to Chile for each vehicle will add approximately $800–$1,200 to the total cost.

AID NARCOTICS ADVISORS

Mr. PASSMAN. On page 31 in connection with the project in Colombia you indicate that two AID narcotics advisors will be funded under the project. Could you please tell the committee why AID has narcotics advisors?

Mr. VANCE. The Department of State, which is responsible for the administration of narcotics control funds, has an agreement with AID whereby AID will provide certain services for the implementation of this program. This includes the technical services of advisors for such items as procurement, aviation services, telecommunications and training. If these advisors work full-time on narcotics matters, they are funded through this program.

In the case of Colombia, one AID narcotics advisor works fulltime on advising the various Colombian enforcement agencies on improving their drug control institutions.

The other works on developing and improving the training capabilities of the Colombia training institutions so that, eventually, they can carry out narcotics enforcement training without the need for the input of further U.S. resources.

Within my own office I have eight officers plus four secretaries paid from the Department of State appropriation working on coordinating the narcotics control program. With regard to narcotics program funding, we have avoided building a large bureaucracy to carry out this program. We finance only 24 full-time AID advisers in Washington and in the field (including the two in Colombia). They work on project implementation (procurement, aviation services, telecommunications, etc.). Other personnel (18) are employed on time limited contracts in Mexico or are employed by DEA and Customs (43 and 16) which are reimbursed with narcotics funds only when they are performing training services for this program. We also have a Customs agent in Ecuador and in Thailand.

We therefore are paying out of narcotics assistance funds a total of 103 full-time employees at this time, including time limited employees and DEA and Customs training officers. Furthermore, we obtain the services of a large number of personnel who assist part time on this program but are not paid with narcotics funds. This includes Foreign Service officers in Washington and abroad, DEA agents, and AID personnel who support this program on a part-time basis.

U.N. FUND FOR DRUG ABUSE CONTROL

Mr. PASSMAN. Let us look briefly at the U.N. Fund for Drug Abuse Control for which the fiscal year 1977 request is for $4 million. Could you please tell the committee what the total budget will be for the U.N. Fund for Drug Abuse Control for calendar year 1976?

Mr. VANCE. The Fund's budget for calendar year 1976 is $9.09 million.

Mr. PASSMAN. Could you please tell the committee what the percentage contribution will be for the United States when compared with the total contributions?

Mr. VANCE. As of March 23, 1976, the United States had contributed 76 percent of the Fund's total receipts. Since the Fund receives only voluntary contributions, we do not know what the U.S. share of total contributions will be at the end of the year.

Mr. PASSMAN. Could you please provide a list for the record indicating what other countries are providing contributions to this fund and indicate the amount of the contributions for last year?

Mr. VANCE. Between February 1975 and February 1976, 40 countries contributed $6.22 million to the Fund. The following table lists the contributing countries and the amounts provided by each.

Contributions to UNFDAC

Argentina	$3,000	Liechtenstein	$2,000
Australia	100,000	Morocco	2,000
Austria	10,000	New Zealand	26,345
Brazil	5,000	Norway	48,715
Canada	204,081	The Philippines	5,000
Cyprus	300	Portugal	2,000
Denmark	25,000	Saudi Arabia	25,000
France	204,706	Spain	10,000
Iceland	2,500	Sweden	45,766
Iran	4,997	Tunisia	2,564
Israel	1,500	Turkey	5,100
Italy	100,000	United Kingdom	20,325
Jamaica	1,094	United States	5,000,000
Japan	400,000	Yugoslavia	5,921

Mr. PASSMAN. Are you getting a great deal of support from other countries for the Drug Abuse Fund?

Mr. VANCE. Except for Canada, which has contributed $1 million to the Fund, other countries have not been generous in their contributions. However, their contributions have been add-ons to their regular drug abuse control expenditures and thus constitute a valuable supplement to the worldwide narcotics control effort. Moreover, the counterpart contributions UNFDAC projects have in some cases generated from host governments are additional resources which otherwise would probably have been devoted to some purpose other than drug control. These counterpart contributions do not appear in the Fund's list of contributions.

In the first 4 years of the Fund's existence, its small staff concentrated heavily on developing successful programs and gave insufficient attention to soliciting additional contributions. Its new Executive Director is now giving the highest priority to fund raising. He should be helped by the fact the Fund can presently point to significant achievements—such, in Turkey and Afghanistan—in urging governments to give financial support.

We anticipated from the beginning that contributions from other governments would initially be slow. The drug abuse problem was viewed by many as essentially an American problem. Our problem was the most widely publicized one in the world, and our national commitment to fight drug abuse was well known. Now there are definite signs that other governments see the danger as universal.

Incidentally, there have been other instances in the United Nations when a new program of vital concern to the United States received disproportionate support from us in the first few years before other governments began contributing substantially. We believe prospects are improving for other countries to respond with substantial contributions to the Fund. Nevertheless, the basic point is that this Fund is directly serving a key U.S. domestic objective—cutting the international traffic in drugs, much of which is headed toward the streets of our cities and towns. It has got to have enough financing to be effective, and it is in our interest to be sure that it has it. Until the time when others will contribute more we will have to carry a big part of the load. If we did not, we would be cutting off our nose to spite our face.

Mr. PASSMAN. Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

MEXICO

One of the successes that you mentioned concerning this program was the destruction of 18,000 poppy fields this year in Mexico. What was the average size of those fields?

Mr. VANCE. They are very small fields. We estimate the average size at about half an acre. I have seen fields, I have flown over a large part of the area, that range from a quarter of an acre to over 2 or 3 acres.

Mr. SHRIVER. Did you read the paper this morning?

Mr. VANCE. Yes.

Mr. SHRIVER. "Mexico Rejects 'Scapegoat' Role on Drugs.

"Alejandro Gertz, the head of Mexico's new antidrug campaign told a press conference yesterday that he was very critical of the United States in its criticisms of the Mexican Government. I don't think any of this came out of your Department that he criticizes, but generally he criticizes the United States.

Among other things, the article says,

> But Mexican high officials have been stung by criticisms from across the border and by what Gertz described angrily as "lectures from the American DEA, who with thousands of men and large financial and technological resources can't do the job at home."
>
> "Here in Mexico there are 25 DEA liaison officers and five American helicopter pilots," Gertz said. "When things are going well here, they take the credit. If things go wrong. Mexico is to blame. If they are that good, why can't they get the drugs and the Mafia in the United States?"

Mr. VANCE. I have read that.

Mr. SHRIVER. Is this a problem, the matter of cooperation with the Mexican Government?

Mr. VANCE. Basically the relations between the Mexican authorities and American authorities in this field are very good. From time to time, when they are engaged as they are now in the pressure of winding up an intensified effort to destroy this year's poppy crop, that this kind of pressure led them to make these statements. However, the important part of the article for us to note, and with great appreciation, is that there has been considerable succes in this year's Mexican efforts. We are very appreciative of that. As I have said in my statement—they estimate and our experts agree—that they have destroyed some 18,000 fields.

Mr. SHRIVER. Very well; why don't you expand your answer to this article in the record?

Mr. VANCE. I would be very happy to do so.

[The information follows:]

ILLICIT DRUG PROBLEM

Mexico is a producing and a transit country for illegal narcotics. As the supply of white heroin entering from Europe has been cutrailed since 1972, the amount of heroin seized in the United States which has been "brown" and presumably of Mexican origin, has increased to between 80 and 90 percent. Cocaine transits Mexico from Central and South America. Mexico produces a large percentage of the marihuana imported into the United States. In brief, the quantity of illegal narcotic substances reaching the United States from Mexico is substantial.

The chief characteristics of the problem are its physical magnitude: the proximity of the producing areas to the U.S. market, the size of the country, the relatively unpatrolled 2,000 miles of common boundary, Mexico's long indented coastline, and the rugged topography where opium and marihuana crops are raised. The lucrativeness of drug trafficking makes possible a sophisticated and powerful organization among major international traffickers.

DRUG CONTROL EFFORTS

The Mexican Government has pursued a vigorous program of destroying poppy and marihuana fields and interdicting illicit trafficking for many years, but effectiveness is made difficult by the rough and inaccessible terrain where the crops are grown and often processed, rendering use of conventional land transportation or fixed wing aircraft for ferrying eradication personnel to the growing areas virtually futile. Hence, effective and timely eradication depends on transporting Federal judicial police and Mexican Army eradication troops by helicopter from staging areas near the growing zones to the poppy fields, and on the use of herbicides sprayed by helicopters. It is believed that widespread use of herbicides will prove to be the most effective and least costly method of destroying the narcotics. The Mexican decision to use herbicides followed careful study of all aspects of the problem. The herbicide being used in the campaign has been used successfully in Mexican agriculture.

In response to increased plantings of opium poppies, the Mexican Government began 6 years ago to conduct intensive campaigns of eradication and interdiction. The U.S. Government has been providing assistance to the Mexican program in the form of equipment, sharing of information, training and commodities.

The Mexican Government has steadily increased its commitment and its resources to the eradication and interdiction program. The Embassy estimates Mexico's efforts in the total annual program at $24 million in 1974 and $37 million in 1975. In the current campaign the number of helicopter and fixed-wing pilots has been increased from 25 to 54 over the previous year, and the number of aviation mechanics from 40 to 62.

President Echeverria of Mexico and President Ford have exchanged letters about the proposal to establish parallel U.S. and Mexican commissions to combat drug abuse and control narcotics. The U.S. and Mexican Governments are studying plans to implement this welcome initiative.

The current campaign of eradication began on November 15, 1975 instead of the customary January 15th date because of concern over the earlier plantings of poppies. In order to respond to increased plantings of poppies in new areas of Mexico, the campaign area of eradication has been widened to involve over 900 miles from North to South in the Sierra Madre mountains. Over 18,000 fields of opium poppies have been destroyed to date in the current campaign, representing some 15,000 acres, or an equivalent of 4.5 tons of pure heroin, compared to a total 6,350 fields destroyed for a similar period in last year's campaign. Seizures of heroin also have been increasing.

New approaches to problems of the control of narcotics along the Mexican-U.S. border are being studied by the Domestic Council's Drug Abuse Task Force on Border Strategy. Appropriate recommendations will be made concerning the requirements of the Mexican program.

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TOTAL U.S. DRUG EFFORT

Mr. SHRIVER. Do you have any idea how many agencies of the Federal Government are involved in some way in connection with drugs or drug abuse?

Mr. VANCE. In the U.S. Government?

Mr. SHRIVER. In our Government.

Mr. VANCE. I would have to supply that for the record.

[The information follows:]

LIST OF U.S. AGENCIES AND BUDGET DEVOTED TO DRUG CONTROL AND ENFORCEMENT

Drug abuse prevention programs—fiscal year 1976

[In thousands of dolars]

Agency	
Department of Health, Education, and Welfare	299. 6
Veterans Administration	33. 2
Department of Justice	37. 2
Department of Defense	67. 9
Department of State	0. 8
Civil Service Commission	0. 5
Department of Labor	1. 7
Department of Transportation	0. 9
Department of Agriculture	1. 6
Action	0. 4
Total	433. 8

Drug law enforcement program—fiscal year 1976

Drug Enforcement Agency	152. 0
Law Enforcement Assistance Administration and Other Justice	64. 7
State	42. 5
Internal Revenue Service	20. 0
Customs	42. 6
Department of Agriculture	1. 5
Department of Defense—Civil	0. 4
Total	323. 7
Grand total	[1]767. 5

[1] This total reflects budget requests, not total appropriated.

Mr. SHRIVER. Would you have any idea how much money the Federal Government is appropriating, spending in this area of drugs and drug abuse?

Mr. VANCE. I think it is in the neighborhood of $600 or $700 million.

Mr. SHRIVER. So the amount you are asking for is really one little small portion of this huge sum scattered all over the Federal budget?

Mr. VANCE. Yes.

COST OF DRUG ABUSE IN U.S.

Mr. SHRIVER. Mr. Vance, can you tell us what is included in the $17 billion figure mentioned as the cost of drug abuse to this country every year? You might break that down for the record.

Mr. VANCE. The September 1975 White Paper on Drug Abuse gave a conservative estimate of $10 billion for the annual social cost of drug abuse in the United States and indicated that the cost may

indeed run as high as $17 billion. The latter figure was cited in the Vice President's letter transmitting the White Paper to the President. This excludes the unmeasurable social costs on individuals for such things as impaired physical and emotional functioning or the strains placed on a marriage or family members by drug abusers. The breakdown for the $10 billion estimate is as follows in millions of dollars:

Component	*Cost*
Health cost	200
Productivity losses	1,500
Criminal justice system costs	620
Property loss	6,300
Direct program costs (Federal, State, and local governments.)	1,100

FISCAL YEAR 1977 BUDGET REQUEST

Mr. SHRIVER. The House has passed the 1976 bill with $37.5 million for this program, and yesterday the Senate subcommittee recommended $30 million. Your request for 1977 is $34 million, and you say this request is based on your getting the full $42.5 million originally requested for 1976. Obviously, you are not going to get the full $42.5 million. How does that affect your 1977 program? You might answer that in two parts: (1) based on the House-passed amount; and (2) the preliminary Senate amount.

Mr. VANCE. Because we are not receiving the entire $42.5 million appropriation request, we have been forced to defer obligation of the final six helicopters for our program in Burma. This of course is most regretful because Burma is the world's largest supplier of illicit opium and has had considerable success in the use of the first six helicopters delivered, already having destroyed some 8,000 acres of opium poppy. Deferral of the Burma program would be the major impact on our program of having to remain at the House-passed appropriations level.

The $32.5 million Senate amount, if sustained in conference, would force the further curtailment or elimination of individual country programs. It would severely limit our flexibility to respond to new opportunities and challenges. This latter point cannot be overstressed. The dynamics of supply and demand in the illicit drug market require that we be able to move quickly. The Turkish-French connection of yesterday is the Mexico connection today and could and may well be supplanted by the Golden Triangle and/or Pakistan in the very near future. This is not a traditional assistance program to aid the development of other countries but one that works through other governments to meet a serious U.S. domestic social problem, reducing the heroin on our streets. A large degree of flexibility is an absolute necessity.

The ultimate decision on what program element would be eliminated or postponed would depend on the final mark and close reexamination of the status of each program. It is clear, however, that cuts in the major programs would be required. For example:

ANDEAN REGIONAL

This program will implement President Ford's commitment to President Lopez of Colombia to help the cocaine processing and

transit countries undertake a major coordinated attack on trafficking. We have a team going to Colombia now to work out the details with the Colombians. We have tentatively programed $3.5 million for fiscal year 1976 and a heavy cut could mean that this program would be curtailed before it began.

MEXICO

We have programed $7.4 million to continue the eradication and interdiction program. The Mexicans are putting in $34 million this year and giving this program great priority. A cut would signal a slackening of U.S. commitment to joint effort on this key country program just when it is beginning to show signs of being successful.

TRAINING

We have programed $6.8 million for this activity. We would probably reduce it by at least a million to meet the cut. That would mean fewer trained foreign police and customs officials—less specially skilled hands to do the job.

UNFDAC

We may have to make a significant cut here below the $5 million level we have planned. We share the concern of the Congress that other donors pick up more of the tab for the fund and we are working on that. But, meanwhile, it must be recognized that what the fund is doing in Turkey and Afghanistan is essential to the effort to keep heroin out of the United States. Cutting assistance to UNFDAC is like cutting off our nose to spite our face.

Mr. SHRIVER. What would be the effects on your program if the conferees left you at the continuing resolution level of $32,500,000?

Mr. VANCE. If we were forced to remain at the continuing resolution level, the effect on our program would be the same as if we remained at the proposed Senate Appropriations level for fiscal year 1976. That is, we would not be able to complete the Burma program The Presidential commitment for a major new initiative in Colombia and the Andean Region would be curtailed. We might not be able to provide the necessary resources to Mexico which accounts for 70–80 percent of the drugs seized in the United States. Our training program would be cut back severely, thereby reducing the human resources available abroad for enforcement and control of drugs before they reach the United States. Finally, the United Nations fund which has provided such services of direct interest to the United States as the Turkish control program and successes in Afghanistan and elsewhere would be reduced.

U.S. EXPENDITURES ON NARCOTICS CONTROL

Mr. SHRIVER. Including this program, how much is the U.S. Government spending this year for narcotics control and treatment? Please break that down by agency for the record and if you can get any information what the States are doing in this area put that in.

Mr. VANCE. The short answer is [estimated] $1.1 billion. According to the 1975 Federal Strategy Report prepared by the Strategy Council, Federal expenditures proposed for fiscal year 1976 amount to $767.5 million. A breakdown by agency and program is shown in the following table:

Drug abuse prevention programs—fiscal year 1976

[In thousands of dollars]

Agency	
Department of Health, Education, and Welfare	299.6
Veterans Administration	33.2
Department of Justice	37.2
Department of Defense	67.9
Department of State	0.8
Civil Service Commission	0.5
Department of Labor	1.7
Department of Transportation	0.9
Department of Agriculture	1.6
Action	0.4
Total	433.8

Drug law enforcement program—fiscal year 1976

Drug Enforcement Agency	152.0
Law Enforcement Assistance Administration and Other Justice	64.7
State	42.5
Internal Revenue Service	20.0
Customs	42.6
Department of Agriculture	1.5
Department of Defense—Civil	0.4
Total	323.7
Grand total	[1] 767.5

[1] This total reflects budget requests, not total appropriated.

The difference between this figure and the total I mentioned is a very conservative estimate of the expenditures made by State governments in the drug enforcement or treatment fields.

Our request is a tiny percentage of this and I venture to state that our program produces the biggest return on the dollar.

OTHER COUNTRY EXPENDITURES

Mr. SHRIVER. Now tell us how much Mexico is spending for these same purposes. And Burma? Thailand? Colombia? Ecuador? Peru? Bolivia?

Mr. VANCE. We estimate that the countries are investing the following amounts for narcotics enforcement and treatment during the most recent fiscal period for which data is available:

[In thousands of dollars]

Country:	
Mexico	38,000
Burma	20,000–25,000
Thailand	3,800
Pakistan	499
Colombia	2,761
Ecuador	865
Peru	500
Bolivia	192

Mr. SHRIVER. A large part of these funds go for helicopters. Who makes those helicopters? Looking into the future, is there some point at which you have enough helicopters to do the job? When would that be? Do these countries have helicopters of their own which they use for drug conrrol?

Mr. VANCE. All of the helicopters which we have provided have been manufactured in the United States. With the exception of the final 6 helicopters still programed for Burma (to make a total of 18), we believe that adequate helicopters have been provided to those countries where they are being used in an approved narcotics control program which we are currently assisting. However, we may need to replace a very few helicopters in Burma or Mexico if any are destroyed in narcotics operations and, in our carefully considered judgment, replacement will make an important contribution to reducing heroin on our streets.

The narcotics control scene is very dynamic and rapidly changing, and countries which today are not a significant threat could be tomorrow as new sources of drugs are developed and processing and trafficking routes change. Therefore, a country which does not need or utilize helicopters in narcotics control today could perhaps use them in the future. Or, some countries not relying on air mobility now may be prepared to make a major effort to increase their narcotics interdiction operations, and helicopters could be a very appropriate input into this effort. Colombia or other of the Andean coca/cocaine region may well be a highly productive place for the allocation of helicopters. An excellent past example of what I have in mind is Mexico. Four years ago we were focussing all our attention on Turkey. Suddenly, Mexico became a major problem.

They were ready to destroy the opium poppy fields in their remote western mountains but could get there only on foot or by mule or by helicopter. Obviously, it was greatly to our advantage to supply helicopters to get Mexican heroin off our streets. Therefore, I cannot rule out the possibility that we may provide helicopters to a future major source. Both Mexico and Burma, to which we have supplied helicopters, have other helicopters of their own; however, they state that these aircraft already have tasks and are not available for narcotics control. In any case, their current inventory would not be adequate to meet the intensive drug control activities being undertaken. Other countries where we have not supplied narcotics assistance or helicopters use those which they have purchased on their own for narcotics control purposes, for example, several countries in western Europe.

Mr. SHRIVER. How many qualified helicopter pilots does Burma have?

Mr. VANCE. The Burmese Air Force has about 50 qualified helicopter pilots and approximately 55 mechanics. We financed the transition training of 24 Burmese helicopter pilot instructors who are both capable of flying the helicopters we are providing as well as training additional Burmese in how to fly them.

Many foreign observers have high praise for the skills of the Burmese pilots and their mechanics. As an example of their technical abilities,

the latest two helicopters which arrived disassembled in Rangoon on March 20 had been completely assembled and test flown by March 25.

Mr. SHRIVER. What other aircraft are used for this purpose?

I assume those are U.S. made planes. Who makes them?

Mr. VANCE. All aircraft supplied to Mexico were made in the United States. This includes two Fairchild Porter short takeoff and landing aircraft used to transport Mexican Federal Police to isolated forward bases and provide logistic support to the eradication program. Much earlier, we provided three Cessna 185's which are used for surveillance and reconnaisance and identification of poppy fields for eradication. We have provided two Rockwell Shrike Aero Commandos which are used for the Multispectral Poppy Photograph Sensing System. We have also provided one Cessna Citation which is used to carry Mexican Federal Judicial Police on naroctics operations when they must travel rapidly throughout that very large country to pursue their efforts. These operations in eradication only are spread over a part of the nation, some 900 miles long and 400–500 miles wide. In Argentina, we supplied two Cessna 206's which are used to coordinate enforcement operations on the ground.

In Burma, we are supplying a Fokker F–27 to be used to transport troops, provide logistical support and serve as a mobile control point for the interdiction and eradication program. This plane was manufactured in Europe and we are supplying a non-U.S. commodity only because the Burmese inventory consists of F–27's and, therefore, they have spare parts, pilots and mechanics familiar with its maintenance and operations. This represents 10 percent of the aircraft we are supplying in fiscal year 1976. All other equipment supplied Burma, including helicopters, is of U.S. manufacture.

TRAINING PROGRAM

Mr. SHRIVER. What percent of your training is carried out in the host countries? How many trainees will be brought to this country? Where is that U.S. training done?

Mr. VANCE. Most training of foreign narcotics enforcement officials is carried out in their own countries. In fiscal year 1977 we propose training 1,920 drug officials overseas and 305 in the United States. Most overseas training is provided by traveling teams of Customs and DEA instructors who conduct 2-week training sessions to provide the working level narcotic agent with the basic techniques and knowledge needed to undertake effective enforcement operations.

We plan to bring 270 supervisory and midmanagement narcotics investigators, Customs agents and border partrol officers to the United States in fiscal year 1977. They will receive 6 weeks training given by DEA or U.S. Customs. This consists of 4 weeks classroom instruction in Washington. Then the foreign officials travel to regional DEA offices or U.S. ports of entry to undergo on-the-job training for 2 weeks so that they will be able to understand how the techniques they have learned can be put into practical operations.

Further, 35 policy level officials will be brought to the United States for 2 to 3 weeks each. This executive program is designed to show those officials responsible for their own country's drug control efforts the most modern techniques for administering and organizing

a national narcotics enforcement program. It is also designed to help resolve certain problems with specific countries, such as improvement in the exchange of narcotics information, increased utilization of evidence for joint drug prosecutions in both countries, or the revision of extradition treaties to include narcotic offenses.

UN FUND FOR DRUG ABUSE CONTROL

Mr. SHRIVER. Who else contributes to the U.N. Fund for Drug Abuse Control? You say the Secretary General of the U.N. is trying to get more contributions. What is he doing in that regard?

Mr. VANCE. Fifty-seven countries have contributed to the fund. Attached is a table listing the contributors through February 27, 1976.

UNFDAC CONTRIBUTIONS—AS OF FEBRUARY 27, 1976

Country	*Amount pledged*
Algeria	$1, 998
Argentina	9, 000
Australia	300, 000
Austria	20, 000
Bahamas	500
Barbados	500
Belgium	25, 000
Brazil	8, 000
Canada	1, 008, 027
Cyprus	5, 652
Denmark	150, 000
France	505, 500
Federal Republic of Germany	499, 256
Greece	6, 000
Guyanas	486
Holy See	1, 000
Hong Kong	19, 443
Iceland	3, 000
Iran	19, 997
Israel	2, 000
Italy	203, 200
Jamaica	1, 096
Japan	800, 000
Jordan	2, 000
Kenya	3, 000
Kuwait	2, 000
Libya	6, 460
Liechtenstein	2, 000
Luxembourg	1, 000
Malta	251
Mauritius	500
Morocco	6, 275
Netherlands	115, 625
New Zealand	72, 695
Nigeria	6, 000
Norway	161, 312
Philippines	8, 00
Poland	50, 000
Portugal	4, 000
Qatar	2, 000
Republic of Vietnam	2, 000
San Marino	500
Saudi Arabia	32, 000
Singapore	1, 000
South Africa	3, 054
Spain	30, 000
Sweden	200, 627
Trinidad and Tobago	1, 000

UNFDAC CONTRIBUTIONS—AS OF FEBRUARY 27, 1976—Continued

Country	*Amount pledged*
Tunisia	2, 564
Turkey	10, 000
United Arab Emirates	5, 000
United Kingdom	355, 454
United States of America	15, 000, 000
Uruguay	1, 000
Venezuela	2, 000
Yugoslavia	17, 288

In response to a U.N. General Assembly resolution of December 9, 1975, the Secretary General sent a telegram to governments outlining the activities of the fund and requesting generous and sustained contributions. In August 1975 he transmitted to governments at the request of the Economic and Social Council a resolution adopted by that body appealing urgently for contributions to the fund. I would like to add that the new Executive Director of the fund has announced that his highest priority is to obtain significant contributions from other donors and with the Secretary General's agreement has developed a plan for meeting with other governments to seek additional financial support for the fund.

DRUG TREATMENT PROGRAM

Mr. SHRIVER. You requested a very small program of drug treatment—$500,000. This is just a drop in the bucket. Why get into that at all with this program?

Mr. VANCE. We are using treatment, prevention and education programs as a catalyst to increase the concern—and therefore the commitment—of other governments to the narcotics control problem. There are only a few countries with a significant drug abuse problem where we are attempting to enlist greater enforcement efforts and where they are unable to completely finance the start-up treatment and prevention program at this time on their own. Therefore, our request for this component of our program is small because that is all we think we need to achieve that extremely important purpose.

COLOMBO PLAN

Mr. SHRIVER. You are planning to contribute $100,000 to the Colombo plan. What is that?

Mr. VANCE. U.S. narcotics funds are financing a Drug Abuse Adviser and some of the local costs of seminars and meetings to stimulate coordination on narcotics control among the Colombo plan member states, and increase awareness within those countries of their own drug problem. The Colombo plan is a consultative organization comprising governments, mostly in developing countries in the South and East Asian area, which is designed to further economic and social development. This small investment has already led to some valuable progress in area efforts.

CROP REPLACEMENT PROGRAM

Mr. SHRIVER. Tell us more about the crop replacement plans in Pakistan, Bolivia, and Thailand, and the expected reaction of farmers to your plans. Are you receiving total cooperation in this regard from those governments?

Mr. VANCE. Pakistan and Bolivia have similar problems even though they are half a world apart and one—Pakistan—grows the opium poppy while the other grows coca. In both countries we find traditional use of a drug that the government would like to see eliminated but against which it cannot move because to do so would work severe hardship on the farmer. Both have indicated they would take action if this impediment were removed. I might add that I have visited the opium growing area of Pakistan and the coca growing area of Bolivia, where I found that both areas are virtually isolated from the mainstream of the national economy and suffer from tremendous poverty. In both countries we and the host governments are seeking ways to begin integrating the drug-producing areas into the local economy—and, at the same time, providing the farmer alternate crops capable of generating a cash income. As to the reactions of the farmers, I learned during a trip to the Yungas Valley of Bolivia that the government had already been talking to them about crop substitution programs and had generated a surprising amount of support. The President of Bolivia, Hugo Banzer recently told the U.N. General Assembly and personally confirmed to me his government's commitment both to effective enforcement against traffickers and to eventual elimination of coca production in excess of licit needs. Prime Minister Bhutto of Pakistan has told me of his personal concern about illicit production and trafficking—a statement that impressed me especially because of the immediate action he took to correct a related problem that I called to his attention.

In Thailand, the Meo tribesmen in the north have long looked to opium as their only cash crop. Agricultural research is being carried out to find what specific crops are climatically suited for production there, and furthermore crops that can provide an economically viable alternate source of income. For example, we have discovered that certain varieties of oriental tobacco and hybrid flower and vegetable seeds will provide a greater income per acre to the farmer than the production of opium in that particular agricultural setting. This is a long and tedious program as the research required is extensive and the seeds themselves have to be acclimated to that particular climate and soil condition. Once satisfactory alternate crops have been developed and tested, the government will have to provide this knowledge of new cultivation practice through an extension program to the farmers and provide an adequate control system so that they are no longer permitted to grow poppies. In Thailand the farmers participating in the research and extension program have been receptive to the idea of testing new crops. However, since the alternate crops have not yet been extended over a large area, we cannot definitely state how most farmers' reaction will be.

Changing farmer habits in these countries is a slow process. But the ultimate result is well worth the persistence needed because if the narcotics are not grown they cannot leak to the streets of the United States and I can tell you definitely that foreign governments are cooperating.

COLOMBIAN COOPERATION

Mr. SHRIVER. The book mentions that Colombia is now cooperating better. Would you comment on that?

Mr. VANCE. In a period of just 3 years Colombia has moved from the establishment of a narcotics unit within the national police to the designation of a nationwide narcotics control coordinator who will have the ability to draw upon the capabilities of the entire law enforcement structure. This interservice coordination should provide much greater enforcement—and particularly interdiction—capability.

On the operational side, Colombian authorities now are showing impressive results—including the seizure recently of 1,368 pounds of cocaine or cocaine base.

Most important of all, of course, was the degree of commitment to international narcotics control expressed by President Lopez of Colombia when he called on President Ford last fall. This commitment, together with the nationwide cooperation and the operational skills I mentioned, lead me to believe that we will see even more impressive results from Colombia. But they will need both training and equipment to do the job as it needs to be done and that is why we plan help to them under this program.

DRUG TRAFFIC IN NETHERLANDS

Mr. SHRIVER. Why would the Netherlands be such a central point in the drug traffic now?

Mr. VANCE. The Netherlands began to become a serious problem area for narcotics control in late 1972, although cannabis products and amphetamines were always obtainable on the black market by individuals visiting Amsterdam and several other Dutch cities. There has been no evidence of illicit processing of narcotics in the Netherlands, but evidence has developed of increasingly major transshipments through that country. Amsterdam and Rotterdam have become significant entry points for narcotics and dangerous drugs into Europe, primarily because of the large number of ships and aircraft through those ports. These ports apparently were chosen by major trafficking rings because Dutch narcotics laws were not very strict and there were few narcotics enforcement officers.

Of particular concern to the U.S. military command in Germany has been the use of the Netherlands as a transshipment point for narcotics reaching U.S. military forces in Germany.

Cooperative arrangements have been worked out between the Dutch, German and U.S. authorities to deal with dangerous drugs transiting the Netherlands and destined for U.S. forces in Germany. Belgium passed tough new legislation in 1975 aimed at drug trafficking, particularly across the open border between Belgium and the Netherlands. While the Dutch have been tolerant of individual use of cannabis products and amphetamines, this tolerance does not apply to trafficking in hard drugs. The Netherlands Parliament is strengthening the national drug control legislation. In the fall of 1975, the Netherlands created a special countrywide narcotics enforcement unit as part of a revamping of its drug control machinery. Particular emphasis has been placed on improved cooperation and coordination between national and local police forces.

U.S. PERSONNEL

Mr. PASSMAN. In reality, this is a new program. It is about 3 years old.

Mr. VANCE. Yes sir.

Mr. PASSMAN. How many personnel are involved at this time in this program?

Mr. VANCE. Within my own office I have eight officers plus four secretaries paid from the Department of State appropriation working on coordinating the narcotics control program. With regard to narcotics program funding, we have avoided building a large bureaucracy to carry out this program. We finance only 24 full-time AID advisers in Washington and in the field. They work on project implementation (procurement, aviation services, telecommunications, etc.). There are two U.S. Customs advisers, one each in Thailand and Ecuador. Other personnel, 18 are employed on time-limited contracts in Mexico or are employed by DEA and Customs—43 and 16—which are reimbursed with narcotics funds only when they are performing training services for this program.

We therefore are paying out of narcotics assistance funds a total of 103 full-time employees at this time, including time limited employees and DEA and Customs training officers. Furthermore, we obtain the services of a large number of personnel who assist part time on this program but are not paid with narcotics funds. This includes Foreign Service officers in Washington and abroad, DEA agents, and AID personnel who support this program on a part-time basis.

Mr. PASSMAN. The total on the payroll is 103, is it?

Mr. VANCE. Yes, sir.

Mr. PASSMAN. Americans?

Mr. VANCE. All Americans.

Mr. PASSMAN. How many foreign nationals are you going to have employed?

Mr. VANCE. We employ 3 foreign nationals—not included in the 103 figure. These are translator/secretaries in Bogota and Caracas and a secretary in Manila.

Mr. PASSMAN. We can't take this bill out again and just state that you are transplanting American personnel in Burma, Thailand, and Mexico without some of the local people being involved, cooperating, being paid.

BURMA PROGRAM

Mr. VANCE. Take Burma, for example: We have no direct hire people in Burma.

Mr. PASSMAN. Do you have any local personnel?

Mr. VANCE. No American, no Burmese.

Mr. PASSMAN. Who is running the show, then?

Mr. VANCE. The Burmese Government officials are, after having received training here.

Mr. PASSMAN. In other words, this is going to be a Burmese operation; there will be no American personnel there?

Mr. VANCE. That is right, sir.

Mr. PASSMAN. That does not sound good.

Mr. Roush?

Mr. ROUSH. Thank you, Mr. Chairman.

Mr. Chairman, I certainly recognize the importance of this narcotics control program. Mr. Ambassador, I must say I share the Chairman's concern. Let me explain why, if I may.

I have just completed work on another subcommittee. For the past several weeks we have had various agencies and departments of the Government coming to that subcommittee with their budgets. I have chaired the subcommittee through many of those hearings. We just completed, yesterday, hearings on the Veterans Administration. When they presented their justification, if they asked for an increase of two people in an office, we asked them why. We knew exactly and precisely, and they knew exactly and precisely, and they knew exactly and precisely how many people they had last year, the year before that, what those people were doing. If there was any change, we asked them why that change. We did it because we were trying to fulfill a responsibility in tracing this tax dollar.

When I look through your justification, I don't find that kind of justification. It bothers me throughout the entire foreign aid program and with witnesses who come before us here. I think the chairman has some reason to be concerned.

I sat here through the markup of the last bill. There was criticism because we didn't know. If we know, and if your justification spell these things out, it makes it much easier for us, Mr. Ambassador, much, much easier.

Let me ask you a couple of questions.

Mr. VANCE. May I comment, Mr. Congressman?

Mr. ROUSH. Yes.

Mr. VANCE. This refers back to Mr. Passman's questions concerning numbers and locations of American personnel. I do not want there to be any confusion. We are not operating American programs abroad with American personnel. The basic approach of this program is to equip, train, and encourage foreign enforcement organizations to do the job of policing which only they can do in their own countries and to do more and do it more effectively than they could otherwise. I would like at this point to explain the Burmese program, specifically. I have 1½ pages which I believe will explain, as an example, what we are trying to do in Burma and why there are now no American or direct-hire local employees for our program working in Burma.

We did pay the company from which we bought the helicopters, to supply a small team, temporarily, on contract, to familiarize Burmese pilots and Burmese mechanics with the helicopters we provided. They left after assuring us that the Burmese were quite capable of utilizing and maintaining this equipment.

I should like, with your permission to enter in the record some details on the Burmese program.

Mr. ROUSH. All right. We will receive that for the record.

[The information follows:]

THE BURMESE NARCOTICS EFFORT

The Burmese authorities have convincingly proved their determination to help curb the illicit production and trafficking in opiates. With the arrival of six U.S.-supplied helicopters in late summer 1975, repeated major operations have been mounted successfully against narcotics refinery sites, drug caravans, and trafficking organizations. The Burmese have severely disrupted the trafficking infrastructure in the northern part of the country and have already eradicated about 8,000 acres of poppies.

The most significant operation occurred last September-October when 2,500 Burmese troops captured the Chinese Irregular force (former Kuomingtang) and Shan rebel center of heroin laboratories in the Pan Pi-Na Wawn area of the southern Shan State. This 3 week operation disrupted a major caravan route and logistical base used by this trafficking organization as well as by many other trafficking groups. Garrisoning of this area by Burmese troops has forced traffickers to seek new routes and methods, at considerable inconvenience and expense.

Within the past 6 months, the Burmese authorities have seized 12 tons of opium, 440 pounds of heroin and several heroin labs, along with some 800 gallons of morphine solution which was in the process of conversion into heroin. In addition, the Burmese have destroyed about 8,000 acres of poppy fields, an area capable of yielding another 42 tons of opium (the equivalent of 4.2 tons of heroin).

As evidences of Burmese technical proficiency, helicopter courses conducted in pilot training by the in-country training team from the American aircraft manufacturer were reduced by 50 percent from the training initially envisaged because of what the team found about the high adaptability of the Burmese pilots. Also, the Burmese mechanics received the most extensive and complete training ever established by the company. Even though there was a language problem, all of these students were at or above the company's average in all of the courses. One of the officials of the company told us that the Burmese mechanics attended 13 courses in their training. He said that they are as well qualified as any mechanics operating on helicopters.

Due to the fact that the opium-producing and heroin-processing areas in Burma are in the remote northern areas of the country where transportation facilities are virtually nonexistent and insurgent bands roam the countryside in considerable force, the Burmese authorities would not be able as effectively to mount this campaign against the traffickers unless they were equipped with the helicopters.

COMMODITY UTILIZATION

Mr. ROUSH. Does the title to this equipment which you are purchasing go to the country for which it is purchased?

Mr. VANCE. It does. We have required each government to agree very specifically with us as to the utilization to which they will put this equipment; that is, only for narcotics control.

Mr. ROUSH. How is that utilization monitored?

Mr. VANCE. By U.S. Government personnel in the country. In all these countries we have people who are capable of monitoring the program.

U.S. CONTROL OVER EQUIPMENT

Mr. ROUSH. Why can't we maintain more control over that equipment? Why can't we in effect lease it or loan it to them, or do somethink to maintain more control over that equipment? Is that inadvisable?

Mr. VANCE. It would be inadvisable because of the fact that this equipment is used in enforcement undertakings which involve the use of force, fire fights, and people are arrested. It is an enforcement operation. Politically it would be undesirable to have the United States so directly involved in such operations in foreign countries. We believe that we can have confidence that this equipment is not being diverted from narcotics control. I have visited every country where we have a major program of this kind and have talked to our people who are monitoring these programs. I can assure the committee that we are effectively monitoring the utilization of the equipment that we have granted, and I can assure you that it is not being diverted from narcotics enforcement.

THIRD COUNTRY TRANSFER

Mr. ROUSH. All right. Does your agreement include a prohibition against transferring such equipment to a third country?

Mr. VANCE. Absolutely, yes.

Mr. ROUSH. Have you found any instances where these agreements have been violated in the use of this equipment?

Mr. VANCE. We have found no instances of any transfer or any diversion within the country.

Mr. ROUSH. What could you do if you found out? Would you stop giving assistance?

Mr. VANCE. Absolutely. We would not give any more equipment, and it would also trigger section 481 in the Foreign Assistance Act, our part of the Foreign Assistance Act, which provides that if any country is found not to be adequately cooperating, the President is directed to cut off all assistance, not just narcotics assistance.

Mr. ROUSH. Do you have an agreement with each country then receiving grant aid of the type you set out in your justification?

Mr. VANCE. We have, yes, sir.

Mr. ROUSH. Would you list for the record all of the countries with whom you have such agreements?

Mr. VANCE. Yes, sir. Would you like a sample agreement, also?

Mr. ROUSH. Yes, we would like a sample agreement.

Mr. VANCE. All right, sir.

[The information follows:]

We have current agreements with the following countries:

Argentina	Ecuador	Burma
Bolivia	Jamaica	Indonesia
Brazil	Mexico	Philippines
Chile	Paraguay	Thailand
Colombia	Peru	Pakistan
Costa Rica		

The following is the text of an agreement to provide assistance to the Government of Bolivia:

AID 1240-1 (6-66)

PRO AG

PROJECT AGREEMENT

BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID), AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND the Ministries of Interior, of Finance, of Rural Affairs & Agriculture, and of Planning & Coord.

Agencies
AGENCY OF THE GOVERNMENT OF BOLIVIA

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth* herein and the terms set forth in any document attached hereto, as checked below:

(On file USF-USAID/B)

[X] PROJECT DESCRIPTION ANNEX A
[ ] FOREIGN CURRENCY SUPPLEMENTAL PROVISIONS ANNEX
[ ] STANDARD PROVISIONS ANNEX
[ ] SPECIAL LOAN PROVISIONS ANNEX

This Project Agreement is further subject to the terms of the following agreements between the two governments, as amended and supplemented:

[X] GENERAL AGREEMENT FOR TECHNICAL COOPERATION — DATE 3/14/51 as amended
[X] ECONOMIC COOPERATION AGREEMENT — DATE 11/6/53 as amended
[ ] (other) — DATE

1. PROJECT/ACTIVITY NO.: 511-11-995-727
PAGE 1 OF 1 PAGES
2. AGREEMENT NO.: 60021
3. [X] ORIGINAL OR [ ] AMENDMENT NO. ____
4. PROJECT/ACTIVITY TITLE: Narcotics Control
Control de Narcoticos
5. PROJECT DESCRIPTION AND EXPLANATION: (See Annex A, attached)
6. AID APPROPRIATION SYMBOL: 72-1161022
7. AID ALLOTMENT SYMBOL: 622-50-511-00-69-61

8. AID FINANCING [X] GRANTS [ ] LOCAL CURRENCY	PREVIOUS TOTAL (A)	INCREASE (B)	DECREASE (C)	TOTAL TO DATE (D)
(a) Total		$87,500		$87,500
(b) Contract Services				
(c) Commodities		$42,500		$42,500
(d) Other Costs		$45,000		$45,000
9. COOPERATING AGENCY FINANCING - DOLLAR EQUIVALENT (List Below)				
(a) Total		$810,000		$810,000*
(b) Technical and other Services				
(c) Commodities				
(d) Other Costs		$810,000		$810,000

10. SPECIAL PROVISIONS (See Additional Continuation Sheets, if Necessary)

*Represents the estimated value of GOB contribution for salaries and operating expenses of the Narcotics Directorate and the National Customs Service

*Representa el valor estimado de la contribución del Gobierno de Bolivia para haberes y gastos de operación de la Dirección Nacional de Control de Substancias Peligrosas y del Servicio Nacional de Aduanas.

11. DATE OF ORIGINAL AGREEMENT: FEBRUARY 5 1974
12. DATE OF THIS REVISION:
13. ESTIM TED FINAL CONTRIBUTION DATE: December 30, 1976

14. FOR THE COOPERATING GOVERNMENT OR AGENCY
SIGNATURE: Luis Carlos Calvo
TYPED: Minister of Finance
DATE:

15. FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT
SIGNATURE: John R. Olson
TYPED: John R. Olson, Director - USAID/B
DATE:

(Dr. Juan Peredo A.) Minister of Interior
Ministerio de Asuntos Campesinos y Agricultura — Ministerio de Asuntos Campesinos y Agricultura — Ministerio de Asuntos Campesinos y Agricultura —

	PROJECT AGREEMENT BETWEEN AND AMONG THE MINISTRIES OF INTERIOR, FINANCE, RURAL AFFAIRS & AGRICULTURE AND OF PLANNING & COORDINATION, AGENCIES AGENCIES OF THE GOVERNMENT OF BOLIVIA	1. Project/Activity No. 511-11-995-727	PAGE 2 OF 11 PAGES
AG IATION IT X "A"		2. Agreement No. 60021	3. [X] Original or Amendment No. ____
		4. Project/Activity Title Narcotics Control Control de Narcóticos	

I. Introducción

Este convenio entre (a) el Gobierno de Bolivia (GOB), representado por el Ministerio del Interior, el Ministerio de Finanzas, el Ministerio de Asuntos Campesinos y Agropecuarios y el Ministerio de Planeamiento y Coordinación, y (b) el Gobierno de los Estados Unidos, representado por la Agencia Internacional de Desarrollo (USAID), provee fondos y la base para la continuación del programa de control de narcóticos en Bolivia.

II. Propósito del Proyecto y Descripción Resumida.

El propósito de este proyecto es establecer las bases para la cooperación entre los Gobiernos de Bolivia y los Estados Unidos de América a fin de asegurar: (a) la operación efectiva de la Dirección Nacional de Control de Substancias Peligrosas; (b) el desarrollo y funcionamiento continuo del Departamento de Narcóticos y Substancias Peligrosas; (c) la creación operacional, junto con personal del Ministerio de Agricultura, del Departamento de Nacionalización del cultivo de la coca para supervisar el registro y control de la producción de coca y planificar su eventual reducción; (d) la continua propagación de información y guía al público en general y a la comunidad legal, referente a las provisiones de la Ley Nacional de Control de Substancias Peligrosas; y (e) el mejoramiento continuado en la capacidad del Servicio Boliviano de Aduanas, bajo el Ministerio de Finanzas, para que incluya los narcóticos y materiales utilizados en la elaboración de cocaína en sus programas de control de contrabando.

I. Introduction

This agreement between (a) the Government of Bolivia (GOB) represented by the Ministry of Interior, the Ministry of Finance, the Ministry of Rural Affairs and Agriculture and the Ministry of Planning and Coordination, and (b) the United States Government, represented by the United States Agency for International Development (USAID), provides funds and the thesis for continuation of the narcotics control effort in Bolivia.

II. Project Purpose and Summary Description

The purpose of this project is to establish the basis for cooperation between the governments of Bolivia and the United States of America in order to ensure: (a) the operational effectiveness of the National Directorate for Control of Dangerous Substances; (b) the continued development and functioning of the Department of Narcotics and Dangerous Substances; (c) the operational establishment, in conjunction with personnel from the Ministry of Agriculture, of the Department of Rationalization of Coca Production, to supervise the registration and control of coca production and to plan towards its eventual reduction; (d) the continued dissemination of information and guidance to the general public and legal community concerning the provisions of the National Dangerous Substances Control Law; and (e) the continued improvement in the capability of Bolivian Customs Service, under the Ministry of Finance, to include narcotics and other materials used in the elaboration of cocaine, in its contraband

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PROJECT AGREEMENT BETWEEN AND AMONG THE MINISTRIES OF INTERIOR, PUBLIC, RURAL AFFAIRS & AGRICULTURE AND OF HEALTH AND THE GOVERNMENT OF BOLIVIA	1. Project/Activity No. 511-11-995-177	PAG 3 of 11 PAGES
	2. Agreement No. 60021	3. [A] Original or Revision No. ____
	3. Project/Activity Title Narcotics Control Control de Narcóticos	

III. Antecedentes del Proyecto.

El Gobierno de Bolivia intensificó su decidido apoyo a reforzar el programa de control de drogas, con miras a lograr la reducción de la producción ilícita y el tráfico de cocaína; así como la prevención del uso en Bolivia de cocaína, heroína, marihuana, LSD y otras sustancias peligrosas. En un esfuerzo para lograr estos objetivos, el Gobierno de Bolivia promulgó una nueva ley sobre narcóticos en diciembre de 1973, la misma que cubre todos los aspectos del control de narcóticos, incluyendo, pero no limitándose a la gradual sustitución de la coca con otros cultivos y a la rehabilitación y tratamiento de los drogadictos. La nueva ley estableció una Dirección Nacional de Control de Sustancias Peligrosas con varios departamentos/operaciones, incluyendo una unidad encargada del cumplimiento de dicha ley, bajo la supervisión de la Dirección. Esta ley actualmente está siendo revisada para corregir fallas en su aplicación legal y práctica.

En julio de 1975, el GOB auspició una Conferencia Regional de los países vecinos de Argentina, Chile, Perú, Paraguay y Brasil, en la cual se trataron problemas mutuos relacionados con el cumplimiento de la Ley de Narcóticos, extradicción de infractores de dicha ley, y uniformidad en las leyes de narcóticos y sus respectivas sanciones; estas discusiones continuarán en reuniones posteriores. En dicha conferencia, llevada a cabo en Cochabamba, se decidió que La Paz, Bolivia, sería la Central Regional de Asuntos sobre Sustancias Peligrosas con Agregados de Narcóticos representando a los países participantes a ser asignados a sus respectivas emba-

III. Project Setting

The GOB intensified its demonstrated interest in strengthening its drug control program, which is aimed at the reduction of the illicit production of, and traffic in, cocaine; as well as the prevention of the use in Bolivia of cocaine, heroin, marihuana, LSD and other dangerous substances. In an effort to meet these program objectives, the GOB promulgated a new narcotics law in December 1973, which encompasses all aspects of narcotics control, including, but not limited to, the gradual substitution of coca with other crops and the rehabilitation and treatment of drug addicts. The new law established a National Directorate for the Control of Dangerous Substances with several operational departments, including the expanded enforcement unit under its supervision. This law is currently being revised to correct flaws in its legal and practical application.

In July, 1975 the GOB hosted a Regional Conference of neighboring countries: Argentina, Chile, Perú, Paraguay and Brazil, in which mutual problems related to Drug Law enforcement, extradition of narcotics violators and uniformity of their respective National Narcotics laws and penalties were discussed and are to be followed up at later meetings. At this conference, held in Cochabamba, it was decided to establish La Paz, Bolivia as a Regional Headquarters for Drug Affairs with Narcotics Attachés from the participating countries to be assigned to their respective embassies in Bolivia.

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	PROJECT AGREEMENT BETWEEN AID AND THE MINISTRIES OF INTERIOR, FINANCE, RURAL AFFAIRS & AGRICULTURE AND OF PLANNING & COORDINATION, AGENCIES ~~MINISTRY~~ OF THE GOVERNMENT OF BOLIVIA	1. Project/Activity No. 511-11-995-727	PAGE 1 OF 11 PAGES
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jadas en Bolivia.

Como consecuencia de dicha conferencia, Bolivia firmó la Convención Unica de Ginebra de 1961, la misma que se refiere al control y prohibición de plantas productoras de narcóticos y a la Enmienda de Protocolo de 1972. El GOB también contribuyó por primera vez al Fondo de las Naciones Unidas para el Control de Abuso de Drogas (FNUCAD) y está desarrollando convenios de trabajo con las Naciones Unidas en varias áreas de control de drogas, como una otra indicación de su creciente deseo de combatir el problema de los narcóticos en todas sus ramificaciones.

As a follow up to this conference Bolivia signed the 1961 Geneva Single Convention which deals with controls and prohibition of narcotics producing plants and its 1972 Protocol Amendment. The GOB also contributed, for the first time, to the United Nations Fund for Drug Abuse control (UNFDAC) and is developing working agreements with the United Nations in various areas of drug control, as another indication of its increased desire to combat the narcotics problem in all its ramifications.

Bajo los términos de los Convenios anteriores, USAID ha proporcionado capacitación, asistencia operacional y materiales a la Unidad de Cumplimiento de la Ley de Narcóticos y alguna ayuda financiera encaminada al establecimiento y operaciones administrativas de la Dirección Nacional. Estos acuerdos hasta la fecha han proporcionado: US$19,000 en el Año Fiscal 1972 bajo el ProAg 20114; US$ 122,659 en el Año Fiscal 1973 bajo el ProAg 30045; US$ 55,670 en el Año Fiscal 1974 bajo el ProAg 40010; US$ 108,500 en el Año Fiscal 1975 bajo el ProAg 50032 con un total de US$305,829. Como resultado, el Gobierno de Bolivia ha:

Under previous Project Agreements, the USAID has provided training, operational and commodity support to the Narcotics Enforcement Unit and some financial support toward the establishment and administrative operations of the National Directorate. These Agreements have provided to date: US$19,000 in FY 1972 under ProAg 20114; US$122,659 in FY 1973 under ProAg 30045; US$55,670 in FY 1974 under ProAg 40010, US$108,500 in FY 1975 under ProAg 50032 for a total of US$305,829. As a result, the Government of Bolivia has:

A. Proporcionado aproximadamente 80 funcionarios de narcóticos para el Departamento de Narcóticos y Sustancias Peligrosas (Unidad de Cumplimiento) lo cual debería permitir a dicha unidad una operación efectiva a nivel nacional.

A. Provided approximately 80 narcotic agents, for the Department of Narcotics and Dangerous Substances (Enforcement Unit) which should permit this unit to operate effectively nationwide.

B. Incrementado sus oficinas regionales de cumplimiento de la ley de

B. Increased its narcotics enforcement regional offices from six

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narcóticos de seis a ocho en fin de cubrir a todo el país.

C. Proporcionado personal técnico y administrativo a otros Departamentos autorizados por la Ley Nacional de Narcóticos bajo el Directorio Nacional de Control de Sustancias Peligrosas. Este personal se estima en 40 personas que cumplirán con las obligaciones impuestas por la Ley de Narcóticos a la Dirección Nacional.

D. Proporcionado parte de las facilidades físicas necesarias para oficinas del personal, descritas en los Párrafos anteriores A y C en varias regiones del país.

E. Formó un comité, con representantes estadounidenses designados por la Embajada de los Estados Unidos, para revisar el progreso general en el control de narcóticos.

El presente Convenio de Proyecto está dirigido a suministrar asistencia continuada a la Unidad de Cumplimiento de la Ley de Narcóticos de la Dirección Nacional de Narcóticos y proveer alguna asistencia en materiales a esta unidad expandida. Este Convenio también provee asistencia administrativa a la Dirección Nacional para ayudar a apresurar la revisión de la Ley Nacional de Control de Sustancias Peligrosas y para incentivar a la Dirección a que participe en Conferencias y Tratados nacionales e internacionales sobre Abuso y Control de Drogas. El presente Convenio continuará dando asistencia limitada al departamento de

to fourteen to provide full country wide coverage.

C. Staffed the other support Departments, authorized by the National Narcotics Law, under the National Directorate for Control of Dangerous Substances with the required technical and administrative personnel, estimated at 40, to meet the obligations imposed on the Directorate by the Law.

D. Provided part of the necessary physical facilities to house the personnel, described in Paragraphs A and C above, in the various regions of the country.

E. Formed a committee, with U.S. representatives designated by the U.S. Embassy, to review general progress in the control of narcotics.

The present Project Agreement is aimed at furnishing continued support to the Narcotics Enforcement Unit of the National Narcotics Directorate and to provide some commodity assistance to this expanded unit. This Agreement also provides administrative support to the National Directorate to help expedite revision of the National Law for Control of Dangerous Substances and to encourage the Directorate in its participation in national and international Drug Abuse and Control Conferences and treaties. The present Project Agreement will continue limited support to statistical department of the Narcotics Directorate and operational support to the inspection staff of the Department of Coca Crop Nationalization, for its efforts to

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estadísticas de la Dirección de Narcóticos y soporte operacional al personal de inspección del Departamento de Racionalización del Cultivo de la Coca, en sus esfuerzos para identificar y registrar a todos los productores de coca. Conforme la unidad de cumplimiento de la ley del Servicio de Aduanas del GOB vaya aumentando su esfuerzo para controlar el contrabando de narcóticos, se anticipa que alguna asistencia en materiales será necesaria bajo este Convenio.

identify and register all coca producers. As the special enforcement unit of the GOB Customs Service increases its narcotics-related contraband control effort, some minor commodity support is anticipated under this Project Agreement.

Este Convenio provee alguna asistencia y compra de material como equipos de instrucción para un programa expandido de capacitación dentro del país, el cual alcanzará a todos los segmentos de cumplimiento de la ley, incluyendo al Servicio de Aduanas. La capacitación será hecha bajo la supervisión de la Dirección Nacional de Narcóticos, con la asistencia técnica de los Estados Unidos.

This Project Agreemnet provides for some support assistance and procurement of training aids for an expanded in-country narcotics training program which will reach all segments of law enforcement, including the Customs Service. Training is to be done under the supervision of the National Narcotics Directorate, with U.S. technical assistance.

Además, el Gobierno de los Estados Unidos y el Gobierno de Bolivia están haciendo arreglos bajo el Proyecto Piloto de Sustitución de Cultivos de Coca para financiar un Estudio Multidisciplinario a ser llevado a cabo por una Universidad boliviana. Otra contribución programada para el año fiscal de 1976 es la filmación de una película en la que se describirá el problema de las drogas en Bolivia.

Additionally, the U.S. Government and the Government of Bolivia are working on arrangements under the Coca Crop Substitution Pilot Project to finance a Multidisciplinary Study to be conducted by a Bolivian university. Another contribution planned for FY 1976 is the making of a film depicting the existing drug problem in Bolivia.

IV. Curso de la Acción

El Gobierno de Bolivia:

1. Completará un censo y re-

IV. Course of Action

The Government of Bolivia will:

1. Complete a census and registration of coca-leaf producers by June

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gistro de los productores de coca hasta el 30 de junio de 1977.

2. Establecerá la Oficina Central Internacional Regional para Asuntos de Drogas hasta junio de 1976.

3. Organizará un mínimo de 40 policías aduaneros como una unidad especializada para el cumplimiento de control de contrabando para trabajar conjuntamente con el esfuerzo de control de narcóticos del Ministerio del Interior.

4. Conducirá un programa de capacitación en narcóticos para por lo menos 500 funcionarios de la Policía Nacional y el Servicio Boliviano de Aduanas durante los siguientes doce meses.

5. Preparará un plan de trabajo detallando las actividades, responsabilidades específicas y el tiempo estimado involucrado en el cumplimiento del Curso de Acción descrito arriba, hasta marzo 1.

V. Compromisos Presupuestarios bajo el Presente Convenio

A. El Gobierno de Bolivia proporcionará de sus propios recursos un total aproximado de US$ 710,000 durante el año calendario 1976 para financiar los siguientes gastos periódicos y de operación incurridos por la Dirección Nacional de Control de Sustancias Peligrosas y la suma de US$100,000 para financiar gastos similares del Servicio Nacional de Aduanas.

30, 1977.

2. Establish an International Regional Headquarters for Drug Affairs by June 1976.

3. Organize a minimum of 40 customs police as a specialized enforcement unit of contraband control to work in conjunction with the narcotics control effort of the Ministry of Interior.

4. Conduct an in-country narcotics training program for at least 500 officers of the National Police and the Bolivian Customs Service during the next twelve months.

5. Prepare a work plan detailing the activities, specific responsibilities and the estimated time involved in pursuance of the Course of Action described above, by March 1.

V. Budget Commitments under this Agreement

A. The Government of Solivia will provide from its own resources a total of approximately US$710,000 in CY 76 to fund the following operating and recurring costs of the Narcotics Control Directorate, and US$100,000 to fund similar costs of the National Customs Service.

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AID/AG EDUATION SHEET	[illegible]	2. Agreement No.	3. [ ] Original or Revision No.
ANNEX "A"	PLANNING & [illegible] ASSISTANCE TO THE GOVERNMENT OF BOLIVIA	4. Project Activity Title: Narcotics Control / Control de Narcóticos	

1. Dirección Nacional de Control de Sustancias Peligrosas del Ministerio del Interior.

1. National Directorate for Control of Dangerous Substances of the Ministry of Interior.

a) Sueldos de aproximadamente 80 funcionarios de narcóticos, 80 empleados técnicos y administrativos y bono por riesgos para los funcionarios arriba indicados.

Salaries for approximately 80 narcotics agents, 50 technical and administrative personnel, and hazard bonus pay for the above working agents. $ 600,000

b) Costo de servicios públicos de la Dirección: i.e. teléfono, comunicaciones, etc.

Cost of public services to Directorate, i.e., telephone, communications, etc. 50,000

c) Costo de equipo y materiales de oficina de la Dirección y las oficinas regionales.

Cost of office equipment and supplies of Directorate and regional offices. 45,500

d) Costo de mantenimiento de equipo

Cost of upkeep and maintenance of equipment 14,500

$ 710.000

2. Servicio Nacional de Aduanas (Ministerio de Finanzas)

2. National Customs Service (Ministry of Finance)

a) Sueldos de 50 policías de Aduanas (especializados).

Salaries of 50 specialized Customs Police.

b) Provisión de un avión Cessna, ya adquirido, para trabajar junto con la unidad de cumplimiento arriba descrita.

Provision of a Cessna airplane, already purchased, to work in conjunction with above specialized enforcement unit.

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AID 1350-5 (8-63) PROAG AUTHORIZATION SHEET ANNEX ___	PROJECT AGREEMENT BETWEEN AID AND THE MINISTRIES OF INTERIOR, PEASANT, RURAL AFFAIRS & AGRICULTURE AND OF PLANNING & COORDINATION, AGENCIES XXXXXXX OF THE GOVERNMENT OF BOLIVIA	1. Project/Activity No. 511-11-995-727	PAGE 7 OF 11 PAGES
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c) Gastos de administración y vivienda para esta unidad.

Administrative costs and housing for above unit.

Total $100,000

B. El Gobierno de los Estados Unidos proporcionará hasta la suma de $87,500 para financiar los siguientes gastos del proyecto:

1. Artículos de Importación. US$42,500 de acuerdo al siguiente detalle:

a) Hasta US$42,500 para financiar materiales, como ser vehículos, equipos de comunicación y otros para la unidad de cumplimiento (Departamento de Narcóticos y Sustancias Peligrosas) dependiente de la Dirección Nacional de Control de Sustancias Peligrosas.

2. Otros Gastos US$45,000 de acuerdo a lo siguiente:

a) Hasta US$10,000 para cubrir los siguientes gastos operacionales del Departamento de Racionalización de la Coca, bajo la Dirección Nacional de Narcóticos.

- transporte y viáticos para el personal de inspección.

- gasolina, aceite y lubricantes para tres vehículos oficiales.

b) Hasta US$15,000 para cubrir los siguientes gastos operacionales del Personal Ejecutivo de la

B. The U.S. Government will provide up to $87,500 to finance the following project costs:

1. Commodities, US$42,500 as follows:

a) Up to US$42,500 to finance commodities, i.e., vehicles, communications and other required equipment for the expanded enforcement unit (Department of Narcotics and Dangerous Substances) under the National Directorate for Control of Dangerous Substances.

2. Other Costs - US$45,000 as follows:

a) Up to US$10,000 to cover the following operational expenses of the Coca Crop Rationalization Department, under the National Narcotics Directorate.

- transportation and per diem for the inspection staff.

- gas, oil, and lubricants for three official vehicles of this Department.

b) Up to US$15,000 to cover the following operational expenses of the Executive Staff of

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Dirección Nacional y la Unidad de Cumplimiento (Departamento de Narcóticos y Sustancias Peligrosas) y hasta que la suma separada de US$20,000 sea provista al Agregado a cargo de la Administración y Cumplimiento de la Ley de Drogas (DEA) (Distrito de La Paz) para uso por parte de la unidad de cumplimiento para el mismo propósito, pero bajo su supervisión.

- transporte y viáticos.
- gasolina, aceite y lubricantes para vehículos oficiales.
- reparación y mantenimiento de dichos vehículos.

c) Hasta US$5,000 para cubrir gastos de viaje, viáticos y varios de los miembros de la Comisión del Gobierno de Bolivia seleccionados para re-evaluar y revisar la Ley Nacional para Control de Sustancias Peligrosas.

d) Hasta US$5,000 para cubrir la compra de equipo y material de oficina para la Dirección Nacional de Control de Sustancias Peligrosas y las varias oficinas regionales de su unidad de cumplimiento (Departamento de Control de Sustancias Peligrosas).

e) Hasta US$10,000 para cubrir los gastos en el país de los Programas de Capacitación y la adquisición de ayudas visuales y otros materiales de capacitación necesarios para llevar a cabo dichos programas.

of the National Directorate and the enforcement unit (Department of Narcotics and Dangerous Substances), until such time as a similar amount of US$20,000 is provided to the Drug Enforcement Administration Agent in charge (La Paz District), for use by the enforcement unit for the same purpose but under his supervision.

- transportation and per diem.
- gas, oil and lubricants for official vehicles.
- repair and maintenance of these vehicles.

c) Up to US$5,000 to cover travel, per diem and miscellaneous costs of the GOB Commission members selected to re-evaluate and revise the National Law for Control of Dangerous Substances.

d) Up to US$5,000 to cover purchases of office equipment and supplies for the National Directorate for Control of Dangerous Substances and the various regional offices of its enforcement unit (Department for Control of Dangerous Substances).

e) Up to US$10,000 to cover costs of in-country Narcotics Training Programs and the acquisition of visual and other training aids necessary to conduct such training.

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Nota: Las contribuciones del Gobierno de los Estados Unidos por concepto de sueldos y gastos de administración de técnicos norteamericanos asignados a este proyecto no se incluyen en este convenio.

VI. Provisiones Especiales

El desembolso de los fondos del Gobierno de Estados Unidos enumerados en la Sección V-B 2.a., b, c, d y e (Otros Gastos) indicados arriba, serán efectuados por la Oficina de Contraloría de USAID al Departamento respectivo de la Dirección Nacional de Control de Sustancias Peligrosas en base a solicitudes del Coordinador de Narcóticos del Gobierno de los Estados Unidos, o su designado. Dichas solicitudes irán acompañadas de documentos y/o recibos que corroboren los gastos del proyecto.

Se entiende que todos los materiales provistos bajo este convenio, así como aquéllos previamente provistos, serán utilizados exclusivamente por los Departamentos respectivos de la Dirección Nacional de Control de Sustancias Peligrosas.

Note: The U.S. Government contributions, for salaries and administrative expenses of the U.S. technicians assigned to this project, are not included in this agreement.

VI. Special Provisions

The disbursement of U.S. Government funds listed under Section V-B 2.a, b, c, d and e (Other Costs), above, will be made by the USAID Controller's Office to the concerned Department of the National Directorate for Control of Dangerous Substances on the basis of requests from the U.S. Government's Narcotics Coordinator, or his designee. These requests for funds will be accompanied by documentation and/or receipts supporting project expenditures.

It is understood that all commodities provided under this agreement, as well as those previously provided, will be used exclusively by the concerned Departments of the National Directorate for Control of Dangerous Substances.

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CONSULTING FIRMS

Mr. ROUSH. In the course of your work you also have contracts, is that true, with consulting firms or technical firms to assist you in your technical work?

Mr. VANCE. Yes, sir.

Mr. ROUSH. How many such contracts do you have?

Mr. VANCE. I know of only one institutional contract, that with the Bell Helicopter Co. in connection with the Mexican program. In addition, we have one American technician on a personal contract in Mexico and one in Colombia.

Mr. ROUSH. I thought you mentioned a contract a while ago concerning training of mechanics in Burma.

Mr. VANCE. That has been completed. It is no longer in effect. We do have another type of contract, a supply contract, in effect with regard to the Burmese program for the supply of spare parts and maintenance for the helicopters.

FISCAL YEAR 1977 REQUEST

Mr. ROUSH. How much did you ask of OMB for your program?

Mr. VANCE. The $34 million.

Mr. ROUSH. And they gave you the $34 million?

Mr. VANCE. Yes, sir. Could I comment that the Chairman pointed out that this figure is under the amount voted by the House for the current fiscal year. I would like to say why. If we achieve something like the appropriations we have requested for this present fiscal year, we expect to have supplied the major equipment items needed at this time for the programs that we have identified throughout the world; that is why we have asked for the next fiscal year only $34 million rather than the larger amount we asked for in earlier years.

COMMODITY PURCHASE IN THE UNITED STATES

Mr. ROUSH. Are the commodities which are purchased purchased in this country, or is it a mixed purchase?

Mr. VANCE. As I stated to the Chairman, virtually all of the almost $16 million of equipment to be purchased out of next year's money fund and out of the current year's fund are domestic. There are exceptions but they are relatively small. They are explained very often by the need to supply cars that can be used by foreign policemen for undercover work, cars that blend into the landscape, that are used in that country, and are not identifiable immediately, locally, as police cars.

MULTILATERAL PROGRAMS

Mr. ROUSH. How many other international programs are there which involve themselves with narcotics control?

Mr. VANCE. In the U.S. Government?

Mr. ROUSH. No, I am talking about international drug control programs.

Mr. VANCE. The only other one that is significant is the United Nations narcotics control program, to which a large number of countries contribute.

Mr. ROUSH. Do you know what the total budget for that program is? If you don't, would you supply that for the record?

Mr. VANCE. Yes, sir.

[The information follows:]

	1976 projections	
	Amount	Percent
Strengthening control measures:		
International control and cooperation	$108.0	1.2
National legislation and regulations	50.0	.6
Law enforcement and laboratory services	3,155.0	34.7
National policy, planning, and administration	1,258.1	13.8
Subtotal	4,571.1	50.3
Reduction of illicit demand:		
Prevention (education and information)	243.0	2.7
Treatment and rehabilitation	731.7	8.0
Subtotal	974.7	10.7
Reduction of illicit supply:		
Replacement of illicit production	2,091.2	23.0
Limitation of manufactured drugs		
Subtotal	2,091.2	23.0
Research: Chemical, pharmacological, medical, sociological and other (subtotal)	458.0	5.0
Program development and fund administration	995.0	11.0
Total	9,090.0	100.0

UNITED STATES SUPPORT TO INTERNATIONAL PROGRAMS

Mr. ROUSH. Is that the only other drug control program that we make a contribution to other than the grants which we give to the various countries?

Mr. VANCE. We make a very small contribution to the narcotics efforts of the Colombo plan. A total of $100,000 is envisaged from the amount we are requesting for 1977.

THE COLOMBO PLAN

Mr. ROUSH. What is the Colombo plan?

Mr. VANCE. It is a consultative organization composed of countries stretching from Iran through the Philippines plus the United States, New Zealand and Australia. It is an organization which has existed for a number of years, devoted to economic and social development of the countries of the area. They have a full-time narcotics control adviser. We are contributing to his expenses and to the expenses of conferences organized within the area.

Mr. ROUSH. When we speak in connection with Colombia of a national narcotics council, is that a program of that country, do you know, or is that international?

Mr. VANCE. That is the national organization.

Mr. ROUSH. If it is any different, you may correct that. I am going to have to hurry here, because we have a quorum call.

Mr. VANCE. I am sure that is an international program.

RECIPIENT SUPPORT OF NARCOTICS CONTROL PROGRAM

Mr. ROUSH. Let me point out that in going through the justifications I find that for some countries you list the contribution the country is making to narcotics control by setting out amounts; in other countries you do not. Could you for the record supply us, if you know it, with the amount that the countries to which we are giving grant aid, the amount they are in turn contributing to the narcotics control effort within their own country?

Mr. VANCE. I would be very happy to, sir.

[The information follows:]

The domestic resources devoted to narcotics enforcement and treatment and rehabilitation for the countries we plan to assist in fiscal year 1977, are estimated as follows:

[Dollars in thousands]

Country:	*Estimated narcotics budget resources*
Bolivia	192
Brazil	1,900
Chile	169
Colombia	2,761
Costa Rica	96
Ecuador	865
Jamaica	105
Mexico	38,000
Paraguay	2
Peru	500
Burma	20,000–25,000
Indonesia	1,273
Thailand	3,800
Pakistan	499

Mr. ROUSH. Thank you, Mr. Chairman.

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

WHY INTEREST IN PAKISTAN

Mr. BEVILL. What was the reason for the greatly increased emphasis on Pakistan during the transition quarter?

Mr. VANCE. The Swabi Tehsil project, which is designed to induce farmers in the Swabi Tehsil to grow crops other than opium, is still being negotiated with the Government of Pakistan. Since project development is still going forward, we did not believe it likely that funds would be needed before July 1, but we would hope to have the project to that point before October 1. Thus, it is a matter purely of timing, and not emphasis, that accounts for the concentration of funding during the transition quarter.

CROP REPLACEMENT PROGRAM

Mr. BEVILL. Why the increased emphasis on crop replacement, up from 1 percent of the fiscal year 1976 budget to 4 percent of the fiscal year 1977 request?

Mr. VANCE. There is no change in our emphasis on crop replacement. Rather, a number of proposed activities which we had been encouraging for some time will, we anticipate, result in meritorious projects by fiscal year 1977. We have been working with the Govern-

ment of Pakistan for some time in developing a realistic pilot crop substitution program and had previously expected to fund this in fiscal year 1976. However, since the project must include improved plans for more effective enforcement and licensing and the active participation of one important State government, it is taking additional time to develop. The project has, therefore, been deferred for funding until the interim quarter and fiscal year 1977, thus misleadingly appearing to skew our emphasis on crop replacement.

DRUG FLOW FROM SOUTHEAST ASIA

Mr. BEVILL. Do you foresee the amount of opium-based drugs that come from Southeast Asia as increasing in the next few years?

Mr. VANCE. This is a major threat since Southeast Asia, mainly Burma, has the largest production of illicit opium in the world—some 400 to 500 tons. The other two countries of the so-called golden triangle, Thailand and Laos, produce only a little more opium than they consume although this could change. The Thailand interdiction program is very important because most of Burma's illicit export is smuggled out through Thailand. When the Turkish source was dried up, opium production in Mexico, and heroin from Mexico coming into the United States, greatly increased. Now, as the results of the intensive poppy eradication program in Mexico are felt we expect traffickers to turn more and more to Southeast Asia. That is why we are so interested in assisting the Burmese Government with its increasingly successful opium eradication and interdiction program.

U.N. DRUG ABUSE CONTROL

Mr. BEVILL. How successful has the U.N. Fund for Drug Abuse Control been in its work to reduce drug trafficking? How cooperative have they been with us in our efforts in this direction?

Mr. VANCE. The U.N. Fund's antitrafficking activities are of two types: Those which help the responsible national authorities to do a better job of controlling drug traffickers; and those involving income substitution projects among farmers who cultivate narcotic plants as a primary source of income and who constitute the foundation of the illicit traffic.

To assist national authorities, the Fund provides equipment and enforcement training to police and customs personnel, sponsors meetings which foster cooperation among the narcotics law enforcement agencies of different nations, and trains officials to draft and administer narcotics laws. Some results have been spectacular:

In Afghanistan, the Fund has helped train and equip the Afghan Police's antismuggling unit which has intercepted and seized about 16.5 tons of opium in the last 18 months.

In Turkey, where the Fund assisted the Government to control the 1975 poppy crop, we have no evidence that any opium was produced in 1975 for traffickers to buy. When one recalls the Turkish-French connection, this is an outstanding achievement. Neither of these achievements would have been possible without the U.N. Fund because neither government was prepared, for political reasons, to deal bilaterally with us. Hence, the Fund must be credited with

these major successes in reducing the heroin on the streets of the United States.

Income substitution is a long-term and still experimental way of striking at the root of the illicit traffic. In Thailand, the UNFDAC pilot program is working with 30 villages of Meo tribesmen to develop an effective substitution program and hopeful progress has been made.

UNFDAC continues to be very responsive to U.S. concerns about illicit trafficking. Our mission in Geneva maintains close contact with the management of the Fund. The Deputy Executive Director of the Fund is my former deputy in the Department of State, who has retired from our Government. In October 1975 the Fund's Executive Director visited Washington where U.S. officials, including Vice President Rockefeller, outlined for him U.S. drug priorities. In January and February of this year two groups from my office met with the Fund's management in Geneva to dovetail our international drug programs. We are pleased with the Fund's work to reduce drug trafficking. There is excellent and continuous coordination and cooperation.

Mr. BEVILL. Thank you Mr. Chairman.

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

REHABILITATION PROGRAM

Mr. CONTE. If the treatment and rehabilitation request and program is so modest, why have one at all? Why not transfer it to another department and concentrate on control?

Mr. VANCE. Our request and program is small because we do not believe it appropriate to attempt in-depth treatment and prevention services in foreign countries. What we are attempting is to use the consumer side of the narcotics equation in order to build a more effective enforcement program. Our treatment and prevention program is aimed at reinforcing those in foreign countries who are already aware of their own drug abuse problem, in the conviction that concern about a domestic problem will lead to increasingly productive international enforcement programs. We, in fact, utilize the expertise of HEW's National Institute of Drug Abuse in these programs.

OTHER DRUG CONTROL EFFORTS

Mr. CONTE. What countries, if any, stepped up their own control efforts?

Mr. VANCE. Almost all countries have stepped up their narcotics control efforts during the past year. The most impressive improvements have occurred in our highest priority countries, Mexico and Burma. For example, the Government of Mexico employed 25 new pilots, 24 mechanics and maintenance personnel, 13 aerial surveillance technicians, and assigned additional Federal Judicial Police to its narcotics control program. In the most intensive eradication campaign to date it has destroyed some 18,000 poppy fields and is making a determined effort to interdict opium gum and heroin on the ground.

The Government of Burma has assigned some 2,500 army troops to its eradication and interdiction campaign and destroyed over 8,000

acres of opium poppies in less than 6 months. It has also seized 12 tons of opium, 200 kilos of heroin, and 800 gallons of liquid morphine.

The Netherlands has reorganized its enforcement organization to create a special narcotics unit. It is upgrading its Customs and border control capabilities and is encouraging other Western European governments to cooperate more fully to control narcotics trafficking. It is in the process of assigning narcotics liaison officers to Southeast Asia, the source of most heroin headed to Europe through the Netherlands.

The President of Colombia has directed that a massive narcotics enforcement campaign be organized and has designated the military to take charge of its all-out war on narcotics. This will greatly expand the Colombian resources devoted to narcotics control.

While I could expound at greater lengths on the increased efforts elsewhere, these are just a few examples of improved performance in countries most important, or particularly important, as a source-of-transit point for drugs destined to the United States.

MEXICAN HEROIN TO UNITED STATES

Mr. CONTE. What accomplishments have you made in cutting off heroin from Mexico in the last year?

Mr. VANCE. The current Mexican intensive eradication and interdiction campaign has been expanded from parts of three States in the northwest Sierra Madre mountain area to include parts of 12 Mexican States in an area over 900 miles long from north to south. The campaign now covers over 50,000 square miles. It began in mid-November 1975, some 2 months earlier than usual in order to focus on early cultivated poppies. Most importantly, the previous method of destroying the poppies by stick-wielding soldiers has been replaced by weed killing liquid that is sprayed from U.S. provided helicopters. Over 18,000 fields have been destroyed to date, compared with a total of some 6,000 fields during the same period in the last campaign.

Only 3,000 to 4,000 fields remain to be eradicated in the current campaign. Some 222 pounds of heroin have been seized during the campaign thus far.

The Attorney General's Office has supported this expanded campaign by employing a large number of new mechanics, pilots, project management, and administrative personnel. Moreover, the Mexican Government is now planning to make the intensive eradication and interdiction campaign a year-round activity, not operating just during the months of heavy poppy cultivation which it did earlier.

GOLDEN TRIANGLE

Mr. CONTE. What is the thrust of our efforts toward the so-called Golden Triangle?

Mr. VANCE. This area is the single largest source in the world of illicit opium and its derivatives. The cooperative activities we and the UNFDAC have underway with the Burmese and Thai Governments are aimed at production reduction. This is done through destruction of poppy fields, disruption of opium refining, interdiction of

trafficking in these countries and on their borders, and the development of information on traffickers and networks to permit arrests and seizures in the United States and elsewhere. It is also expected to be accomplished, on a longer term, through crop substitution programs. In addition, of course, we are working with the governments and private groups to increase the public awareness of the drug problem in their own countries.

TURKEY

Mr. CONTE. Has the situation in Turkey changed since our last hearings?

Mr. VANCE. The Turkish authorities have held good to their pledge to maintain effective controls over their first resumed crop. There have been no indicators of incised opium or leakage into illicit channels. For the 1975–76 crop, the Turkish Government has announced plans for a larger yield. However, they have solemnly stated before the United Nations on a number of occasions their intention to continue an effective control over the crop.

Mr. CONTE. How many countries receive multilateral drug control assistance but not bilateral U.S. assistance?

Mr. VANCE. Afghanistan, Turkey, Lebanon, and Laos all receive assistance from the United Nations Fund, but no bilateral narcotics control assistance. I might add that this is one of the major assets of the United Nations Fund in that it can help governments develop and improve their narcotics control programs in countries where, for a variety of reasons, the United States cannot operate bilaterally to the extent required.

CONTROL IN WESTERN EUROPEAN COUNTRIES

Mr. CONTE. Have the Western European countries taken any action to control the increasing influx of drugs into their countries?

Mr. VANCE. During the past year there has been a major increase in the arrivals of illicit Asian heroin into Western European countries. Almost all heroin seizures have been made enroute to the Netherlands, which remains the pivotal point of the hard drug traffic into Western Europe. Evidence to date indicates that most of this heroin is redistributed to other cities in Europe to supply a growing addict population and that there have been a few transshipments to the United States and Canada.

Because of these developments, the Western European countries held a conference in the fall of 1975 for the purpose of intensifying the exchange of narcotics information and the enhancement of the activities of their law enforcement efforts. In addition, the Netherlands has reorganized and strengthened its narcotics enforcement effort. It is also arranging closer contacts in the enforcement field with drug supplying countries in Southeast Asia. Other European countries have expressed their concern to Southeast Asian countries about the need for greater cooperation and enforcement action. Western European countries increased their performance from seizing 10 kilos of Asian heroin in 2 separate cases in 1972 to almost 228 kilos of heroin in 52 cases in 1975.

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CROP REPLACEMENT

Mr. CONTE. How well has crop replacement worked?

Mr. VANCE. So far we have not gone far enough in the implementation of crop replacement projects to say definitively how well this strategy works. We are convinced we should undertake these efforts, however, because successful crop replacement eliminates 100 percent of a drug which potentially could reach the United States from the growing area concerned. That this makes a great deal of sense is shown by the fact that the best enforcement and interdiction efforts manage to seize only about 10 percent of the illicit drugs coming into the United States.

AUSTRALIAN SUPPORT

Mr. CONTE. The justification indicates that you are attempting to enlist the cooperation and financial support of Australia. Have you had any success in this lately?

Mr. VANCE. We have had very modest success in obtaining Australian financial support in our international narcotics programs, This has been due primarily to the Austrialian inability to rapidly shift their budgetary resources to this new priority. On the other hand, however, the spirit of cooperation Australia has shown in assisting us in our efforts has been outstanding. For example, Australia has provided instructors to participate in three in-country narcotics training programs in Southeast Asia organized by the U.S. Customs Service. We are presently discussing with Austrialia the provision of equipment to Indonesia by Australia for the Indonesian narcotics control program.

Austrialia has positioned narcotics officers overseas to assist the international narcotics effort. At present there are Austrialian narcostics officers in Malaysia.

U.N. DRUG ABUSE CONTROL

Mr. CONTE. Is any effort being made to get other nations to increase their contribution to the U.N. Fund for Drug Abuse Control?

Mr. VANCE. Yes. In response to a resolution passed by the 30th U.N. General Assembly, the U.N. Secretary General sent a telegram to governments requesting generous and sustained contributions to the Fund. The Executive Director of the Fund has told me that his highest priority is to obtain additional funding from other donors. In line with this urgency, he sent a letter in the same vein as the General Assembly resolution outlining the Fund's work to potential contributor governments. He also recently visited the United Kingdom seeking restoration of that country's formerly sizeable annual contribution. The United Kingdom has since announced that it would again contribute to the Fund in 1976. The Executive Director will undertake a fundraising expedition to the Persian Gulf later this month.

In addition to efforts in and by the United Nations, the United States has directly approached many countries on behalf of the Fund.

COASTAL INTERDICTION EFFORTS

Mr. CONTE. Are we stepping up our own coastal interdiction efforts?

Mr. VANCE. Yes. The Domestic Council has been working with appropriate U.S. agencies responsible for coastal interdiction of narcotics in its Special Drug Task Force on Border Interdiction. Various recommendations to develop improved interdiction in the coastal areas are under consideration.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Conte. Mr. Coughlin?

PERCENTAGE OF BUDGET FOR VEHICLES, AIRCRAFT, AND BOATS

Mr. COUGHLIN. What percentage of the proposed $34 million will go for vehicles, aircraft, and boats? Could you break down for the record a chart like the one which appeared on pages 592–595 of last year's hearings and add the cost for each grouping of equipment?

Mr. VANCE. The following table lists the equipment which we foresee providing in fiscal year 1977. The number after each item is the estimated cost in thousands of dollars.

[Table attached.

ESTIMATED FY 77 EQUIPMENT
($000)

COUNTRY	
ANDEAN REGIONAL	
Water	10 River patrol boats (250) 10 Ocean going patrol boats (600)
Telecom	Four country communications network (1,500)
BOLIVIA	
Land	3 Utility vehicles (18)
General	Office Equipment (2) Seeds, fertilizer & other agricultural supplies for crop substitution program (25)
BRAZIL	
Water	2 River patrol launches (50)
Telecom	15 Radio base & repeater stations (43) 200 Portable receivers (300) 30 Mobile receivers (45)
General	Laboratory & narcotics test equipment (30)
CHILE	
Land	1 Jeep (6) 5 Utility vehicles (40)
Telecom	5 Portable receivers (7)
Border Interdiction	1 Baggage X-ray machine (27)
General	Narcotics identification kits & spare parts (5) Jacks, mirrors & other specialized equipment for check points (20)

COLOMBIA

Land	5 Jeeps (70) 5 Sedans & 5 Fourwheel drive vehicles (30)
Fixed Wing Aircraft	2 Single engine visual reconnaisance aircraft (71)
Water	2 River patrol boats (20)
Telecom	12 Radio base stations (20) 19 Portable receiver (38) 20 Hand held receivers (30)
General	Light amplification devices, binoculars, cameras & narcotics test kits (206)
	Training material, photo processing equipment, projectors & recorders for drug abuse education program (21)

COSTA RICA

Land	2 Sedans & 2 Fourwheel drive vehicles (28)

ECUADOR

Land	5 Jeeps (30)
General	Miscellaneous enforcement equipment (10)
	Equipment & chemicals for narcotics laboratory (10)

JAMAICA

General	Office equipment (25)

MEXICO

Transportation -	2 Short take off & landing aircraft (600) 1 Pursuit aircraft with forward looking radar (1,500) 2 Bell 212 helicopters (2,000)
Border Interdiction -	Border gap filling radar & related communications network (1,800)

General	Multi-spectral aerial poppy identification system (1,300)
	3 Micro-foil herbicide spray systems (200)
	Sensors targetted at airborne traffickers (400)
	Library materials (5)

PERU

Land	5 Fourhweel drive vehicles (35)
Water	2 River patrol launches (40)
Telecom	12 Radio base stations & 6 radio repeaters; 20 Portable receivers (60)

BURMA

Transportation -	Spare parts for Bell 212 helicopters (750) (supplied earlier) 1 Bell 212 helicopter (850) 2 Bell 206 helicopters (700)
Telecom	Ground air telecommunications system (200)

INDONESIA

Land	5 Motorcycles (10)
Telecom	4- 2 Way battery operated portable radios (6)
	1 Radio base station (6) 5 Mobile radios (9)
General	2 Urinalysis laboratory (7) Cameras and accessories for evidence purposes (2)

THAILAND

Water	10 Marine patrol vessels (830)

PAKISTAN

Land	69	Jeeps (350)
Telecom	177	Transceivers (300)
General	4	Battery chargers (2)
	70	Cameras & lens (21)
	70	Binoculars (10)
	5	Copy machines (10)
	70	Narcotics test kits (3)
	2	Projectors (5)
	40	Tool kits (4)
	40	Night vision binoculars (12)
	40	Tape recorders (8)
	40	Small cameras (4)

Mr. COUGHLIN. Would you also supply for the record a list of all equipment of this nature that has been supplied to the countries in your program since the beginning of the international narcotics control program on a country-by-country basis. Please include all the countries even if you no longer provide assistance to them.

Mr. VANCE. The following list details the equipment which we have provided under the international narcotics control program:

[The tables follow:]

ARGENTINA
Narcotics Control

NATIONAL GENDARMERIE

Commodities purchased by AID/W from FY-74 funds.

PIO/C 49151 $ 94,597
48 each HF-SSB transceivers.

PIO/C 49152 $ 121,400
2 each Fixed Wing Aircraft.

FY-74 Total $ 215,997 National Gendarmerie.

Commodities purchased by AID/W from FY-75 funds.

PIO/C 59151 $ 10,053
Additional funds for HF-SSB Transceivers (PIO/C 49151)

PIO/C 59152 $ 1,400
Additional funds for Fixed Wing Aircraft (PIO/C 49152)
FY-75 Total $ 11,453 National Gendarmerie.

FEDERAL POLICE

Commodities purchased by AID/W from FY-74 funds.

PIO/C 49154 $ 41,800
Narcotics laboratory equipment.

PIO/C 49155 $ 5,830
3 each Cameras, 35mm; 2 each Binoculars, Stabilized.

FY-74 Total $ 46,630 Federal Police

FEDERAL POLICE (Continued)

Commodities purchased by the Mission

FY-74 Funds $ 84,000
6 each Sedans (foreign made)
20 each Renault Jeeps (foreign made)

FY-75 Funds $ 32,689
Additionals funds for FY-74 vehicles.

BOLIVIA
Narcotics Control

NATIONAL POLICE NARCOTICS FORCE
Commodities purchased [illegible] during FY-73

PIO/C	Dollar Value	Description
30042	$ 2,340	14 each Revolvers 8 each Carbines 14 each Handcuffs 1 lot Ammunition
30043	$18,900	4 each HF-SSB Base Transceivers w/accessories 8 each VHF-FM Hand-Held Transceivers w/accessories 4 each Heaters, Gas, 30,000 BTU
30044	$19,150	5 each Truck, Utility, Jeep type.
30068	$ 3,500	14 each Revolvers 14 each Handcuffs 8 each Sub-machine guns 1 lot Ammunition
30069	$13,500	3 each Truck, Utility, Jeep type.
30070	$ 7,000	2 each Sedans
30071	$10,500	4 each HF-SSB Mobile Transceivers w/accessories
30072	$ 2,750	4 each Camera w/accessories, film. 4 each Scope, rifle. 4 each Lantern, battery, portable.
39151	$ 1,585	4 each Tents 10 each Sleeping Bags
39154	$ 2,336	15 each Crystals for VHF-FM transceivers. 1 each Projector, 16 mm movie. 2 each Projector, 35 mm slide. 1 each Tape Recorder, 7" reels. 1 each Camera w/accessories.
TOTAL	$81,561	

BOLIVIA (Continued)
Narcotics Control
NATIONAL POLICE NARCOTICS UNIT (Continued)
Commodities purchased by MAP/N during FY-74

PIO/C	Dollar Value	Description
40017	$ 577	Additional Funds for PIO/C 30069 (Vehicle spares)
40077	$ 9,500	1 each Carryall Vehicle
40079	$ 7,745	4 each VHF-FM Hand-Held Transceivers w/accessories. 3 each VHF-FM Mobile Transceivers w/accessories. 1 lot Test Equipment (11 items)
40080	$ 1,300	4 each Cassette Recorder 2 each Camera w/accessories
40081	$ 2,300	2 each Shotguns 1 lot Ammunition 1 lot Fingerprint Taking Equipment and Lab. supplies.
TOTAL	$21,422	

PIO/C	Dollar Value	Description
50047	$ 3,500	Additional Funds for PIO/C 40077 (Vehicles)
50054	$ 4,000	42 each Revolvers w/ammunition
50061	$ 2,000	8 each Sub-machine Guns w/ammunition
50062	$21,000	3 each Truck, Utility (International Harvester Scout).
50063	$33,000	6 each Truck, Utility, Jeep Type.
50092	$ 5,000	6 each VHF-FM Mobile Transceivers for Trucks.
TOTAL	$68,500	

BRAZIL
Narcotics Control

FEDERAL POLICE

Commodities purchased by AID/W from FY-74 Funds

PIO/C 40335 $ 125,000
8 each VHF-FM Base Stations
35 each VHF-FM Hand-held Transceivers
28 each VHF-FM Mobile Transceivers
11 each Battery Chargers
6 each Camera, 35 mm, w/telephoto lens
400 each Narcotest Kits.

Commodities purchased by AID/W from FY-75 Funds

PIO/C 50244 $ 191,000
19 each VHF-FM Base Stations
37 each VHF-FM Mobile Transceivers
80 each VHF-FM Hand-held Transceivers
35 each Battery Chargers
200 each Narcotest Kits
10 each Camera, 35 mm.
1 lot Movie Films, 16mm, Training
3 each Drug Display Kits for Training
6 each Video Tape Recorders w/accessories
100 each Receivers for simultaneous translation (training)
2 each Transmitters for simultaneous translation (training)

Commodities purchased by AID/W from FY-76 Funds.

PIO/C 60048 $ 120,000
Narcotics Laboratory Equipment.

BURMA
Narcotics Control

PEOPLE'S POLICE FORCE

Commodities purchased by AID/W from FY-74 Funds.

PIO/C 6848400 $4,765,000
6 each Helicopter, Bell Model 205A-1
1 each Litter Kit
2 each Rescue Hoist
2 each Cargo Net
1 each Test Set, MK-994/AR
1 lot Spare parts for helicopters.
7 each UHF-AM transceiver, AN/ARC 159.
7 each Antenna and DF System, AN/ARA 50.
1 each Test Set, ARM-1CZ
1 each Connector and Cable Set for Test Set.
1 lot Spare Parts, Avionics.
14 each Battery, Dry, BA 156.
1 lot Maintenance Manuals for helicopter components.

PIO/C 6848401 $ 35,000
12 each Mount Assemblies for 6 helicopters.

FY-74 Total $4,800,000

Commodities purchased by AID/W from FY-75 Funds.

PIO/C 6858008 $ 526,500
Additional funds for helicopters (PIO/C 6848400)

PIO/C 6858009 $ 3,500
7 each Emergency Locator Transceivers, AN/PRC 90.

PIO/C 68658011 $ 16,000
Additional funds for helicopters (PIO/C 6848400)

FY-75 Total $ 546,000

Commodities purchased by AID/W from FY-76 Funds.

PIO/C 6868000 $ 190,000
Additional funds for helicopters (PIO/C 6848400).

PIO/C 6868001 $ 110,000
20 each HF-SSB Man-pack Transceivers w/accessories and spare parts.

PIO/T 6868002 $ 450,000
Spare parts, repair and maintenance service (Heli-Orient contract).

PIO/C 6868003 $ 288,500
Night Vision Devices

PEOPLE'S POLICE FORCE (Continued)

Commodities purchased by AID/W from FY-76 funds (continued)

PIO/C 6868004 $2,867,500
4 each Helicopter, Bell Model 205A-1

PIO/C 6868005 $ 710,000
1 each Airplane, Fokker F-27.

Obl. No. 6868006 $ 4,500
Transportation for Burmese maintenance inspector (F-27).

Obl. No. 6868007 $ 7,000
Transportation for Ferry Crew (F-27)

PIO/C 6868008 $ 15,000
Transportation to ferry Fokker F-27 to Burma.

PIO/C 6868009 $ 110,000
1 each VHF-UHF Ground to Air Communication System.

PIO/C 6868010 $1,600,000
2 each Helicopters, Bell Model 205A-1

Obl. No. 6868011 $ 289,500
Transportation for 6 Helicopters to Burma.

FY-76 Total $6,642,000

CHILE
Narcotics Control

CIVIL POLICE

Commodities purchased by AID/W from FY-74 Funds.

PIO/C 49151 $ 35,000
2 each Trucks, Van.
3 each Trucks, Jeep.
3 each Sedans.

PIO/C 49152 $ 10,000
2 each Armored Vests
3 each Light Amplification Viewing Devices.
1 each Portable Laboratory
2 each Tape Recorders
2 each Binoculars

PIO/C 49153 $ 9,110
1 each Tear Gas Gun.
120 each Tear Gas Projectiles
25 each Pistols w/ammunitions
4 each Portable Spot Lights
5 each Camera
1 lot Darkroom Equipment
1 each Slide Projector
1 each File Cabinet
25 each Narcotest Kits

PIO/C 49154 $ 14,000
4 each VHF-FM Hand-held Transceivers
8 each VHF-FM Mobile Transceivers
1 lot Battery Chargers and accessories.

FY-74 Total $ 68,110 Civil Police

Commodities purchased by AID/W from FY-75 Funds

PIO/C 59151 $ 3,325
Additional funds for vehicles (PIO/C 49151)

DIRECCION GENERAL DE INVESTIGACIONES (DGI)

Commodities purchased by AID/W from FY-75 Funds

PIO/C 59152 $ 26,000
Narcotics Laboratory Equipment.

COLOMBIA
Narcotics Control

Commodities Purchased by AID/W during FY-73

NATIONAL POLICE

PIO/C	Dollar Value	Description
30091	$ 2,500	1 each Video Recording System w/accessories
30092	$147,950	15 each Sedans 6 each Truck, Pick-up 5 each Truck, Panel 10 each Truck, Utility, Jeep Type
30093	$14,000	2 each Calculators 4 each Typewriters 72 each File Cabinets
30094	$112,683	52 each UHF-FM Hand-Held Transceivers w/accessories. 5 each UHF-FM Repeaters, Base. 6 each UHF-FM Repeaters, Mobile.
30096	$ 1,600	10 each Vests, Protective.
30097	$ 1,200	10 each Shotguns
30098	$ 1,000	10 each Binoculars
30099	$ 2,000	17 each Lens, Assorted, for Camera.
30106	$ 2,000	75 each Narcotest Kits.
39151	$ 9,200	9 each Binoculars 18 each Handcuffs 3 each Star-Tron Night Vision System
39152	$22,200	6 each Sedans
39153	$13,600	12 each UHF-FM Hand-Held Transceivers w/accessories.
39154	$ 1,900	1 lot Spare Parts for Dodge Dart Sedans.
TOTAL	$331,833	National Police (FY-73 only)

COLOMBIA (Continued)
Narcotics Control

Commodities Purchased by AID/W during FY-74

CUSTOMS

Pipeline 2/15/76	PIO/C	Dollar Value	Description	Date Shipped
-	40103	$ 88,000	2 Each Sedans 2 each Truck, Pick-up 14 each Truck, Utility, Jeep Type	Mar, June 1975
-	40104	$ 750	25 each Narcotest Kits	Oct 1974
-	40105	$ 3,250	35 each Binoculars	Nov 1974
-	40106	$ 35,519	1 each Boat, 23 feet, Monark 2 each Boat, 17 feet. 2 each Outboard Engine, 65 HP w/spares.	Jan, Feb, June 1975
-	40110	$ 72,000	25 each UHF-FM Hand-Held Transceivers w/accessories. 3 each UHF-FM Repeater, Base Stations. 2 each UHF-FM Mobile Transceiver w/accessories.	Feb 1976
	TOTAL	$199,519.00	Customs (FY-74 only)	

COLOMBIA (Continued)
Narcotics Control

Commodities Purchased by AID/W during FY-75

NATIONAL POLICE

Pipeline 2/15/76	FIO/C	Dollar Value	Description	Date Shipped
-	50025	$ 1,192	38 each Narcotest Kits.	Nov 1974
-	50026	$ 10,000	1 each Boat, Utility, 17 feet. 4 each Outboard Engines, 50 HP	Jan, Feb 1975
-	50027	$ 500	5 each Binoculars	Dec 1974
-	50028	$ 2,500	9 each Typewriters	May 1975
-	50029	$ 44,696	2 each Sedans, 1 Pickup Truck, 4 Jeeps-May, June,	Dec 1975
-	50035	$ 65,000	26 each UHF-FM Hand-Held Transceivers w/accessories. 3 each UHF-FM Repeaters, Base.	Mar, Apr 197
	TOTAL	$123,888	National Police (FY-75 only)	

DEPARTMENT OF ADMINISTRATIVE SECURITY (DAS)

-	50070	$ 46,000	8 each Truck, Utility, Jeep Type.	Sept 1975
-	50075	$ 1,000	14 each Binoculars	Apr 1975
-	50078	$ 1,400	44 each Narcotest Kits.	Apr 1975
-	50080	$ 85,000	26 each UHF-FM Hand-Held Transceivers w/accessories. 4 each UHF-FM Repeaters, Base. 4 each UHF-FM Repeaters, Mobile.	Jan 1976
6 items spare parts	50089	$ 16,000	1 lot Spare Parts for Hallicrafters SBT-20A Transceivers.	Dec 1975
-	50090	$ 8,700	1 lot Test Equipment for Radio Repair Shop (4 items)	July to Oct 1975
1 HF Transmitter 1 HF Receiver	50091	$ 19,600	2 each HF-CW Transmitters for Interpol Station. 4 each HF-CW Receivers for Interpol Station. 1 lot Installation Materials.	July, Aug, Sept 1975
	TOTAL	$177,700	DAS (FY-75 only)	

COLOMBIA (Continued)
Narcotics Control

NATIONAL POLICE

Commodities purchased by AID/W from FY-76 Funds

PIO/C 69151 $ 14,250
2 each Transmitter/Receiver, DF
2 each Transmitter, DF
2 each Transmitter, Tone Alert, w/accessories
2 each Cameras, 35mm.
3 each Spotlight
200 each Flexible Handcuffs
1 each Star-Tron Night Vision Device
150 each Narcotest Kits

PIO/C 69152 $ 6,200
1 lot Spare Parts for UHF-FM Transceivers.

FY-76 Total $ 20,450 National Police (FY-76 only)

DEPARTMENT OF ADMINISTRATIVE SECURITY (DAS)

Commodities purchased by AID/W from FY-76 Funds

PIO/C 69153 $ 14,000
6 each HF-SSB Portable Transceivers w/accessories

PIO/C 69154 $ 14,000
6 each Spotlights
4 each Floodlights
2 each Searchlights
8 each Horizontal Barricades
24 each Flashlights
6 each Electric Generators, 4.5KW, Gasoline Engine Driven.
500 each Batteries, dry.
20 each Vest, Reflective
60 each Flexible Handcuffs
6 each Extension Mirrors
4 each Mechanics Creepers
4 each Inspection Devices
20 each Narcotest Kits

FY-76 Total $ 28,000 DAS (FY-76 only)

COLOMBIA (Continued)
Narcotics Control

NATIONAL POLICE

Commodities purchased by the Mission

FY-76 Funds $ 1,000
50 each Jackets, reflective identification.

DEPARTMENT OF ADMINISTRATIVE SECURITY (DAS)

Commodities purchased by the Mission

FY-75 Funds $ 22,000
4 each Sedans (foreign)

FY-76 Funds $ 2,920
4 each Trailers, 1 ton utility.
8 each Coveralls for vehicle inspectors.
4 each Tool kits, hand tools.

NATIONAL COUNCIL ON DANGEROUS DRUGS

Commodities purchased by the Mission

FY-76 Funds $ 3,300
Audio-Visual equipment for training.

COSTA RICA
Narcotics Control

Commodities purchased by AID/W from FY-75 Funds.

PIO/C 59151 $ 19,000
10 each VHF-FM Hand-held Transceivers
4 each VHF-FM Mobile Transceivers

PIO/C 59152 $ 6,600
40 each Revolvers
40 each Handcuffs

PIO/C 59153 $ 6,000
2 each Cameras w/lens and flash.
4 each Fingerprint Sets
5 each File Cabinets

FY-75 Total $ 31,600

ECUADOR
Narcotics Control

Commodities Purchased by AID/w during FY-73

NATIONAL CIVIL POLICE

PIO/C	Dollar Value	Description
30038	$ 29,000	11 each HF-SSB Mobile Transceivers w/accessories. 8 each VHF-FM Hand-Held Transceivers w/accessories.
30039	$ 60,300	11 each Truck, Utility, Jeep Type.
30040	$ 100	10 each Binoculars
30041	$ 9,000	4 each Narrator/Montage for use with slide projector. 2 each Sound Projector 2 each Overhead Projector 3 each Projection Screens 1 each Camera 1 lot Film, camera. 1 lot Training Movies 1 lot Books
30042	$ 21,995	20 each Shotguns 32 each Revolvers 1 lot Ammunition 12 each File Cabinets 10 each typewriters 1 each Duplicating Machine 2 each Copying Machines 2 each Flame Sprayer 2 each Chemical Sprayers 2 each Cameras
30069	$ 910	4 each Revolvers 2 each Cameras
30085	$ 900	6 each Projectors, Slide
30116	$ 4,800	7 each Outboard Engines
30117	$ 3,800	1 lot Lab. Equipment and Supplies.
39152	$ 4,205	1 lot Spare Parts, Vehicles.

CUSTOMS

30111	$ 86,140	16 each Truck, Pick-Up
30112	$ 2,400	6 each File Cabinets 10 each Narcotest Kits.

ECUADOR (Continued)
Narcotics Control

Commodities Purchased by AID/W during FY-73 (Continued)

PIO/C	Dollar Value	Description
		CUSTOMS (Continued)
30113	$ 20,026	130 each Carbines 1 lot Ammunition 200 each Aerosol Spray Weapons 1 lot Reloading Equipment and Supplies
30114	$ 27,434	13 each HF-SSB Mobile Transceivers 1 lot Spare Parts
TOTAL	$271,010	

ECUADOR (Continued)
Narcotics Control

Commodities Purchased by AID/W during FY-74

NATIONAL CIVIL POLICE

PIO/C	Dollar Value	Description
40059	$ 100	10 each Binoculars
40060	$ 1,330	2 each Flame Sprayers 50 M Once Fired Cartridge Cases.
40061	$ 5,700	20 each Cameras, 35 mm, w/accessories. 2 sets Darkroom Equipment
40062	$ 7,000	18 each Shotguns 85 each Revolvers 1 lot Ammunition
40063	$ 12,000	13 each VHF-FM Base Transceivers w/accessories
40064	$ 23,700	12 each HF-SSB Mobile Transceivers with accessories
40065	$ 59,095	12 each Trucks, Utility, Jeep Type
40066	$ 5,000	8 each Transmitters, Tone
40067	$ 5,249	13 each Typewriters 21 each Casette Recorders

CUSTOMS

40056	$ 2,700	3 each Outboard Engines
40106	$ 24,950	5 each HF-SSB Base Transceivers w/accessories 8 each HF-SSB Mobile Transceivers w/accessories
40107	$ 5,050	4 each Electrical Generators, Engine Driven
40108	$ 4,500	150 each Narcotest Kits 5 each Cameras, Polaroid 28 each Binoculars 10 each Fingerprint Kits 100 each Police Batons

NATIONAL DEPARTMENT OF NARCOTICS CONTROL AND INSPECTION

40095	$ 8,751	2 each Sedans
40096	$ 44,200	2 each Microscopes 2 each Stereo-microscopes 2 each Gas Chromatograph 1 lot Laboratory Equipment
TOTAL	$209,325	

ECUADOR (Continued)
Narcotics Control

Commodities Purchased by AID/W during FY-75.

NATIONAL CIVIL POLICE

PIO/C	Dollar Value	Description
50046	$ 22,000	8 each HF-SSB Mobile Transceivers w/accessories
50047	$ 4,000	3 each File Cabinets
50048	$ 58,714	8 each Trucks, Utility, Jeep Type.
50049	$ 14,070	10 each VHF-FM Hand-Held Transceivers w/accessories 8 each Transmitters, Tone, w/battery chargers.
50050	$ 1,215	15 each Revolvers

CUSTOMS

50006	$ 4,000	Additional Funds for PIO/C 40108 (Elec. Generators)
50008	$ 52,421	370 each Carbines 1 lot Ammunition
50010	$ 5,500	45 each Revolvers 1 lot Ammunition
50011	$ 5,500	5 each Laboratory Balances 10 each Sealers, Evidence Bag, Electric 40 each Flashlights 10 each Lanterns, Battery 10 each File Cabinets 8 each Typewriters
50012	$ 11,000	1 each Projector, 16 mm, Movie. 2 each Projector, Slide 12 each Cassette Recorders 1 lot Training Films 2 each Narrator/Montage Equipment 1 each Duplicating Machine 2 each Projector, Overhead 3 each Camera, Polaroid 10 each Narcotest Kits
50013	$ 22,000	8 each HF-SSB Mobile Transceivers w/accessories
50014	$ 59,400	9 each Truck, Pick-Up
50044	$ 6,715	1 each Spectrophotometer 1 lot Lab Equipment and Supplies
50068	$ 9,585	2 each Hydrogen Generators 1 each Spectrophotometer 1 lot Lab Equipment and Supplies
TOTAL	$276,120	

ECUADOR (Continued)
Narcotics Control

Commodities Purchased by AID/W during FY-75 (Continued)

National Department of Narcotics Control and Inspection

PIO/C	Dollar Value	Description
50044	$. 6,715	1 each Spectrophotometer 1 lot Lab Equipment and Supplies
50068	$ 9,585	2 each Hydrogen Generators 1 each Spectrophotometer 1 lot Lab Equipment and Supplies
TOTAL	$276,120	

Commodities Purchased by AID/W during FY-76

NATIONAL CIVIL POLICE

PIO/C	Dollar Value	Description
New	$ 42,225	6 each Motor Vehicles.
New	$ 10,278	10 each VHF-FM Hand-held transceivers w/accessories.
New	$ 5,400	3 each Safes
New	$ 1,600	25 each Binoculars
New	$ 4,700	50 each Revolvers
New	$ 3,000	8 each Narcotics Training Films.
New	$ 6,900	10 each Signal Devices
New	$ 1,905	Miscellaneous
TOTAL	$ 76,008	

CUSTOMS

New	$ 29,500	4 each Motor Vehicles
New	$ 4,960	5 each VHF-FM Hand-held transceivers w/accessories.
New	$ 14,000	6 each HF-SSB Portable Transceivers w/accessories.
TOTAL	$ 48,460	

ECUADOR (Continued)
Narcotics Control

NATIONAL DEPARTMENT OF NARCOTICS CONTROL AND INSPECTION

60001	$	2,000	Additional funds for PIO/C 50068 (Lab. Equipment)
60002	$	1,500	Additional funds for PIO/C 50048 (Lab. Equipment)
New	$	8,000	Audio-Visual equipment for training.
New	$	6,000	Chemicals and Laboratory Equipment.
New	$	1,200	Books on Narcotics Subjects (Spanish).
TOTAL	$	18,700	

NATIONAL CIVIL POLICE

Commodities purchased by the Mission

FY-74 Funds $ 7,000
7 each Boats (Canoes)

FY-76 Funds $ 3,560
4 each Trailers, 1 ton utility.
8 each Coveralls for vehicle inspectors.
4 each Tool Kits, Handtools.

MINISTRY OF HEALTH

Commodities purchased by the Mission

FY-76 Funds $ 8,000
Visual aids, training materials, paper, etc.

JAMAICA
Narcotics Control

JAMAICAN CONSTABULARY FORCE

Commodities purchased by AID/W from FY-73 Funds.

PIO/C 5433048 $ 4,600
1 each Slide Projector
5 each Narcotest Kits
15 each Handcuffs
1 each Movie Screen
1 each Movie Projector, 16 mm
2 each Cameras, 35 mm w/flash
2 each Batteries, Dry.

PIO/C 5433049 $ 5,394
Narcotics Laboratory Equipment

PIO/C 5433050 $ 6,347
1 each VHF-FM Base Station w/accessories.
2 each VHF-FM Portable Transceivers w/accessories.
5 each VHF-FM Hand-Held Transceivers w/accessories.

PIO/C 5439152 $ 100
10 each Binoculars

PIO/C 5439153 $ 4,300
4 each VHF-FM Mobile Transceivers.

FY-73 Total $ 20,741

Commodities purchased by AID/W from FY-74 Funds.

PIO/C 5443014 $ 11,456
10 each VHF-FM Hand-held Transceivers w/accessories.
4 each VHF-FM Mobile Transceivers w/accessories.

PIO/C 5443018 $ 1,662
Narcotics Laboratory Equipment

PIO/C 5443020 $ 1,990
1 each Movie Projector, 16 mm.
1 each Slide Projector
1 each Movie Screen
1 each Duplicating Machine
10 each Narcotest Kits

FY-74 Total $ 15,108

JAMAICA (Continued)
Narcotics Control

JAMAICAN CONSTABULARY FORCE (Continued)

Commodities purchased by the Mission

FY-73 Funds $ 15,591 (PIO/C 5433047)
3 each Sedans
1 each Mini-bus van.

FY-74 Funds $ 9,300 (PIO/C 5443013)
3 each Sedans
1 each Mini-bus van.

JORDAN
Narcotics Control

Commodities purchased by AID/W from FY-75 Funds.

PIO/C 59151 $ 63,000
4 each Trucks, Jeep.
6 each Sedans

PIO/C 59152 $ 81,000
4 each VHF-FM Base Station
10 each VHF-FM Mobile Transceivers
5 each VHF-FM Portable Transceivers
8 each Tape Recorders
1 each Slide Projector
10 each Binoculars

PIO/C 59153 $ 18,000
5 each Camera, Polaroid.
3 each Camera, 35 mm.
12 each Narcotest Kits
4 each Automotive Search Mirrors.
60 each Revolvers, w/ammunition
2 each Copy Machines
2 each Cabinet Safes

FY-75 Total $ 162,000

LAOS
Narcotics Control

NATIONAL POLICE

Commodities purchased by AID/W from FY-72 Funds

PIO/C 20132 $ 11,000
7 each VHF-FM Hand-held Transceivers w/accessories
5 each VHF-FM Portable Transceivers w/accessories
1 lot Narcotics Laboratory Supplies and Equipment.

PIO/C 20333 $ 6,800
1 each VHF-FM Mobile Transceiver
3 each VHF-FM Hand-held Transceiver w/accessories
3 each VHF-FM Portable Transceivers w/accessories

PIO/C 29151 $ 1,850
3 each VHF-FM Hand-Held Transceivers.

FY-72 Total $ 19,650

Commodities purchased by AID/W from FY-73 Funds

PIO/C 30073 $ 7,200
2 each International Scout Vehicles

PIO/C 30210 $ 69,600
50 each VHF-FM Hand-held Transceivers w/accessories
60 each VHF-FM Portable Transceivers w/accessories

PIO/C 30290 $ 2,200
25 each File Cabinets

PIO/C 30291 $ 3,000
200 each Handcuffs.

PIO/C 30487 $ 5,100
8 each File Cabinets
1 lot Office Equipment and Supplies

PIO/C 39151 $ 400
1 each Slide Projector
1 each Screen
1 each Overhead Projector w/accessories

FY-73 Total $ 87,500

LAOS (Continued)
Narcotics Control

NATIONAL POLICE

Commodities purchased by AID/W from FY-74 Funds

PIO/C 40033 $ 4,900
10 each File Cabinets

PIO/C 40099 $ 17,700
25 each VHF-FM Hand-held Transceivers
3 each VHF-FM Mobile Transceivers
1 lot Spare Parts and Accessories

PIO/C 40241 $ 1,600
Photographic Darkroom Equipment

PIO/C 40242 $ 2,800
1 each Photocopy Machine w/spares.

PIO/C 40244 $ 800
1 each Movie Projector, 16mm
1 each Slide Projector
1 each Screen

FY-74 Total $ 27,800

LAOS (Continued)
Narcotics Control

NATIONAL POLICE (Continued)

Commodities purchased by the Mission

FY-72 Funds $ 12,200
2 each Sedans (Japan)
2 each Jeeps (Japan)
2 each Vans (Japan)
Typewriters, binoculars (foreign)

FY-73 Funds $ 70,400
61 each Motorcycles (Japan)
General supplies (Laos)

FY-74 Funds $ 1,200
Typewriters (foreign)
File Cabinets (U. S.)

FY-75 Funds $ 2,650
1 each Sedan (Japan)

SPECIAL INVESTIGATIONS GROUP (GSI)

Commodities purchased by the Mission

FY-73 Funds $ 107,000
Telecommunication equipment (U. S.)
8 each Scout Vehicles (U. S.)
2 each Sedans (Japan)
General supplies (Laos)

CUSTOMS ASSISTANCE DIVISION (CAD)

Commodities purchased by the Mission

FY-72 Funds $ 5,700
20 each Motorcycles (Japan)

FY-73 Funds $ 71,000
6 each Scout vehicles (U. S.)
Outboard motors (foreign)
Metal detectors, etc.

LAOS (Continued)
Narcotics Control

REHABILITATION-DETOXIFICATION CENTER (Mahosot Hospital)

Commodities purchased by the Mission

FY-72 Funds $ 15,000
Medical supplies.

FY-73 Funds $ 84,800
1 each Scout vehicle (U. S.)
Construction materials, refrigerator, washing machine, typewriters, medical supplies.

MINISTRY OF AGRICULTURE

Commodities purchased by the Mission

FY-73 Funds $ 11,500
2 each Scout vehicles (U. S.)
5 each Motorcycles (Japan)

FY-74 Funds $ 45,000
4 each Tractors

LEBANON
Narcotics Control

NARCOTICS BUREAU POLICE

Commodities purchased by AID/W from FY-73 Funds

PIO/C 6236399A $ 15,000
6 each VHF-FM Hand-held Transceivers w/accessories
3 each VHF-FM Mobile Transceivers

PIO/C 6236399B $ 13,000
3 each Sedans
FY-73 Total $ 28,000

Commodities purchased by AID/W from FY-75 Funds.

PIO/C 6258600 $ 5,000
Additional Funds for Transceivers and Vehicles (PIO/C 6236399)

MEXICO
Narcotics Control

OFFICE OF THE ATTORNEY GENERAL

Commodities purchased in the U. S. from FY-70 funds.

(Aircraft) $ 810,000
3 each Light fixed wing airplanes
5 each Helicopters, small.

(Aircraft) $ 190,000
3 each Helicopters, small (Joint purchase with Government of Mexico - total cost $380,000.)

FY-70 Total $1,000,000

Commodities purchased in the U. S. from FY-73 funds.

(Telecommunications) $ 95,000
96 each VHF-FM Portable transceivers (1 channel) w/accessories.
44 each VHF-FM Portable transceivers (2 channel) w/accessories.
4 each VHF-FM Base Stations w/accessories.

(Aircraft) $1,191,000
2 each Helicopters, Bell model 212 w/spare parts.

(Weapons) $ 9,000
39 each Pistols, Browning 9 mm.
40 each Machine guns, Ingram Model 10, 9 mm, w/extra magazines.

(General) $ 5,000
Books and pamphlets for narcotics library.

FY-73 Total $1,300,000

MEXICO (Continued)
Narcotics Control

OFFICE OF THE ATTORNEY GENERAL (Continued)

Commodities purchased by AID/W from FY-74 funds.

PIO/C _____ $1,590,000
4 each Helicopters, Bell UH-1N

PIO/C _____ $ 284,000
2 each Laboratory Vans, Engine-generator, cameras, Multi-spectral Aerial Photo Equipment.

PIO/C 6548017A $ 149,000
Spare parts for Bell Helicopters.

PIO/C 6548075 $ 320,000
2 each Helicopters, Bell model 206

PIO/C 6548077 $ 210,000
1 each Airplane, fixed wing.

PIO/C 6548079 $ 25,000
Aerial photography film and processing supplies.

PIO/T 6548017 $ 626,000
Helicopter Spare Parts and Training

FY-74 Total $3,204,000

Commodities purchased by AID/W from FY-75 funds.

PIO/C 6558020 $ 10,000
Additional funds for airplane (PIO/C 6548077)

PIO/C 6558025 $1,831,700
2 each Helicopters, Bell Model 212.

PIO/C 6558028 $1,610,000
2 each Helicopters, Bell Model 212

PIO/C 6558040 $ 65,000
Additional funds for Helicopters (PIO/C 6548075)

PIO/C 6558043 $ 60,000
150 each Submachine guns.
150 each Pistols w/ammunition
15 each Shotguns w/ammunition
15 each Projectile launchers
150 each Tear Gas Projectiles

MEXICO (Continued)
Narcotics Control

OFFICE OF THE ATTORNEY GENERAL (Continued)

Commodities purchased by AID/W from FY-75 Funds (continued)

PIO/C 6558044 $ 171,800
13 each HF-SSB Base Stations
6 each VHF-FM Base Stations
10 each VHF-FM Portable Stations
1 lot Miscellaneous Test Equipment for Telecommunications Repair Shop.

PIO/C 6558049 $ 54,000
150 each Sleeping Bags
150 each Pilots and Mechanics Flight Suits
1 each Stereoscope
1 lot Aerial Photographic Supplies

PIO/C 6558051 $ 9,200
416 each Signaling Devices, smoke
75 each Flight Jackets
75 pair Flight Gloves

PIO/C 6558055 $1,542,500
2 each Helicopter, Bell Model 212

PIO/C 6558057 $ 23,000
75 each Helmets, Aviator

PIO/C 6558061 $ 160,000
36 each HF-SSB Aircraft Transceivers w/accessories
4 each HF-SSB Monitor Receivers
1 each Phone Patch.

PIO/C 6558069A $1,600,000
2 each Helicopters, Bell Model 212

PIO/C 6558069B $ 260,000
1 each Airplane, Fixed Wing, Rockwell Shrike Commander 500S w/spare parts.

PIO/C 6558069C $198,000
2 each Mobile Laboratory Vans equipped as Photographic Processing Laboratory and Photographic Analysis Laboratory.

PIO/C 6558069D $ 272,000
2 each Aerial Cameras, Spectral Data Corp.
1 lot Photographic Analysis Equipment, Spectral Data Corp., for use in Mobile Laboratory Van., w/spare parts.

MEXICO (Continued)
Narcotics Control

OFFICE OF THE ATTORNEY GENERAL (Continued)

Commodities purchased by AID/W from FY-75 Funds (continued)

PIO/C 6558069E $ 50,000
1 lot Equipment for Mobile Processing Laboratory
1 each Typewriter
1 each Camera, 35 mm
1 each Binoculars
2 each Mini-Calculator
1 each Monocular Anti-oscillation Sighting System

PIO/C 6558069G $ 45,000
Aerial Photographic Film and Processing Supplies

PIO/C 6558069H $ 86,000
2 each ONTRAC II Navigation Systems installed aboard 2 Rockwell Shrike Commander 500S airplanes, w/spare parts.

PIO/C 6558072A $3,240,000
4 each Helicopters, Bell Model 212

PIO/C 6558072B $ 520,000
140 each HF-SSB Portable Transceivers w/accessories
30 each HF-SSB Base Stations w/accessories
10 each VHF-FM Mobile Transceivers w/accessories
4 each HF-SSB Monitor Receivers
8 each HF-SSB Linear Amplifiers, 1 KW, w/accessories

PIO/C 6558073 $ 36,000
1 lot Test Equipment for Telecommunications Repair Shop

PIO/C 6558074 $ 35,500
1 each Tail Boom Assembly for Helicopter.

PIO/C 6558075 $ 9,900
1 each Aerial Spray Applicator w/spare parts.

PIO/C 6558078 $ 3,000
3 each Litter Kits to equip Helicopters as Aerial Ambulances.

PIO/T 6558041 $3,043,000
Bell Helicopter Co. contract to supply spare parts, maintenance and repair training in Mexico.

PIO/T 6558019 $ 92,000
Training for pilots and mechanics.

MEXICO (Continued)
Narcotics Control

OFFICE OF THE ATTORNEY GENERAL (Continued)

Commodities Purchased by AID/W from FY-75 Funds (continued)

PIO/T 6558077 $ 40,867
Training equipment supplied by Drug Enforcement Administration.

PIO/T 6558069F $ 30,000
Contract for two helicopter instructor pilots.

Obl. No. 6558072 $ 26,000
50 each Body Armor, Small Arms, Protective for Air Crews.

FY-75 Total $15,124,367

Commodities Purchased by AID/W from FY-76 Funds

PIO/C 6568029 $1,600,000
2 each Helicopters, Bell Model 212

PIO/C 6568036 $1,100,000
2 each Airplane, Fairchild Heli-Porter w/spares
1 each Airplane, Cessna Model 500 Citation

PIO/T 6568044 $550,000
Spare parts, Training, and Aerial Spray Equipment.

New PIO/C $ 45,000
MOPS Consumables (Aerial photographic film, paper, chemicals, spare parts for cameras, laboratory equipment).

New PIO/C $135,000
Miscellaneous supplies and equipment.

Total FY-76 $3,430,000

Commodities purchased by the Mission

FY-76 Funds $ 5,000
Wire, cables, insulators, hooks, rings, bolts, tensors, washers, pumps, pump fittings, hoses, nozzles, couplers, pistons, etc.

PAKISTAN
Narcotics Control

NARCOTICS CONTROL BOARD AND FIELD INVESTIGATIVE UNITS

Commodities purchased by AID/W from FY-74 Funds.

PIO/C 49151 $ 561,500
42 each Trucks, Jeep.
29 each Sedans
25 each Carryall Station Wagons

PIO/C 49152 $ 308,000
128 each HF-SSB Portable Transceivers w/accessories
8 each HF-SSB Base Stations w/accessories
50 each VHF-FM Hand-held Transceivers w/accessories
5 each Engine Driven Battery Chargers

PIO/C 49153 $ 23,000
50 each Cameras, 35mm.
5 each Cameras, Movie
5 each Projectors, Movie, 16mm.
50 each Binoculars
5 each Copying Machines
50 each Narcotest Kits
50 each Fingerprint Kits

FY-74 Total $ 892,500

Commodities purchased by AID/W from FY-76 Funds

PIO/C 60161 $ 14,000
1 lot Test Equipment for Telecommunications Repair Shop

PANAMA
Narcotics Control

Commodities purchased by AID/W from FY-73 Funds

PIO/C 30039 $ 15,850
2 each UHF-FM Base Stations w/accessories
4 each UHF-FM Hand-held Transceivers w/accessories
6 each UHF-FM Mobile Transceivers.

PIO/C 30040 $ 12,075
2 each VHF-FM Base Stations w/accessories

PIO/C 30041 $ 13,750
4 each Sedans

PIO/C 30091 $ 800
23 each Handcuffs
7 each Fingerprint Kits
2 each Cameras, 35mm.
1 each Revolving Beacon Light

PIO/C 39151 $ 925
1 each Camera, 35mm w/accessories
20 each Handcuffs

FY-73 Total $ 43,400

Commodities purchased by AID/W from FY-74 Funds.

PIO/C 40033 $ 16,000
1 each UHF-FM Base Station w/accessories
5 each UHF-FM Hand-held Transceivers w/accessories
2 each UHF-FM Mobile Transceivers w/accessories

PIO/C 40034 $ 1,000
8 each Binoculars
7 each Spotlights
1 each Fingerprint Kit
1 each Camera, Polaroid w/flash and Portrait Kit

FY-74 Total $ 17,000

PARAGUAY
Narcotics Control

Commodities purchased by AID/W from FY-73 Funds.

PIO/C 39151 $ 1,400
1 each Camera, 35 mm w/accessories
1 each File Cabinet
3 each Narcotest Kits

PIO/C 39152 $ 11,800
2 each Trucks, Jeep.

PIO/C 39153 $ 5,400
1 each Carryall Station Wagon (local purchase in Paraguay)

PIO/C 39154 $ 9,200
1 each VHF-FM Base Station w/accessories
3 each VHF-FM Mobile Transceivers w/accessories
4 each VHF-FM Hand-Held Transceivers w/accessories

FY-73 Total $ 27,800

Commodities purchased by AID/W from FY-74 Funds.

PIO/C 40187 $ 11,200
1 lot Narcotics Laboratory Equipment
1 each Polarizing Microscope

PIO/C 49151 $ 3,000
1 each VHF-FM Repeater Base Station w/accessories

FY-74 Total $ 14,200

Commodities purchased by AID/W from FY-75 Funds.

PIO/C 59151 $ 4,000
3 each VHF-FM Mobile Transceivers
1 each Movie Projector, 16 mm.
1 each Slide Projector

Commodities purchased by AID/W from FY-76 Funds.

PIO/C 69151 $ 3,000
Additional Funds for Polarizing Microscope (PIO/C 40187)

PERU
Narcotics Control

Commodities Purchased by AID/W during FY-74

PIO/C	Dollar Value	Description
40042	$149,410	5 each HF-SSB Portable Transceivers w/accessories. 25 each Battery Chargers, Engine Driven 1 each Signal Generator 1 each Frequency Counter 35 each HF-SSB Base and Mobile Transceivers w/accessories 5 each HF-SSB Receivers 5 each HF-SSB Linear Amplifiers w/accessories
40043	$ 36,000	3 each VHF-FM Repeater Base Stations 4 each VHF-FM Base Transceivers w/accessories. 50 each VHF-FM mobile Transceivers w/accessories. 1 each Signal Generator 1 each Deviation Meter
TOTAL	$185,410	

Commodities Purchased by AID/W during FY-75

PIO/C	Dollar Value	Description
50029	$ 6,197	10 each Chairs 10 each Desks 1 each Cabinet, Storage 11 each File Cabinets
50030	$ 8,424	1 each Suburban Vehicle
50031	$ 17,850	3 each Suburban Vehicle
50032	$ 8,452	1 each Truck, Pick-up
59151	$ 37,000	Additional Funds for PIO/C 40043 (Telecommunication Equipment).
TOTAL	$ 77,923	

PERU (Continued)
Narcotics Control

Peruvian Investigative Police (Continued)
Commodities purchased by AID/W from FY-76 Funds.

PIO/C 60003 $ 58,800
6 each Trucks, pickup.

PIO/C 60004 $ 9,310
10 each Narcotest Kits
10 each Foul Weather Suits
12 each Extension Mirrors
30 each Traffic Cones
12 each Horizontal Barricades
300 each Batteries, Dry
6 each Inspection Devices
6 each Mechanics Creepers
120 each Flexible Handcuffs

PIO/C 60005 $ 5,040
4 each Motorcycles

PIO/C 60006 $ 11,200
8 each Electric Generators, 4 KW, Gasoline Engine Driven.

PIO/C 60007 $ 10,584
8 each Floodlights
12 each Vests, Reflecting
20 each Flashlights

PIO/C 60008 $ 11,200
2 each Night Vision Devices

PIO/C 60009 $ 47,288
2 each Boats, 22 Ft.
2 each Boats, 17 Ft.
8 each Outboard Engines, 85 HP

PIO/C 60010 $ 53,581
8 each HF-SSB Base Stations w/accessories
2 each VHF-FM Portable Transceivers w/accessories
4 each VHF-FM Hand-Held Transceivers w/accessories

PERU (Continued)
Narcotics Control

GUARDIA CIVIL

Commodities purchased by the Mission

FY-74 Funds $ 10,000
Video recording equipment for training.

PHILIPPINES
Narcotics Control

NATIONAL POLICE COMMISSION

Commodities purchased by AID/W from FY-72 Funds

PIO/C 20154 $ 6,400
Narcotics Laboratory Equipment

PIO/C 20155 $ 62,000
35 each VHF-FM Portable Transceivers w/accessories
50 each VHF-FM Hand-Held Transceivers w/accessories
3 each VHF-FM Base Stations w/accessories

PIO/C 20156 $ 61,000
16 each Sedans

PIO/C 20157 $ 12,730
234 each Revolvers w/ammunition

PIO/C 20160 $ 11,150
150 each Handcuffs
30 each Binoculars
30 each Narcotest Kits
10 each Typewriters

FY-72 Total $ 153,280 National Police Commission

Commodities purchased by AID/W from FY-73 Funds

PIO/C 30017 $ 3,300
Additional funds for Sedans (PIC/C 20156)

PIO/C 30133 $ 53,420
37 each VHF-FM Portable Transceivers w/accessories
44 each VHF-FM Hand-held Transceivers w/accessories

PIO/C 30134 $ 21,400
39 each Miscellaneous File Cabinets for Computer Tapes, etc
3 each Reference Work Tables
8 each File Carts
64 each Narcotest Kits
85 each Handcuffs

PIO/C 30135 $ 91,770
Vehicles (Records incomplete)

PIO/C 30168 $ 1,695
50 each Narcotest Kits

PHILIPPINES (Continued)
Narcotics Control

NATIONAL POLICE COMMISSION (Continued)

Commodities purchased by AID/W from FY-73 Funds (continued)

PIO/C 39151 $ 180
17 each Binoculars

PIO/C 39152 $ 14,885
39 each Magnetic Tape Storage Cabinets

FY-73 Total $ 186,650 National Police Commission

Commodities purchased by AID/W from FY-74 Funds

PIO/C 40088 $ 75,600
14 each International Scout Vehicles

PIO/C 40089 $ 56,730
36 each VHF-FM Hand-held Transceivers w/accessories
29 each VHF-FM Portable Transceivers w/accessories

PIO/C 40091 $ 29,780
9 each Cameras, 35 mm, w/accessories
7 each Tape Recorders
68 each Narcotest Kits
18 each Binoculars
98 each Handcuffs
9 each Cabinet Safes
1 each Duplicating Machine
2 each Typewriters

PIO/C 40093 $ 7,322
98 each Revolvers w/ammunition

PIO/C 40147 $ 13,000
2 each International Harvester Scout Vehicles

PIO/C 40149 $ 3,000
1 lot Books for Narcotics Library

PIO/C 49151 $ 15,185
33 each Narcotest Kits
23 each Cabinet Safes

FY-74 Total $ 200,617 National Police Commission

PHILIPPINES (Continued)
Narcotics Control

PHILIPPINE CONSTABULARY ANTI-NARCOTICS UNIT

Commodities purchased by AID/W from FY-74 Funds

PIO/C 40088 $ 44,240
8 each International Harvester Scout Vehicles

PIO/C 40094 $ 2,330
1 lot Darkroom Equipment

FY-74 Total $ 46,570 Philippine Constabulary

DANGEROUS DRUG BOARD

Commodities purchased by AID/W from FY-74 Funds

PIO/C 40166 $ 5,213
50 each Books for Narcotics Library
13 each Tape Recorders
3 each Typewriters
2 each Battery Chargers

NATIONAL POLICE COMMISSION, CONSTABULARY ANTI-NARCOTICS UNITS, CUSTOMS, AND ANTI-SMUGGLING ACTION CENTER.

Commodities purchased by AID/W from FY-75 Funds

PIO/C 50111 $ 78,196
40 each VHF-FM Portable Transceivers w/accessories
44 each VHF-FM Hand-held Transceivers w/accessories

PIO/C 50112 $ 7,260
1 lot Books for Narcotics Laboratory

PIO/C 50113 $ 9,704
121 each Revolvers w/ammunition

PIO/C 50114 $ 143,136
24 each International Harvester Scout Vehicles

PIO/C 50115 $ 51,000
24 each Typewriters
27 each Cameras, 35mm, w/accessories
22 each Tape Recorders
24 each Binoculars
121 each Handcuffs
13 each Typewriters
100 each Narcotest Kits
7 each Cabinet Safes
1 each Movie Projector, 16mm, w/stand.

FY-75 Total $ 289,296

PHILIPPINES (Continued)
Narcotics Control

- Commodities purchased by AID/W from FY-76 Funds

PIO/C 60035 $ 6,165
4 each VHF-FM Portable Transceivers w/accessories
4 each VHF-FM Hand-held Transceivers w/accessories

PIO/C 60036 $ 2,878
1 lot Films for Narcotics Library

PIO/C 60037 $ 12,180
2 each International Harvesters Scout Type Vehicles

PIO/C 60038 $ 16,000
1 lot Books for Narcotics Library

PIO/C 60039 $ 20,700
1 each Office Copier w/supplies
5 each Infrared Transparency Maker w/supplies
3 each Movie Projector, 16 mm, w/stand
2 each Camera, 35mm, w/accessories
130 each Narcotest Kits

FY-76 Total $ 57,923

PHILIPPINES (Continued)
Narcotics Control

- Commodities purchased by the Mission

FY-73 Funds $ 54,580
Transportation equipment and general supplies.

FY-74 Funds $ 19,590
Transportation equipment and general supplies.

THAILAND
Narcotics Control

DEPARTMENT OF CUSTOMS

Commodities purchased by AID/W from FY-73 Funds.

PIO/C 30085 $ 14,300
10 each VHF-FM Mobile Transceivers w/accessories

PIO/C 30160 $ 14,000
2 each VHF-FM Base Stations w/accessories
2 each Electric Generators, Gasoline Engine Driven

FY-73 Total $ 28,300 Department of Customs

Commodities purchased by AID/W from FY-74 Funds.

PIO/C 40053 $ 9,800
75 each Revolvers
500 each Pocket Knives
50 each Life Vests
2 each Fingerprint Kits
10 each Binoculars
38 each Narcotest Kits
9000 rnds Cargridges, 38 caliber.

PIO/C 40055 $ 43,200
9 each Truck, Jeep

PIO/C 40056 $ 57,800
20 each Outboard Engines
1 lot Spare Parts

PIO/C 40057 $ 63,000
5 each Boards, 23 Ft., Outboard.

PIO/C 40058 $ 134,900
39 each VHF-FM Portable Hand-held Transceivers w/accessories
50 each VHF-FM Portable Hand-held Transceivers w/accessories
15 each HF-SSB Base Stations

FY-74 Total $ 208,700 Department of Customs

Commodities purchased by AID/W from FY-75 Funds

PIO/C 50009 $ 5,000
Additional funds for vehicles (PIO/C 40055)

PIO/C 50023 $ 23,400
Additional funds for boats (PIO/C 40057)

PIO/C 50041 $ 7,300
1 each Projection Screen
1 each Copying Machine
1 each Public Address System

THAILAND (Continued)
Narcotics Control

DEPARTMENT OF CUSTOMS (Continued)

Commodities purchased by AID/W from FY-75 Funds (continued)

PIO/C 50041 (continued)
1 each Slide Projector
100 each Narcotest Kits
4 each Fluroescent Marking Kits
1 each Movie Projector, 16mm
1 each Overhead Projector

PIO/C 50042 $ 65,000
10 each Trucks, Jeep

PIO/C 50043 $ 59,000
50 each VHF-FM Hand-held Transceivers w/accessories

PIO/C 50046 $ 2,500
70 each Flares, parachute, illuminating
10 each Flare gun, Marine
10 each First Aid Kits

PIO/C 50047 $ 14,700
11 each VHF-FM Mobile Transceivers w/accessories

FY-75 Total $ 116,900 Department of Customs

Commodities purchased by AID/W from FY-76 Funds

PIO/C 60008 $ 110,000
7 each Boats, 23 Ft., outboard.

PIO/C 60009 $ 58,000
20 each Outboard Engines, w/spares.

FY-76 Total $ 168,000 Department of Customs

AVIATION DIVISION

Commodities purchased by AID/W from FY-73 Funds.

PIO/C 30087 $1,242,000
2 each Helicopters, Bell Model 205A-1

PIO/C 39152 $ 16,800
Additional funds for helicopters (PIO/C 30087)

FY-73 Total $1,258,800 Aviation Division

Commodities purchased by AID/W from FY-74 Funds.

PIO/C 40040 $3,600,000
5 each Helicopters, Bell Model 205A-1 w/spare parts.

PIO/C 49151 $ 500,000
Additional funds for helicopters (PIO/C 40040)

FY-74 Total $4,100,000 Aviation Division

THAILAND (Continued)
Narcotics Control

BORDER PATROL POLICE

Commodities purchased by AID/W from FY-73 Funds.

PIO/C 30040 $ 4,750
Narcotics and Drug Identification Kits, Charts, Models and Narcotest Kits.

Commodities purchased by AID/W from FY-74 Funds

PIO/C 40066 $ 101,750
96 each VHF-FM Hand-held Transceivers w/accessories

PIO/C 40067 $ 38,200
3 each Signal Generator
3 each Frequency Meter
3 each Wattmeter, RF Absorption Type
3 each Wattmeter, RF Directional Type
3 each DC Power Supply
3 each Voltmeter/Ohmmeter
3 each Volt/Ohm/Milliammeter
3 each Signal generator, RF-AM
3 each Test Set, Hallicrafter
3 each Test Set, Racal
3 each Tool Kit, Racal
6 each Electric Generator, Gasoline Engine Driven
3 each Test Set, Motorola
3 each Tool Kit, Handtools

PIO/C 40072 $ 110,290
48 each HF-SSB Man-Pack Transceivers

PIO/C 40073 $ 62,920
55 each VHF-FM Portable Transceivers w/accessories
52 each VHF-FM Hand-held Transceivers

PIO/C 40074 $ 16,170
5 each HF-SSB Man-pack Transceivers

PIO/C 40079 $ 3,390
1 each HF-SSB Linear Amplifier

PIO/C 40085 $ 32,360
3 each Truck, Panel
3 each Bench Kit for use in Panel Truck

FY-74 Total $ 365,080 Border Patrol Police

THAILAND (Continued)
Narcotics Control

7th (Narcotics) SUB-DIVISION

Commodities purchased by AID/W from FY-73 Funds.

PIO/C 30139 $ 76,800
5 each VHF-FM Base Stations w/accessories
13 each VHF-FM Mobile Transceivers
18 each VHF-FM Hand-held Transceivers
10 each VHF-FM Portable Transceivers
6 each HF-SSB Base Stations w/accessories
5 each Electric Generators, Gasoline Engine Driven

Commodities purchased by AID/W from FY-74 Funds

PIO/C 40070 $ 60,000
49 each VHF-FM Hand-held Transceivers w/accessories
24 each VHF-FM Mobile Transceivers w/accessories

NARCOTICS SUPPRESSION CENTER

Commodities purchased by AID/W from FY-73 Funds

PIO/C 30158 $ 18,000
3 each Carryall Station Wagons

Commodities purchased by AID/W from FY-74 Funds

PIO/C 40025 $ 10,000
10 each VHF-FM Hand-held Transceivers w/accessories

PIO/C 40070 $ 2,500
2 each VHF-FM Mobile Transceivers w/accessories

PIO/C 40072 $ 20,000
5 each HF-SSB Man-pack Transceivers

FY-74 Total $ 32,500 Narcotics Suppression Center

THAILAND (Continued)
Narcotics Control

EDUCATION BUREAU

Commodities purchased by AID/W from FY-72 Funds

PIO/C 20062 $ 2,600
Narcotics and Drug Identification Kits, Charts, Booklets, and Models.

Commodities purchased by AID/W from FY-74 Funds

PIO/C 40073 $ 1,500
3 each VHF-FM Hand-Carry Transceivers w/accessories

PIO/C 40082 $ 9,700
9 each Slide Projector
9 each Movie Projector, 16mm
6 each Projection Screens
6 each Public Address Systems
12 each Portable Floodlights

FY-74 total $ 11,200 Education Bureau

PROVINCIAL POLICE

Commodities purchased by AID/W from FY-74 Funds

PIO/C 40073 $ 30,000
45 each VHF-FM Hand-held Transceivers w/accessories
9 each VHF-FM Portable Transceivers w/accessories

THAILAND (Continued)
Narcotics Control

MARINE POLICE

Commodities purchased by AID/W from FY-74 Funds

PIO/C 40068 $ 40,560
28 each VHF-FM Portable Transceivers w/accessories

PIO/C 40080 $ 23,500
11 each Outboard Motors

PIO/C 40083 $ 56,411
12 each Radar, Marine Type

FY-74 Total $ 120,471 Marine Police

Commodities purchased by AID/W from FY-75 Funds

PIO/C 50037 $ 16,800
1 each Test Set, Motorola
1 each Frequency Meter
1 each DC Power Supply
1 each Service Monitor, Motorola
1 each Oscilloscope
1 each Tool Kit, Handtools

PIO/C 50039 $ 18,600
12 each VHF-FM Hand-Held Transceivers w/accessories

FY-75 Total $ 35,400 Marine Police

METROPOLITAN POLICE BUREAU

Commodities purchased by AID/W from FY-74 Funds

PIO/C 40070 $ 42,080
32 each VHF-FM Hand-held Transceivers w/accessories
27 each VHF-FM Mobile Transceivers w/accessories

Commodities purchased by AID/W from FY-75 Funds

PIO/C 50038 $ 2,200
1 each VHF-FM Base Station w/accessories

PIO/C 50039 $ 9,000
5 each VHF-FM Hand-held Transceivers w/accessories

FY-75 Total $ 11,200 Metropolitan Police Bureau

THAILAND NATIONAL POLICE DEPARTMENT (TNPD)

Commodities purchased by the Mission

FY-73 Funds $ 45,000
13 each Sedans (Japan)

FY-74 Funds $ 364,000
43 each Sedans (foreign)
16 each Mini-bus (foreign)
3 each Vans (foreign)
110 each Motorcycles (foreign)
Narcotest kits (U. S.), Video recording equipment for training (Japan).

FY-75 Funds $ 8,600
Video recording equipment for training (Japan).

$ 21,000
Facilities and training equipment for Narcotics Dog Program.

Total $ 29,600 (FY-75)

FY-76 Funds $ 56,600
7 each Video Tape Recorders (Japan)
28 each Video Monitors (Japan)
1 lot Video Tapes and Spare Parts (Japan)
1 lot Narcotics Enforcement Manuals (Printed locally in Thailand)
1 lot Training Slides and other Training Materials (Produced in Thailand).

URUGUAY
Narcotics Control

Commodities purchased by AID/W from FY-73 Funds

PIO/C 30042 $ 8,448
2 each Sedans

PIO/C 30043 $ 5,161
3 each VHF-FM Portable Transceivers w/accessories
3 each VHF-FM Hand-held Transceivers w/accessories

PIO/C 30050 $ 440
10 each Narcotest Kits w/replacements

PIO/C 30051 $ 1,124
21 each Miscellaneous File Cabinets

PIO/C 30052 $ 2,709
1 each Camera, 35 mm, w/accessories
1 each Tripod
1 lot Darkroom Chemicals and Film

PIO/C 30053 $ 901
6 each Revolvers
6 each Handcuffs
6 each Flashlights

FY-73 Total $ 18,783

Commodities purchased by AID/W from FY-74 Funds

PIO/C 40023 $ 1,447
4 each Spotlight
1 each Camera, Polaroid, w/accessories
14 each Handcuffs
2 each Binoculars
10 each Narcotest Kits w/replacements.

PIO/C 40024 $ 13,195
1 each Carryall Station Wagon w/spares.
1 each Truck, Van, w/spares.

PIO/C 40025 $ 1,875
3 each Typewriters
3 each File Cabinets

PIO/C 40027 $ 6,391
2 each VHF-FM Portable Transceivers w/accessories
2 each VHF-FM Hand-held Transceivers w/accessories

FY-74 Total $ 22,908

Commodities purchased by AID/W from FY-75 Funds

PIO/C 50032 $ 10,303
1 each VHF-FM Motorcycle Transceiver w/accessories
1 each Flashlight
2 each Binoculars
1 each Truck, Jeep Type, w/spares

RESULTS IN COLOMBIA

Mr. COUGHLIN. With the heavy concentration you have been placing in Colombia, has there been any productive result?

Mr. VANCE. Yes, indeed. In a 4-month period which ended March 1, Colombian officials seized 1,368 pounds of cocaine or cocaine-base and caused the destruction by traffickers of an additional 88 pounds of cocaine. Colombian officials arrested 87 defendants in Colombia and provided information leading to the arrest of 15 other defendants outside Colombia. In addition, they destroyed four clandestine cocaine laboratories, seized one aircraft and 14 vehicles, and developed information which led to the seizure of $279,000 in U.S. currency, of which $147,000 was seized in the United States and will accrue to the U.S. Treasury. Mr. Congressman, I consider these seizures I mentioned exceeded those made in the United States in the 12 months of 1975 by all U.S. Federal enforcement agencies. The purpose of our program is to get drugs stopped abroad—before they get into our society. That is what is happening. But a lot more needs to be done to halt this cocaine traffic and we are, at this moment, developing plans with the Colombians to do a great deal more.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Coughlin. This will conclude the committee hearings on the fiscal year 1977 international narcotics control budget request. The committee is adjourned.

WEDNESDAY, APRIL 7, 1976.

MILITARY ASSISTANCE AND FOREIGN MILITARY CREDIT SALES PROGRAM

WITNESSES

LT. GEN. H. M. FISH, USAF, DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY

BENJAMIN FORMAN, ASSISTANT GENERAL COUNSEL FOR INTERNATIONAL AFFAIRS, OFFICE OF THE SECRETARY OF DEFENSE

LT. COL. KARL F. LAUENSTEIN, USAF, ACTING SPECIAL ASSISTANT TO THE DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY

STEPHEN WINSHIP, DIRECTOR, OFFICE OF SECURITY ASSISTANCE AND SALES, BUREAU OF POLITICO-MILITARY AFFAIRS, DEPARTMENT OF STATE

DAVID W. McCLINTOCK, OFFICE OF SECURITY ASSISTANCE AND SALES, BUREAU OF POLITICO-MILITARY AFFAIRS, DEPARTMENT OF STATE

ALBERT N. WILLIAMS, ASSISTANT DIRECTOR FOR POLITICO-MILITARY AFFAIRS, OFFICE OF POLICY PLANNING AND COORDINATION, BUREAU OF INTER-AMERICAN AFFAIRS, DEPARTMENT OF STATE

MILITARY ASSISTANCE PROGRAM

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1975 actual	1976 estimate	Third quarter estimate	1977 estimate
Program by activities:				
Grant aid operation:				
Requirements ordered from U.S. military services (22 U.S.C. 1819):				
1. Aircraft	96,630	143,500		65,000
2. Ships	7,544	10,500		5,500
3. Tanks, other vehicles, and weapons	26,490	39,340		15,000
4. Ammunition	178,066	25,730		54,000
5. Missiles	14,259	20,500		20,000
6. Electronic equipment	12,173	18,500		10,000
7. Other	54,088	66,490		30,000
Subtotal	389,250	324,560		199,500
Other requirements:				
8. Offshore procurement	2,203			
9. Supply operations	131,373	68,996	13,516	43,100
10. Training	26,006			
11. Administration	28,305	25,038	18,518	59,000
12. Other activities	5,782	4,206	166	4,100
Subtotal	193,669	98,240	32,200	106,200
Total obligations	582,919	422,800	32,200	305,700
Financing:				
Receipts and reimbursements from: NonFederal sources	−6,916	−7,000	−1,000	−7,000
Recovery of prior period obligations	−24,842	−18,952	−4,000	−19,700
Unobligated balance available, start of period (appropriation)	−4,596	−2,348		
Unobligated balance available, end of period (appriation)	2,348			
Unobligated balance lapsing, end of period (contract authority)	1,087			
Budget	550,000	394,500	27,200	279,000
Budget authority:				
Appropriation	475,000			279,000
Appropriation request pending		718,413	27,200	
Portion applied to liquidate contract authority		−323,913		
Appropriation (adjusted)	475,000	394,500	27,200	279,000
Contract authority	75,000			

MILITARY ASSISTANCE PROGRAM—Continued

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)—Continued

	1975 actual	1976 estimate	Third quarter estimate	1977 estimate
Relation of obligation to outlays:				
Obligations incurred, net	551,161	396,848	27,200	279,000
Obligated balance, start of period:				
Appropriation	771,938	693,523	638,284	585,484
Contract authority	250,000	323,913	----	----
Obligated balance, end of period:				
Appropriation	−693,523	−638,284	−585,484	−496,484
Contract authority	−323,913	----	----	----
Outlays	555,663	776,000	80,000	368,000
Grant operations:				
Requirements ordered from U.S. military services:				
Other services	14,170	13,890	----	15,000
Supplies and materials	219,789	120,670	----	75,800
Equipment	155,291	190,000	----	108,700
Total grant-aid operations	389,250	324,560	----	199,500
Obligations for other requirements:				
Personnel compensation:				
Permanent positions	12,695	12,821	3,563	14,186
Positions other than permanent	55	18	3	15
Other personnel compensation	349	297	62	241
Special personal services payments	----	----	7,376	29,388
Total personnel compensation	13,099	13,136	11,004	43,830
Personnel benefits:				
Civilian employees	1,372	1,284	345	1,406
Military personnel	6	7	2	9
Benefits for former personnel	436	272	162	215
Travel and transportation of persons	1,872	2,036	1,005	4,095
Transportation of things	93,939	43,635	8,103	26,250
Rent, communications, and utilities	2,821	2,099	802	2,548
Printing and reproduction	24	28	10	45
Other services	76,495	34,235	10,121	25,281
Supplies and materials	2,965	1,039	468	1,806
Equipment	640	469	178	715
Total other obligations	193,669	98,240	32,200	106,200
Total obligations	582,919	422,800	32,200	305,700
Obligations are distributed as follows:				
Secretary of Defense	2,928	2,850	740	3,100
Army	368,077	208,150	13,860	222,600
Navy	31,045	32,500	5,900	29,500
Air Force	175,135	174,000	9,000	85,000
State	5,734	5,300	2,700	4,500

PERSONNEL SUMMARY

Total number of permanent positions	1,126	874	----	1,000
Full-time equivalent of other positions	7	3	----	3
Average paid employment	1,080	847	----	991
Average GS grade	8.49	8.53	----	8.55
Average GS salary	$16,794	$17,896	----	$17,742
Average salary, positions authorized by 22 U.S.C. 2151	$35,733	$35,966	----	$36,000
Average salary of ungraded positions	$9,544	$13,216	----	$12,234

FOREIGN MILITARY TRAINING

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Program by activities: Foreign military training (costs—obligations)		30,000	7,000	30,900
Financing: Budget authority		30,000	7,000	30,900
Budget authority:				
Appropriation				30,900
Appropriation request pending		30,000	7,000	
Relation of obligations to outlays:				
Obligations incurred, net		30,000	7,000	30,900
Obligated balance, start of period			15,000	18,000
Obligated balance, end of period		—15,000	—18,000	—20,900
Outlays		15,000	4,000	28,000

OBJECT CLASSIFICATION (IN THOUSANDS OF DOLLARS)

Other services		13,700	3,100	12,500
Supplies and materials		1,200	300	1,000
Equipment		15,100	3,600	17,400
Total obligations		30,000	7,000	30,900

FOREIGN MILITARY CREDIT SALES

PROGRAM AND FINANCING (IN THOUSANDS OF DOLLARS)

	1975 actual	1976 estimate	Transition quarter estimate	1977 estimate
Program by activities:				
Credits and guaranties:				
1. Long-term credit agreements	850,300	2,374,700	55,500	2,059,600
Portion financed privately	—616,200	—1,455,222	—28,333	—1,355,111
Portion financed directly	234,100	919,478	27,167	704,489
2. Guaranty of private financing	61,620	145,522	2,833	135,511
Total obligation (object class 33.0)	295,720	1,065,000	30,000	840,000
Financing: Unobligated balance lapsing	4,280			
Budget authority:				
Appropriation	300,000			840,000
Appropriation request pending		840,000	30,000	
Amendment transmitted herein		225,000		
Relation of obligations to outlays:				
Obligations incurred, net	295,720	1,065,000	30,000	840,000
Obligated balance, start of period	561,931	584,472	812,472	644,472
Obligated balance, end of period	—584,472	—812,472	—644,472	—759,472
Adjustments in expired accounts	—26,593	—28,000	—6,000	—30,000
Outlays	246,586	809,000	192,000	695,000

Mr. PASSMAN. The committee will come to order.

This afternoon we will review the fiscal year 1977 request for the military assistance program, foreign military training, and foreign military credit sales.

Thank you very much, General Fish, for coming before the committee to help us understand your budget request for fiscal 1977.

I would assume that you have a statement for the committee.

GENERAL STATEMENT

General FISH. Yes, sir.

Mr. PASSMAN. We will insert your statement in the record.

[The statement follows:]

STATEMENT OF LIEUTENANT GENERAL H. M. FISH, USAF
DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to appear once again before you to discuss Department of Defense responsibilities related to worldwide military assistance and foreign military sales.

First, I would like to review briefly the responsibilities for security assistance. The Secretary of State has principal policy and general supervisory responsibility for military efforts carried out through either government or commercial channels. He determines whether there shall be a military assistance or foreign military sales program in a particular country, its size and its content. The Secretary of Defense is responsible for implementation of the government-to-government transfers. This includes 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; movement and delivery of military end-items; and, within DOD, performance of any other functions with respect to the furnishing of military assistance. Additionally, the Secretary of Defense is responsible for determining the establishment of priorities in the procurement, delivery and allocation of military equipment. Major export decisions are made by the President through the National Security Council system. In other words, the Secretary of State and his Department develop general policy guidance and the Department of Defense focuses primarily on implementing the programs.

Implementation of policy requires many specific decisions as to the appropriate weapons and services to be supplied in consultation with the Department of State. This is the area where Defense must insure careful management and efficient implementation in accordance with the provisions of the Foreign Assistance and Foreign Military Sales Acts and within established guidelines.

Security assistance strengthens collective security arrangements by improving the conventional forces of friends and allies. It also promotes recipient nations' internal security and, thereby, the maintenance of regional balances.

We are successful with our military security assistance activities to the degree that the individual recipient countries, through their own budgetary efforts and through US grant aid or foreign military sales, attain the necessary capacity to defend themselves. This enables them to participate in regional mutual defense arrangements, thereby deterring conflict in their regions and reducing or eliminating the need for US force direct support or US involvement in local crises situations.

Within the Department of Defense, we consider defense strategy, force structure, and security assistance programs within a broad international context. Within that context, there are five major factors which have implications for our planning.

First, to maintain the peace, protect our interests, and promote the settlement of international differences through negotiation, it is necessary to maintain adequate military strength. Weakness on the part of the United States or on the part of our allies and other friends invites probing and adventurism on the part of those who would exploit it.

Second, the United States has political, economic, and strategic interests in the world which must be fostered through foreign policies which are supported by our military posture.

Third, US interests remain under challenge, primarily by the USSR, which continues to increase its military capabilities qualitatively and quantitatively. These challenges, both direct and indirect, can be seen in Europe, along the Mediterranean Littoral, in the Middle East and Africa, in the Persian Gulf, and in Asia.

Fourth, the United States will continue to play the principal role in defending interdependent interests and contributing to world stability. If we fail, there is no other power to take our place.

Finally, the United States must maintain a military establishment which -- in conjunction with friendly and allied nations -- will safeguard our interests in the face of a growth in adversary capabilities. The instruments of security cannot expand and contract on short notice.

Planning for our future will have to take into account our need for a strong defense and a strong economy. We are not as affluent in certain areas

such as raw materials as we were in World War II. We do not exist in isolation from the rest of the world. We need to continue our policy of security assistance and defense cooperation with our friends and allies, if we are to be successful in the pursuit of foreign policy and national security objectives.

A degree of concern has been expressed in some quarters that the increase in US sales agreements in 1974 and 1975 heralds the initiation of an unconstrained arms race and that the US must limit its foreign military sales. Such concern would be justified in the absence of certain facts. The first is that despite consistent US efforts to limit arms transfers through international agencies (the latest effort being made before the Conference of the Committee on Disarmament in Geneva in April 1975) other nations have no such interest in limiting arms sales. Unilateral US action, in the face of this international opinion, would be both naive and shortsighted as it would abandon our friends and allies, forcing them to seek alternate suppliers.

One of the primary alternate suppliers would be the Soviet Union. The extent and influence of Soviet activities in the export of defense articles and services continues to be significant.

Over the past two decades, Moscow has successfully used military aid to expand its influence in the Third World. Since 1956, the USSR has extended almost $15 billion in military hardware, support equipment, and ammunition to 38 Third World countries. More than 60 per cent was provided in the 1970s as Moscow made available large quantities of advanced weapon systems, especially to the Middle East.

Moscow has been willing to provide military equipment and training with a minimum of conditions and on attractive financial terms. We are unaware of a single Russian turn-down of a prospective arms client. The Soviet Union has shown that it can move rapidly to exploit new opportunities. Its military assistance program has enabled Moscow to establish a strong presence within recipient countries and given it an opportunity to influence the recipient.

Neogitations between the USSR and the potential arms recipient normally start with visits by high dignitaries. During the discussions the Soviets set the political price for arms. With political matters resolved, the client's request is reviewed and both parties sign an agreement in principle. The review process includes a feasibility study of the client's economic, political, and military capabilities and provides the basis for examining the client's request in detail.

The USSR launched its military assistance program in 1955 -- initially using Czechoslovakia as an intermediary -- when it began arms shipments to Egypt. We estimate that 85 per cent of Soviet arms commitments had been delivered by the end of 1975. Deliveries to all Third World countries averaged about $460 million annually during the late 1960s, then jumped to an average of $1.2 billion in the 1970s.

Because the Soviet program is in part a response to available opportunities and is influenced by the absorptive capacity of the recipients, the annual magnitude and direction of aid has been highly variable. Egypt, India, Iraq,

and Syria together have accounted for 65 per cent of Soviet arms transfers since 1955.

Soviet arms are priced lower than comparable Western equipment. The list price appears to be based primarily on Soviet estimates of what the market will bear.

Moscow has generally sold its arms at favorable terms. Payment usually has been over 8 to 10 years, after a grace period of 1 to 3 years, at 2 to 2.5 per cent interest. Moreover, the USSR has been willing to accept payment in commodities or local currency and has frequently reduced or postponed payments when the recipient was unable to meet them.

Discounts from list price -- averaging about 40 per cent over the last two decades but dropping to less than 20 per cent in the 1970s -- are an intrinsic feature of the Soviet arms program. Discounting is probably determined on the basis of a client's ability to pay as well as political considerations.

Cash sales have accounted for an increasing share of Soviet arms exports in recent years. They made up only 5 per cent of total agreements in 1955-69, jumping to 15 per cent during the 1970s. Major cash clients are Libya and Nigeria. Spare parts and ammunition purchased outside a general agreement are usually handled as cash sales.

The USSR has been the most accommodating of the major arms suppliers in providing modern equipment. Soviet arms deliveries have covered the entire range of nonnuclear tactical weaponry. The USSR was the first exporter

of new weapons to Third World arms inventories. The Soviets introduced jet fighters in 1956, supersonic jet fighters in 1959, surface-to-air missiles in 1961, guided-missile patrol boats in 1961, self-propelled radar-controlled antiaircraft guns in 1970, and surface-to-surface missiles in 1973.

Moscow could easily increase exports of a wide variety of equipment. There is a surplus of arms production capacity, and production on current lines could be increased by employing a second shift. Large quantities of reserve surplus equipment are also available.

Arms exports have given Moscow considerable influence and leverage in the Third World. Soviet support has contributed to the weakening or elimination of Western influence in many countries. A number of countries -- notably Afghanistan, Algeria, Egypt, Iraq, Somalia, South Yemen, and Syria -- are largely equipped with Soviet weaponry and are dependent on the USSR for logistic and technical support.

Through its military technical assistance -- in conjunction with general technical assistance and academic training -- the USSR has exposed many of the nationals of these countries to Soviet ideas and techniques. Moreover, it has established important relationships with military leaders, as well as junior officers who in the future may hold key government positions.

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Moscow will likely continue to view its arms transfer program as a major foreign policy tool. The program's relatively small cost to the Soviet economy and high political payoff have been proved over time.

The US trend in security cooperation programs of the past few years continues with the further decline of grant aid for materiel and training from $475 million appropriated in New Obligational Authority (NOA) in FY 75 to a total NOA requested by the Executive Branch of $424.5 million for FY 1976 and $326.2 million for FY 1977. MAP in the FY 1977 request is the smallest element of the overall Security Assistance Program, accounting for 7.4 per cent of the total, despite the fact that this is the first full fiscal year that the military assistance appropriation will assume funding responsibility for MAAG administrative costs previously financed from Military Department appropriations.

The request for $852 million in New Obligational Authority for the FMS credit program is consistent with both the sense of the Congress as set forth in the Foreign Military Sales Act and the national security and foreign policy objectives. Judicious use of this form of security assistance contributes to an equitable distribution of responsibility for maintaining an adequate common defense posture, and encourages the development of military self-sufficiency on the part of friends and allies.

FMS credit is often the bridge leading allied and friendly countries from dependence on MAP grant aid to a state of self-sufficiency in which they can

purchase for cash the military equipment and services they require. The duration and difficulty of the transition depend not only upon the particular country's rate of economic growth, but also upon the availability of FMS credit and the effectiveness with which it is used to complement and supplement grant aid and thereby facilitate the transition to military independence. The amounts used for credits will be repaid to the US Treasury with interest by the governments to which it is made available.

In terms of dollar value of FMS sales agreements, for FY 1975 they totalled $9.5 billion with $4.8 billion accounted for by Israel, Iran and Saudi Arabia and a further $2 billion accounted for by the NATO four nation consortium choice of the F-16. Sales agreements for FY 76 are estimated to total $8.2 billion and for FY 77 the projection is $6.9 billion.

Training of foreign military personnel has the most lasting value of military assistance and provides a simple, effective, and relatively inexpensive contribution to the military strength of the free world. In addition to transmitting professional military skills and United States military doctrine, it assists in the accomplishment of the United States' purposes by providing a significant opportunity for communicating with the military leadership of other countries, especially the emerging leaders and youthful elements of the developing nations.

Training for 43 countries is proposed in FY 1977. The $32.2 million requested for this purpose will fund training for foreign military and military

related personnel. The impact of such training is multiplied many-fold in that the participants share the benefits of their experience with their countrymen when they return home to positions of increased responsibility and influence. Thus, while improving indigenous professional skills and competence, training at the same time serves the broadest United States military and political interests and in all probability provides the greatest return on any portion of our military assistance program.

I will now summarize our security cooperation programs around the world.

The President has stressed many times the importance of our role in the Middle East. It is of paramount importance that we continue to work toward achieving and preserving peace in that area and ensure continuing access to the area's necessary oil reserves. As in FY 1976, almost half of our credit program will be directed to Israel with $1 billion in FY 1977. Repayment of $500 million of that amount is projected to be forgiven.

Her neighbor, Jordan, is a long-standing friend of the United States. To the extent that we aid the Jordanian Armed Forces, we strengthen the ability of King Hussein to maintain stability in his country and to continue his moderate policies regarding Middle East affairs. We are asking, therefore, for $70 million in grant military materiel, $800,000 for grant training, and $75 million for Foreign Military Sales credits.

Lebanon's modest assistance program includes $300,000 in training funds and $5 million in credit sales.

Tunisia, located strategically at the center of the North African littoral and on the Strait of Sicily, has been shifted from grant aid to a combination of cash and credit sales to enable it to finance its military modernization program. Our proposed program requests $400,000 for training and $15 million in credits for FY 1977.

For 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 $900,000 for grant training and $30 million in military sales credits to facilitate that country's efforts to modernize its armed forces.

Elsewhere in Africa, we are proposing for Ethiopia grant military materiel in the amount of $11.7 million, $900,000 for grant training, and FMS credits of $10 million 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 buildup of Soviet military influence in the Congo, Uganda, and Angola. We propose $28 million in FMS credits to help Zaire modernize its forces and to increase stability in the area.

Turning to our strategic interests in the Western Pacific, the Republic of Korea has moved from reliance on grant assistance for military materiel to

purchases for cash and credit under FMS and commercial arrangements. In the recent past, Korea's economy has improved. While this improvement has slowed because of international economic trends, prospects for future growth are good. Materiel grant aid will be phaseed out in FY 1977 except for supply operations funds requied to deliver equipment procured under prior year grant programs. Substantial FMS credit is requested to support mutually agreed programs contributing to the improvement and modernization of the Korean Armed Forces.

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 $8.3 million in grant aid, $2.7 million in training funds and $275 million in foreign military sales credits.

Indonesia is a country of strategic and political importance in Southeast Asia and the Pacific. Recently, Indonesia has begun to realize 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 meet the country's many economic and security requirements. Indonesia is in a transitional period, wherein the Indonesian capacity for purchasing of defense items from abroad is forecast to increase. In recognition of Indonesia's growing income from natural resources, grant aid will focus on training, technical assistance and modest-

value end items needed to modernize existing units and enhance Indonesian logistics and management capabilities. FMS credit will be used primarily to meet Indonesia's requirements for major materiel items such as helicopters and patrol ships.

We are requesting for Indonesia $19.4 million in grant military materiel, $3 million for grant 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 and commercial purchases from the United States. Grant military assistance, except for training, was terminated at the end of FY 1974; and FMS credit sales have served as an alternative source for the acquisition of required military equipment. We are proposing $35 million of FMS credits for China in FY 1977.

The United States has an important military interest in the Philippines. 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 1947 Military Bases Agreements as amended, a Military Assistance Agreement of the same date, later revised in 1953; and the 1952 US-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 Philippine Army units and on enhancement of Philippine Navy and Air Force lift capability. We are requesting $19.6 million in military assistance, $600,000 in grant training funds, and $20 million in foreign military sales credits.

The US 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. However, US military assistance bolsters Thai defense capabilities and reassures Thailand that the United States continues to value Thailand as an ally, and to honor its mutual security commitments. We are proposing $20 million in grant materiel assistance, $1.5 million in training funds and $30 million in foreign military sales credits.

The FMS credit of $36 million proposed for FY 1977 for Malaysia is to provide standard, relatively unsophisticated military equipment which will enhance that small country's defensive capability. We are also requesting $300,000 for grant training.

By the Foreign Assistance Act of 1974, the 93rd Congress repealed the previous combined ceiling on grant materiel and 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. Only three countries -- Bolivia, Panama, and Paraguay -- are programmed to continue grant aid materiel and services in FY 1977. Six other Latin American countries would receive small amounts of supply operations assistance to provide for delivery of prior year grant aid equipment. In addition to the $3 million requested for the materiel and services to be provided these nine countries, slightly over $10 million is programmed for the International Military Education and Training Program for 17 Latin American countries and $195 million is requested for FMS credit.

Security Assistance Programs in Europe are proposed for our three traditional allies in the Mediterranean, Greece, Turkey and Spain.

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 defense 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 defense capabilities in

turn will continue to help promote US and NATO security interests in the Eastern Mediterranean. We are proposing both an FMS credit program and a grant materiel assistance program (primarily for training) for Greece.

Turkey provides 37% 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 and the oceans of the world. 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 US 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 to the maintenance of effective air lines of communication and for possible military air operations. The program we are proposing for Turkey will consist of MAP, International Military Education Training Program, and FMS credits.

Our Spanish MAP and FMS credit requests for FY 1977 will total $15 million in grant aid, $2 million in training and $120 million in credit and will be responsive to the recently concluded Treaty negotiations.

Now I would like to spend a few minutes describing why we in the Department of Defense strongly support the continued existence of Military Assistance Advisory Groups (MAAGs) and similar organizations. They are essential to the furtherance of the broad objectives of foreign assistance legislation and provide my office with extremely valuable information necessary for our judgment of country programs.

In the past, we have been unsuccessful in making the distinction between MAAGs, which came into being to implement and administer security assistance programs around the globe, and Service Missions under the administrative aegis of Military Groups, which have their legal basis in US public law antedating security assistance and in bilateral agreements with counterpart military services in most of the countries of Latin America. Thus, while the personnel assigned to our Service Missions in Latin America have served as instruments of the broad objectives of foreign assistance since the inception of Security Assistance, their primary function is more properly identified as the furtherance of our national defense and foreign policy objectives.

Daily face to face relations with host country defense officials assist MAAG personnel in building a relationship of mutual trust and confidence with the host country's military establishment. This contact best expresses the US

desire to maintain friendly relations and to sustain programs that are mutually beneficial to both countries. It creates an excellent opportunity for the exchange of information as well as technical data. Additionally, it creates an environment for advice on the operation, use, and capabilities of military articles together with organization concepts and employment techniques should such advice be requested. Our allies have indicated a desire for continuation of this type of information and assistance.

The primary role of the MAAGs is to work with the host country officials to develop and implement programs for security cooperation that insure maximum contribution to our national security objectives. They provide liaison to our allies and serve as a conduit for the exchange of information on military forces, equipment and development. This valuable exchange of data aids in the standardization of equipment and procedures between the United States and our allies.

The value of MAAGs in sustaining friendship with our allies, assisting our allies with military advice, and in furthering mutual cooperation and standardization objectives cannot be measured in precise terms, nor can its value be given in equivalent Army Divisions or Air Force Wings. However, it is my belief that the value derived from this comparatively small program far exceeds the dollars spent on maintaining the MAAGs.

Our allies want the MAAGs in their countries. They recognize the services being provided. Indeed, in many Latin American countries, disestablishment would require abrogation of long-standing agreements with host countries, dating from as long ago as World War II, and in one instance from 1922. Disestablishment of MAAGs would strain relations with friends and allies. It would be an indication that the United States is isolating its interests at a time when Soviet influence is expanding in many parts of the world.

Manning requirements for United States MAAGs and similar organizations are reviewed annually to determine the level necessary to administer the security assistance program in each country. Factors which influence this determination include: scope of the MAP and foreign military sales programs; magnitude of in-country and US based training programs; dependence on US advisory personnel; host country modernization and force improvement objectives and related program milestones; host country reliance on US assistance; improvement of host country self-reliance; and US national interests. Proposed levels are reviewed and concurred in by the US Ambassador in the country concerned. Proposed levels of MAAG strengths are then 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 these review and approval procedures, MAAG authorized strength has been reduced from 7,200 US personnel in 1960 to a current level of 1,622, a reduction of 77% in 15 years. The FY 1976 level of 1,622 is 205 spaces less than the 1975 authorization. Following enactment of ongoing FY 1976 security assistance legislation into law, we will prepare justification for each individual MAAG and provide such justification to the Congress in the very near future. The justification and authorization of our MAAGs and other like organizations overseas has been and continues to be a very dynamic process. If considered to be in the national interests of the United States, MAAG strengths will be selectively increased; however, we in the Department of Defense have been the first to recognize the need to decrease MAAG strengths as required.

Mr. Chairman, I hope that my statement has led to a better understanding of the purpose and dimensions of our security cooperation programs worldwide. We hope that these programs will lead to a more secure international environment. This completes my statement and I will be happy to respond to your questions.

Mr. PASSMAN. We will insert certain justification materials in the record at this point.

[The justification materials follow:]

LEGISLATIVE HISTORY OF AUTHORIZATIONS AND APPROPRIATIONS

[In thousands of dollars]

MILITARY ASSISTANCE PROGRAM

	Executive branch request	Authorized	Appropriated
Fiscal year:			
1950	1,400,000	1,314,000	1,314,000
1951	5,222,500	5,222,500	5,222,500
1952	6,303,000	5,997,600	5,744,000
1953	5,425,000	4,598,400	4,219,800
1954	4,274,500	3,681,500	3,230,000
1955	1,778,300	1,591,000	1,192,7000
1956	1,595,200	1,450,200	1,022,200
1957	1,925,000	2,225,000	2,017,500
1958	1,900,000	1,600,000	1,340,000
1959	1,800,000	1,605,000	1,515,000
1960	1,600,000	1,400,000	1,300,000
1961	2,000,000	[1]	1,800,000
1962	1,885,000	1,700,000	1,600,000
1963	[2]	1,700,000	1,325,000
1964	1,405,000	1,000,000	1,000,000
1965	1,055,000	1,055,000	1,130,000
1966	1,170,000	1,170,000	1,470,000
1967	917,000	875,000	792,000
1968	620,100	510,000	500,000
1969	420,000	375,000	375,000
1970	425,000	350,000	350,000
1971	690,000	690,000	690,000
1972	705,000	500,000	500,000
1973	780,000	[3] 553,100	[3] 553,100
1974 [4]	685,000	512,500	[4] 450,000
1975 [4]	985,000	600,000	475,000
1976	394,500	----------	----------
1977	42,200	----------	----------
1977	294,000	----------	----------

[1] The Mutual Security Act of 1959, Public Law 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."

[2] Foreign Assistance Act of 1961 authorized $1,700,000,000; no executive branch request for authorization was required.

[3] CRA limitations.

[4] Includes funds requested separately for proposed International military education and training program finally authorized and appropriated as part of the Military assistance program. Does not include $250,000,000 for sec. 506 contract authority.

[5] Includes $5,000,000 transferred to AID.

[6] Does not include $75,000,000 for sec. 506 contract authority.

Note: Military assistance program included Foreign military sales legislation prior to 1969 and included International military education and training program prior to 1976.

FOREIGN MILITARY SALES CREDIT PROGRAM

	Executive request		Authorized		
	NOA	Ceiling	NOA	Ceiling	Appropriated
Fiscal year:					
1969	120,000	296,000	296,000	296,000	296,000
1970	275,000	350,000	250,000	340,000	70,000
1971	772,500	885,000	250,000	840,000	700,000
1972	510,000	582,000	400,000	550,000	400,000
1973	527,000	629,000	[1] 400,000	550,000	[1] 400,000
1974 [2]	2,725,000	2,960,000	2,525,000	2,930,000	2,525,000
1975	555,000	872,500	405,000	872,500	300,000
1976	1,065,000	2,374,700	----------	----------	----------
1977	42,000	175,500	----------	----------	----------
1977	852,000	2,179,600	----------	----------	----------

[1] CRA limitation.

[2] Includes $2,200,000,000 for emergency security assistance requested, authorized and appropriated for Israel.

Note: Military assistance program included foreign military sales legislation prior to 1968 and included international military education and training program prior to 1976.

SECURITY ASSISTANCE FUNDING

[In thousands of dollars]

Line	Actual fiscal year 1975	As requested of Congress: Fiscal year 1976	As requested of Congress: Fiscal year 197T	Proposed fiscal year 1977
FOREIGN MILITARY SALES CREDIT PROGRAM				
1. Foreign military sales credit program	850, 300	2, 374, 700	175, 500	2, 179, 600
2. Payments waived for Israel	100, 000	750, 000	----------	500, 000
3. Federal Financing Bank financial credits	616, 200	1, 455, 222	148, 333	1, 475, 111
4. Direct credits	134, 100	169, 478	27, 167	204, 489
5. Guaranty of Federal Financing Bank financing	61, 620	145, 522	14, 833	147, 511
6. Unobligated	4, 280	----------	----------	----------
7. Appropriation (NOA)	300, 000	1, 065, 000	42, 000	852, 000
8. Outlays	246, 586	809, 000	192, 000	695, 000
MILITARY ASSISTANCE PROGRAM				
9. Military assistance program	582, 919	422, 800	47, 200	320, 700
10. Reappropriations	4, 596	2, 348	----------	----------
11. Recoupments	24, 842	18, 952	4, 000	19, 700
12. Reimbursements	6, 916	7, 000	1, 000	7, 000
13. Section 506 contract authority	75, 000	----------	----------	----------
14. Unobligated	3, 435	----------	----------	----------
15. Appropriation (NOA)	475, 000	394, 500	42, 200	294, 000
16. Liquidation of section 506 contract authority	----------	323, 913	----------	----------
17. Total appropriation request	475, 000	718, 413	42, 200	294, 000
18. Outlays	555, 663	776, 000	82, 000	380, 000
INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM				
19. International military education and training program	----------	30, 000	9, 000	32, 200
20. Appropriation (NOA)	----------	30, 000	9, 000	32, 200
21. Outlays	----------	15, 000	6, 000	29, 000

Note: Line 1=2+3+4; line 7=2+4+5+6. Line 9=10+11+12+13+14+15; line 19=7+16.

FISCAL YEAR 1977 SECURITY ASSISTANCE PROGRAM

[In thousands of dollars]

Country	Total	MAP (grant)	IMETP (grant)	FMS credit	EDA (actual)	Supporting assistance
East Asia and Pacific:						
China (Taiwan)	35, 900	400	500	35, 000	----------	----------
Indonesia	46, 100	19, 400	3, 000	23, 100	600	----------
Korea	286, 000	8, 300	2, 700	275, 000	----------	----------
Malaysia	36, 300	----------	300	36, 000	----------	----------
Philippines	41, 400	19, 600	600	20, 000	1, 200	----------
Thailand	54, 100	20, 000	1, 500	30, 000	2, 600	----------
Regional total	499, 800	67, 700	8, 600	419, 100	4, 400	----------
Near East and South Asia:						
Afghanistan	200	----------	200	----------	----------	----------
Bahrain	400	----------	----------	----------	----------	400
Egypt	750, 000	----------	----------	----------	----------	750, 000
India	200	----------	200	----------	----------	----------
Israel	1, 785, 000	----------	----------	[1] 1, 000, 000	----------	785, 000
Jordan	223, 900	70, 000	800	75, 000	600	77, 500
Lebanon	5, 300	----------	300	5, 000	----------	----------
Morocco	30, 900	----------	900	30, 000	----------	----------
Nepal	35	----------	35	----------	----------	----------
Pakistan	325	----------	325	----------	----------	----------
Sri Lanka	15	----------	15	----------	----------	----------
Syria	90, 000	----------	----------	----------	----------	90, 000
Tunisia	15, 400	----------	400	15, 000	----------	----------
Regional total	2, 901, 675	70, 000	3, 175	1, 125, 000	600	1, 702, 900
Europe:						
Austria	40	----------	40	----------	----------	----------
Cyprus	10, 000	----------	----------	----------	----------	10, 000
Finland	40	----------	40	----------	----------	----------
Greece	165, 800	33, 000	1, 000	127, 000	4, 800	----------
Malta	9, 500	----------	----------	----------	----------	9, 500
Portugal	56, 400	300	1, 000	----------	100	55, 000
Spain	137, 000	15, 000	2, 000	120, 000	----------	----------
Turkey	206, 700	50, 000	2, 000	150, 000	4, 700	----------
Regional total	585, 480	98, 300	6, 080	397, 000	9, 600	74, 500

[1] Includes $500,000,000 payment waived.

FISCAL YEAR 1977 SECURITY ASSISTANCE PROGRAM—Continued

[In thousands of dollars]

Country	Total	MAP (grant)	IMETP (grant)	FMS credit	EDA (actual)	Supporting assistance
Africa:						
Ethiopia	22,900	11,700	900	10,000	300	
Ghana	100		100			
Kenya	5,200		200	5,000		
Liberia	600		100	500		
Senegal	45		45			
Zaire	30,500		2,500	28,000		
Regional total	59,345	11,700	3,845	43,500	300	
American Republics:						
Argentina	49,300		900	48,400		
Bolivia	15,105	2,305	600	12,000	200	
Brazil	61,100		1,100	60,000		
Colombia	26,700		700	26,000		
Dominican Republic	1,525	25	500	1,000		
Ecuador	10,900		900	10,000		
El Salvador	3,120	20	600	2,500		
Guatemala	1,115	15	500	600		
Haiti	700		200	500		
Honduras	3,115	15	600	2,500		
Mexico	5,200		200	5,000		
Nicaragua	3,105	5	600	2,500		
Panama	1,825	225	400	1,000	200	
Paraguay	1,440	340	400	500	200	
Peru	20,900		900	20,000		
Uruguay	3,050	50	500	2,500		
Venezuela	700		700			
Regional total	208,900	3,000	10,300	195,000	600	
United Nations forces in Cyprus	9,600					9,600
General costs	89,800	70,000	200			19,600
Worldwide total	4,354,600	320,700	32,200	2,179,600	15,500	1,806,600

FOREIGN MILITARY SALES CREDIT PROGRAM

[In thousands of dollars]

Country	Actual fiscal year 1975	Proposed		
		Fiscal year 1976	Fiscal year 197T	Fiscal year 1977
East Asia and Pacific:				
China (Taiwan)	80,000	80,000	8,000	35,000
Indonesia	5,000	23,100		23,100
Korea	59,000	126,000	1,500	275,000
Malaysia	4,700	15,000		36,000
Philippines	14,000	17,400		20,000
Thailand	8,000	36,700		30,000
Regional total	170,700	298,200	9,500	419,100
Near East and South Asia:				
Israel	[1] 300,000	[2] 1,500,000		[3] 1,000,000
Jordan	30,000	75,000		75,000
Lebanon		5,000		5,000
Morocco	14,000	30,000		30,000
Tunisia	5,000	15,000		15,000
Regional total	349,000	1,625,000		1,125,000
Europe:				
Greece	86,000	110,000	46,000	127,000
Spain			120,000	120,000
Turkey	75,000	130,000		150,000
Regional total	161,000	240,000	166,000	397,000
Africa:				
Ethiopia	25,000	10,000		10,000
Kenya	5,000	2,000		5,000
Liberia	1,800	500		500
Zaire	3,500	19,000		28,000
Regional total	35,300	31,500		43,500
American Republics:				
Argentina	30,000	34,000		48,400
Bolivia	4,000	6,000		12,000
Brazil	60,000	60,000		60,000
Columbia		16,000		26,000
Dominican Republic	500	1,000		1,000
Ecuador		10,000		10,000
El Salvador	3,000	2,500		2,500
Guatemala	2,300	1,500		600
Haiti				500
Honduras	3,000	2,500		2,500
Mexico		5,000		5,000
Nicaragua	3,000	2,500		2,500
Panama				1,000
Paraguay	500	500		500
Peru	20,500	20,000		20,000
Uruguay	7,500	2,500		2,500
Venezuela		16,000		
Regional total	134,300	180,000		195,000
Worldwide total	850,300	2,374,700	175,500	2,179,600

[1] Includes $100,000,000 payment waived.
[2] Includes $750,000,000 payment waived.
[3] Includes $500,000,000 payment waived.

MILITARY ASSISTANCE PROGRAM

[In thousands of dollars]

Country	Actual fiscal year 1975	Proposed Fiscal year 1976	Proposed Fiscal year 197T	Proposed Fiscal year 1977
East Asia and Pacific:				
Cambodia	254,525			
China (Taiwan)	2,712	900	100	400
Indonesia	15,850	19,400	400	19,400
Korea	82,600	74,000	1,400	8,300
Laos	19,743			
Malaysia	283			
Philippines	21,010	19,600	600	19,600
Thailand	30,126	28,300	1,000	20,000
Regional costs	364			
Regional total	427,213	142,200	3,500	67,700
Near East and South Asia:				
Afghanistan	212			
India	54			
Jordan	69,852	100,000		70,000
Lebanon	131			
Morocco	852			
Nepal	32			
Pakistan	277			
Saudi Arabia	38			
Tunisia	2,200	200	15	
Yemen		1,500		
Regional costs	52			
Regional total	73,700	101,700	15	70,000
Europe:				
Austria	9			
Finland	15			
Greece		50,000	2,500	33,000
Portugal	447	300	15	300
Spain	2,609	200	15,035	15,000
Turkey	16,253	75,000	2,200	50,000
Regional costs	23			
Regional total	19,356	125,500	19,750	98,300
Africa:				
Ethiopia	12,514	11,700	335	11,700
Ghana	70			
Kenya	32			
Liberia	89			
Senegal	35			
Zaire	299			
Regional costs	43			
Regional total	13,082	11,700	335	11,700
American Republics:				
Argentina	100			
Bolivia	3,137	2,200	80	2,305
Brazil	901			
Chile	656			
Colombia	737			
Dominican Republic	1,067	200	15	25
Ecuador	400			
El Salvador	1,161	300	13	20
Guatemala	645	200	9	15
Haiti	28			
Honduras	1,210	300	10	15
Mexico	109			
Nicaragua	1,081	200	15	5
Panama	571	200	8	225
Paraguay	1,026	400	20	340
Peru	852			
Uruguay	1,486	600	30	50
Venezuela	731			
Regional costs	356			
Regional total	16,248	4,600	200	3,000
General costs and MAPSAD	33,320	37,100	23,400	70,000
Worldwide total	582,919	422,800	47,200	320,700

FISCAL YEAR 1977 MILITARY ASSISTANCE PROGRAM BY COST CATEGORIES

Country	Total program		Operating		Investment		Supply operations	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
East Asia and Pacific:								
China (Taiwan)	400	100.0					400	100.0
Indonesia	19,400	100.0	470	2.4	17,030	87.8	1,900	9.8
Korea	8,300	100.0					8,300	100.0
Philippines	19,600	100.0	840	4.3	16,760	85.5	2,000	10.2
Thailand	20,000	100.0	10,335	51.7	7,365	36.8	2,300	11.5
Regional total	67,700	100.0	11,645	17.2	41,155	60.8	14,900	22.0
Near East and South Asia:								
Jordan	70,000	100.0	3,736	5.4	58,404	83.4	7,860	11.2
Regional total	70,000	100.0	3,736	5.4	58,404	83.4	7,860	11.2
Europe:								
Greece	33,000	100.0			30,200	91.5	2,800	8.5
Portugal	300	100.0	260	86.7			40	13.3
Spain	15,000	100.0	7,703	51.4	6,397	42.6	900	6.0
Turkey	50,000	100.0			43,900	87.8	6,100	12.2
Regional total	98,300	100.0	7,963	8.1	80,497	81.9	9,840	10.0
a: Ethiopia	11,700	100.0	3,925	33.6	6,475	55.3	1,300	11.1
Regional total	11,700	100.0	3,925	33.6	6,475	55.3	1,300	11.1
American Republics:								
Bolivia	2,305	100.0	581	25.2	1,519	65.9	205	8.9
Dominican Republic	25	100.0					25	100.0
El Salvador	20	100.0					20	100.0
Guatemala	15	100.0					15	100.0
Honduras	15	100.0					15	100.0
Nicaragua	5	100.0					5	100.0
Panama	225	100.0	200	88.9			25	11.1
Paraguay	340	100.0	188	55.3	112	32.9	40	11.3
Uruguay	50	100.0					50	100.0
Regional total	3,000	100.0	969	32.3	1,631	54.4	400	13.3
General Costs	70,000	100.0	60,300	86.1			9,700	13.9
Worldwide total	320,700	100.0	88,538	27.6	188,162	58.7	44,000	13.7

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM

[In thousands of dollars]

Country	Actual fiscal year 1975 [1]	Proposed		
		Fiscal year 1976	Fiscal year 197T	Fiscal year 1977
East Asia and Pacific:				
Cambodia	3,220			
China (Taiwan)	412	500	100	500
Indonesia	2,784	2,000	700	3,000
Korea	1,407	2,700	500	2,700
Laos	1,321			
Malaysia	283	300	100	300
Philippines	471	750	200	600
Thailand	1,801	1,750	500	1,500
Regional costs	364			
Regional total	12,063	8,000	2,100	8,600
Near East and South Asia:				
Afghanistan	212	200	50	200
India	54	200	30	200
Jordan	1,011	800		800
Lebanon	131	200		300
Morocco	852	800	200	900
Nepal	32	35	10	35
Pakistan	277	350	80	325
Saudi Arabia	38			
Sri Lanka		15	5	15
Tunisia	391	400	125	400
Yemen		500		
Regional costs	52			
Regional total	3,050	3,500	500	3,175
Europe:				
Austria	9	25	10	40
Finland	15	25	10	40
Greece		800		1,000
Portugal	337	1,025	180	1,000
Spain	1,599	725	2,000	2,000
Turkey	541	1,800	500	2,000
Regional costs	23			
Regional total	2,524	4,400	2,700	6,080
Africa:				
Ethiopia	776	900	300	900
Ghana	70	100	20	100
Kenya	32	965	135	200
Liberia	89	100	45	100
Senegal	35	35	10	45
Zaire	299	400	190	2,500
Regional costs	43			
Regional total	1,344	2,500	700	3,845
American Republics:				
Argentina	100	920	170	900
Bolivia	667	720	130	600
Brazil	901	1,120	240	1,100
Chile	656			
Colombia	737	750	200	700
Dominican Republic	516	670	130	500
Ecuador	400	970	100	900
El Salvador	505	840	150	600
Guatemala	414	430	100	500
Haiti	28	200	25	200
Honduras	849	840	150	600
Mexico	109	100	30	200
Nicaragua	661	840	170	600
Panama	330	380	190	400
Paraguay	313	410	190	400
Peru	852	940	375	900
Uruguay	401	520	160	500
Venezuela	731	750	390	700
Regional costs	350			
Regional total	9,520	11,400	2,900	10,300
General costs	204	200	100	200
Worldwide total	28,705	30,000	9,000	32,200

[1] Training included in MAP total. Shown here for purposes of comparability.

INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM STUDENT SUMMARY

Country	Actual, fiscal year 1975			Proposed, fiscal year 1976			Proposed, fiscal year 197T			Proposed, fiscal year 1977		
	United States	Overseas	Total	United States	Overseas	Total	United States	Overseas	Total	United States	Overseas	Total
East Asia and Pacific:												
Cambodia	273	1,189	1,462	----	----	----	----	----	----	----	----	----
China (Taiwan)	105	----	105	113	----	113	27	----	27	147	----	147
Indonesia	275	5	280	231	7	238	55	----	55	224	6	230
Korea	213	277	490	269	34	303	27	----	27	292	8	300
Laos	162	341	503	----	----	----	----	----	----	----	----	----
Malaysia	66	----	66	66	----	66	19	----	19	67	----	67
Philippines	108	219	327	179	72	251	28	----	28	68	2	70
Thailand	323	179	502	261	14	275	60	----	60	142	13	155
Regional total	1,525	2,210	3,735	1,119	127	1,246	216	----	216	940	29	969
Near East and South Asia:												
Afghanistan	15	----	15	18	----	18	5	----	5	21	----	21
India	6	----	6	16	----	16	6	----	6	18	----	18
Jordan	147	10	157	160	5	165	----	----	----	186	----	186
Lebanon	17	----	17	40	----	40	----	----	----	47	----	47
Morocco	115	----	115	97	----	97	38	----	38	150	4	154
Nepal	5	----	5	5	----	5	2	----	2	5	----	5
Pakistan	48	----	48	73	----	73	13	----	13	63	----	5
Saudi Arabia	10	2	12	----	----	----	----	----	----	----	----	----
Sri Lanka	----	----	----	----	----	----	----	----	----	2	----	2
Tunisia	55	10	65	58	----	58	4	----	4	71	----	71
Yemen	----	----	----	4	----	4	----	----	----	----	----	----
Regional total	418	22	440	471	5	476	68	----	68	563	4	567
Europe:												
Austria	1	----	1	4	----	4	1	----	1	6	----	6
Finland	3	----	3	6	----	6	----	----	----	6	----	6
Greece	----	----	----	250	18	268	----	----	----	50	----	50
Portugal	15	39	54	32	40	72	1	----	1	51	37	88
Spain	315	28	343	126	87	213	27	----	27	68	----	68
Turkey	75	44	119	207	34	241	20	----	20	201	4	205
Regional total	409	111	520	625	179	804	49	----	49	382	41	423

Africa:												
Ethiopia	130		130	138		138	42		42	160		160
Ghana	45		45	41		41	6		6	38		38
Kenya	8		8	2		2				2		2
Liberia	20		20	22		22	3		3	22		22
Zaire	37		37	39		39	11		11	86		86
Regional total	240		240	242		242	62		62	308		308
Latin America:												
Argentina	8	11	19	129	63	192	14	53	67	104	72	176
Bolvia	8	326	334	67	116	183	5	30	35	15	168	183
Brazil	282	19	301	422	18	440	55	14	69	400	20	420
Chile	32	536	568									
Colombia	46	277	323	47	302	349	5	71	76	69	146	215
Dominican Republic	43	162	205	50	145	195	31	47	78	52	117	169
Ecuador	40	116	156	128	118	246	28		28	93	44	137
El Salvador	17	141	158	39	148	187	4	52	56	20	133	153
Guatemala	21	118	139	40	101	141	15	30	45	46	74	120
Haiti	6		6	29		29	5		5	50		50
Honduras	60	196	256	47	176	223	14	9	23	35	118	153
Mexico	31	28	59	18	14	32	10		10	70	2	72
Nicaragua	46	207	253	58	153	211	38	83	121	64	162	226
Panama	4	352	356	5	195	200		50	50	9	143	152
Paraguay	50	52	102	51	61	112	3	29	32	56	75	131
Peru	123	121	244	99	202	301	33	40	73	143	54	197
Uruguay	25	112	137	31	144	175	2	14	16	38	175	213
Venezuela	57	87	144	92	48	140	38	66	104	44	97	141
Regional total	899	2,861	3,760	1,352	2,004	3,356	300	588	888	1,308	1,600	2,908
Worldwide total	3,491	5,204	8,695	3,809	2,315	6,124	695	588	1,283	3,501	1,674	5,175

EXCESS DEFENSE ARTICLES

[In thousands of dollars]

Country	Actual, fiscal year 1975		Proposed, fiscal year 1976		Proposed, fiscal year 197T		Proposed, fiscal year 1977	
	Acquisition value	Actual value	Acquisition value	Actual value	Acquisition value	Actual value	Acquisition value	Actual value
East Asia and Pacific:								
Cambodia	1,719	573						
Indonesia	128	43	1,500	500			1,500	600
Korea	5,102	1,734	3,000	1,000				
Laos	208	96						
Philippines	1,251	417	18,000	6,000			3,000	1,200
Thailand	4,602	1,534	45,000	15,000			6,000	2,600
Vietnam	4,067	4,067						
Regional total	17,077	8,464	67,500	22,500			10,500	4,400
Near East and South Asia:								
Jordan (regional total)	1,200	400	900	300			1,500	600
Europe:								
Greece			6,000	2,000			14,000	4,800
Portugal			600	200			300	100
Turkey	8,568	2,856	6,000	2,000			14,000	4,700
Regional total	8,568	2,856	12,600	4,200			28,300	9,600
Africa: Ethiopia (regional total)	295	98	900	300			900	300
American Republics:								
Bolivia	216	72	900	300			600	200
Dominican Republic			300	100				
El Salvador	1,329	443	300	100				
Guatemala			150	50				
Honduras			150	50				
Nicaragua	129	44	300	100				
Panama			150	50			600	200
Paraguay	258	86	300	100			600	200
Uruguay	114	38	300	100				
Regional total	2,046	683	2,850	950			1,800	600
Worldwide total	29,186	12,501	84,750	28,250			43,000	15,500

FOREIGN MILITARY SALES AGREEMENTS

[Dollars in thousands; fiscal years]

Country	Actual 1975			Estimated 1976			Estimated 197T			Estimated 1977		
	Cash	Credit used	Total	Cash	Credit used	Total	Cash	Credit used	Total	Cash	Credit used	Total
East Asia and Pacific:												
Australia	158,564		158,564	408,000		408,000	102,000		102,000	195,000		195,000
Burma	30		30	50		50	13		13	1,000		1,000
China (Taiwan)	116,139	7,006	123,145	175,000	15,000	190,000	43,750	3,750	47,500	115,000	20,000	135,000
Fiji				100		100	25		25	100		100
Indonesia	45,103	3,411	48,514	3,000		3,000	750		750	5,000	15,000	20,000
Japan	29,647		29,647	28,000		28,000	7,000		7,000	50,000		50,000
Korea	212,880	5,926	218,806	495,000	126,000	621,000	123,750	31,500	155,250	200,000	150,000	350,000
Malaysia	4,153	65	4,218	2,000	3,000	5,000	500	750	1,250	2,700	2,300	5,000
New Zealand	4,156		4,156	3,000		3,000	750		750	4,000		4,000
Philippines	31,356		31,356	31,500	2,500	34,000	7,875	625	8,500	15,000	15,000	30,000
Singapore	1,480		1,480	4,000		4,000	1,000		1,000	11,000		11,000
Thailand	11,422		11,422	2,000	8,000	10,000	500	2,000	2,500	20,000	25,000	45,000
Regional total	614,930	16,408	631,338	1,151,650	154,500	1,306,150	287,913	38,625	326,538	618,800	227,300	846,100
Near East and South Asia:												
Bahrain	18		18	50		50	13		13	50		50
India	7,939		7,939	5,000		5,000	1,250		1,250	2,000		2,000
Iran	2,567,903		2,567,903	1,293,000		1,293,000	323,500		323,500	1,200,000		1,200,000
Israel	841,937	26,713	868,650		1,198,000	1,198,000		299,500	299,500	200,000	1,000,000	1,200,000
Jordan	29,270	313	29,583	348,000	75,000	423,000	106,000		106,000	300,000	75,000	375,000
Kuwait	370,496		370,496	197,000		197,000	23,000		23,000	75,000		75,000
Lebanon	269	26	295	100		100	25		25	5,000	5,000	10,000
Morocco	294,876		294,876	158,000	20,000	178,000	39,500	5,000	44,500	70,000	40,000	110,000
Oman	1,613		1,613	200		200	50		50	1,000		1,000
Pakistan	37,408		37,408	24,000		24,000	6,000		6,000	50,000		50,000
Saudi Arabia	1,373,862		1,373,862	2,143,000		2,143,000	535,800		535,800	1,500,000		1,500,000
Tunisia	450		450		2,000	2,000		500	500		30,000	30,000
Yemen	372		372							75,200		75,200
Regional total	5,526,413	27,052	5,553,465	4,168,350	1,295,000	5,463,350	1,035,138	305,000	1,340,138	3,478,250	1,150,000	4,628,250

See footnote at end of table.

FOREIGN MILITARY SALES AGREEMENTS—Continued

[Dollars in thousands; fiscal years]

Country	Actual 1975			Estimated 1976			Estimated 197T			Estimated 1977		
	Cash	Credit used	Total	Cash	Credit used	Total	Cash	Credit used	Total	Cash	Credit used	Total
Europe:												
Austria	6,967		[1] 6,967	10,000		10,000	2,500		2,500	10,000		10,000
Belgium	737,937		[1] 737,937	9,000		9,000	2,250		2,250	44,000		44,000
Denmark	367,742		[1] 367,742	30,000		30,000	7,500		7,500	80,000		80,000
Finland	1		1	50		50	13		13	50		50
France	4,565		4,565	12,000		12,000	3,000		3,000	10,000		10,000
Germany	291,698		291,698	215,000		215,000	53,750		53,750	250,000		250,000
Greece	193,522	5,053	198,575	92,000		92,000	23,000		23,000	130,000		130,000
Ireland	21		21	50		50	13		13	50		50
Italy	46,219		46,219	32,000		32,000	8,000		8,000	30,000		30,000
Luxembourg	25		25	500		500	125		125	500		500
Netherlands	686,387		[1] 686,387	56,000		56,000	14,000		14,000	104,000		104,000
Norway	458,931		[1] 458,931	33,000		33,000	8,250		8,250	67,000		67,000
Portugal	2,456		2,456	1,000		1,000	250		250	2,000		2,000
Spain	52,581		52,581	83,000		83,000	20,700	40,000	60,700	40,000	120,000	160,000
Sweden	691		691	26,000		26,000	6,500		6,500	3,500		3,500
Switzerland	49,212		49,212	385,000		385,000	96,250		96,250	50,000		50,000
Turkey	68,469	495	68,964	5,000	15,000	20,000	1,250	3,750	5,000	10,000	100,000	110,000
United Kingdom	30,497		30,497	46,000		46,000	11,500		11,500	50,000		50,000
Yugoslavia	257		257	400		400	100		100	1,500		1,500
Regional total	2,998,178	5,548	3,003,726	1,036,000	15,000	1,051,000	258,951	43,750	302,701	882,600	220,000	1,102,600
Africa:												
Ethiopia	25,391	2,627	28,018	89,000	10,000	99,000	22,250	2,500	24,750	25,000	10,000	35,000
Gabon	218		218	50		50				50		50
Ghana	16		16	50		50	13		13	50		50
Kenya					7,000	7,000		1,750	1,750	1,000	5,000	6,000
Liberia	430	19	449		200	200		50	50	100	600	700
Mali		148	148	50		50						
Nigeria	4,470		4,470	6,000		6,000	1,500		1,500	5,000		5,000
Zaire	1,337		1,337	1,000	18,000	19,000	250	4,500	4,750	2,000	25,000	27,000
Regional total	31,862	2,794	34,656	96,150	35,200	131,350	24,013	8,800	32,813	33,200	40,600	73,800

See footnote at end of table.

American Republics:												
Argentina	6,004	8,096	14,100	3,000	22,000	25,000	750	5,500	6,250	3,000	27,000	30,000
Bolivia	920	----------	920	200	3,800	4,000	50	950	1,000	500	5,500	6,000
Brazil	25,451	1,574	27,025	10,000	15,000	25,000	2,500	3,750	6,250	10,000	25,000	35,000
Canada	102,126	----------	102,126	70,000	----------	70,000	17,500	----------	17,500	80,000	----------	80,000
Chile	28,410	19,965	48,375	37,500	----------	37,500	9,375	----------	9,375	20,000	----------	20,000
Colombia	565	400	965	100	100	200	30	20	50	500	10,500	11,000
Costa Rica	259	----------	259	50	----------	50	13	----------	13	50	----------	50
Dominican Republic	3	----------	3	----------	500	500	----------	125	125	50	450	500
Ecuador	14,822	----------	14,822	11,000	----------	11,000	2,750	----------	2,750	500	9,500	10,000
El Salvador	199	120	319	----------	1,000	1,000	----------	250	250	100	1,400	1,500
Guatemala	468	----------	468	500	1,500	2,000	125	375	500	500	1,000	1,500
Haiti	84	----------	84	50	----------	50	13	----------	13	100	500	60p
Honduras	282	----------	282	----------	3,000	3,000	----------	750	750	200	2,000	2,200
Jamaica	71	----------	71	50	----------	50	13	----------	13	50	----------	50
Mexico	153	----------	153	2,000	----------	2,000	500	----------	500	500	----------	500
Nicaragua	571	----------	571	----------	3,000	3,000	----------	750	750	500	1,500	2,000
Panama	258	----------	258	1,000	----------	1,000	250	----------	250	----------	500	500
Paraguay	37	----------	37	100	400	500	30	100	130	100	400	500
Peru	23,599	----------	23,599	21,000	12,000	33,000	5,250	3,000	8,250	8,000	22,000	30,000
Uruguay	6,699	1,509	8,208	200	800	1,000	50	200	250	500	2,500	3,000
Venezuela	29,993	3,547	33,540	12,000	1,000	13,000	3,000	250	3,250	10,000	----------	10,000
Regional total	240,974	35,211	276,185	168,750	64,100	232,850	42,199	16,020	58,219	135,150	109,750	244,900
International organizations	30,694	----------	30,694	22,000	----------	22,000	5,500	----------	5,500	20,000	----------	20,000
Worldwide total	9,443,051	87,013	9,530,064	6,642,900	1,563,800	8,206,700	1,653,714	412,195	2,065,909	5,168,000	1,747,650	6,915,650

[1] Includes agreement based on MOU.

COMMERCIAL SALES DELIVERIES

[Dollars in thousands; fiscal years]

Country	Estimated– 1975	1976	197T	1977
East Asia and Pacific:				
Australia	6,200	5,500	1,300	7,200
Burma	30	30	----------	30
China (Taiwan)	8,900	21,600	5,400	33,800
Indonesia	1,000	6,200	1,500	8,800
Japan	64,500	56,800	14,200	74,500
Korea	1,200	6,300	1,600	11,900
Malaysia	11,600	10,200	2,500	13,300
New Zealand	600	600	100	700
Philippines	2,100	4,200	1,100	5,600
Singapore	800	3,000	700	4,600
Thailand	4,700	4,200	1,000	5,500
Regional total	101,630	118,630	29,400	165,930
Near East and South Asia:				
India	700	600	200	800
Iran	73,300	114,400	28,600	214,500
Israel	92,100	139,000	34,700	217,200
Jordan	100	100	----------	100
Kuwait	2,600	5,100	1,300	6,700
Lebanon	600	700	----------	700
Libya	1,200	1,300	----------	1,300
Morocco	40	40	----------	50
Oman	40	50	----------	50
Pakistan	1,800	1,600	400	2,100
Saudi Arabia	35,800	31,400	7,900	59,000
Regional total	208,280	294,290	73,100	502,500
Europe:				
Austria	500	500	----------	500
Belgium	13,400	11,800	2,900	18,400
Denamrk	4,900	7,200	1,800	11,200
Finland	500	500	100	600
France	21,200	18,800	4,600	24,500
Germany	67,500	55,600	13,800	76,300
Greece	1,900	8,900	2,200	16,700
Italy	29,400	25,800	6,500	40,100
Luxembourg	1,200	1,000	300	1,400
Netherlands	4,500	6,800	1,700	12,700
Norway	3,400	3,000	700	5,600
Portgual	1,200	1,000	300	1,400
Spain	26,900	23,700	5,900	31,100
Sweden	10,400	9,200	2,300	12,000
Switzerland	5,600	5,000	1,200	6,500
Turkey	3,600	18,200	4,600	25,100
United Kingdom	19,000	16,500	4,100	21,700
Yugoslavia	400	400	----------	400
Regional total	215,500	213,900	53,000	306,200
Africa:				
Ethiopia	50	50	----------	50
Kenya	2,200	1,700	500	2,500
Nigeria	2,400	27,900	7,000	36,700
Uganda	300	240	60	300
Zaire	200	150	50	300
Regional total	5,150	30,040	7,610	39,850
American Republics:				
Argentina	1,400	1,200	300	1,600
Bolivia	200	160	40	200
Brazil	4,400	17,400	4,300	22,800
Canada	85,000	74,800	18,700	98,200
Chile	2,000	1,800	400	2,300
Colombia	800	700	200	1,000
Costa Rica	50	55	----------	60
Dominican Republic	100	100	----------	100
Ecuador	50	60	----------	60
El Salvador	200	160	40	200
Guatemala	200	240	60	300
Haiti	200	240	60	300
Honduras	300	240	60	400
Jamaica	40	40	----------	40

COMMERCIAL SALES DELIVERIES—Continued

[Dollars in thousands; fiscal years]

Country	Estimated— 1975	1976	197T	1977
American Republics—Continued				
Mexico	1,300	1,000	300	1,500
Nicaragua	200	160	40	200
Panama	2,000	1,700	400	2,300
Paraguay	200	160	40	200
Peru	400	320	80	500
Uruguay	200	240	60	300
Venezuela	4,900	8,100	2,000	10,600
Regional total	104,140	108,875	27,080	143,160
International organizations	1,300	63,100	15,800	82,900
Worldwide total	636,000	828,835	205,990	1,240,540

General and Other Costs

Funds appropriated for the military assistance program are required for administrative expenses, Inspector General (foreign assistance), storage and maintenance of MAP materiel, logistics management expenses and U.N. forces support—Korea.

Administrative expenses—funds are required for 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.) Beginning July 1, 1976 (fiscal year 197T) the military assistance appropriation will assume funding responsibility for MAAG administrative costs previously financed from military department appropriations (authority: Foreign Assistance Act of 1974).

Inspector General (foreign assistance)—These funds reimburse the State Department for the Department of Defense share of the Inspector General's office.

Storage and maintenance of MAP materiel—on occasion it becomes necessary to place MAP owned materiel in storage for brief periods until final disposition is made. The cost is for storing and maintaining such materiel in a ready-to-issue condition.

Logistics management expenses—these funds are required for efficient implementation of the military assistance program such as supervision, records control, editing, requisition control, ADP and related services.

U.N. Forces support—Korea—through fiscal year 1956, military department appropriations financed support to other U.N. Forces operating in Korea. In subsequent fiscal years, support of these forces has been financed by MAP funds. For the period from fiscal year 1957 through fiscal year 1976, this support was programed as a part of the Korea MAP program. Inasmuch as the proposed fiscal year 1977 program for Korea is limited to supply operations for delivery of prior years' undelivered equipment, these U.N. Forces requirements, which are continuing, are included in general and other costs.

GENERAL AND OTHER COSTS

[In thousands of dollars]

	Actual, fiscal year 1975	Proposed, fiscal year— 1976	197T	1977
Administrative expenses	28,305	25,038	20,740	59,400
Inspector general (foreign assistance)	175	668	160	700
Supply operations	2,686	11,394	2,500	10,000
Storage and maintenance of MAP materiel	2,686	1,200	200	790
Logistics management expenses	[1] (11,579)	10,194	2,300	9,300
U.N. forces support, Korea	204	[2]	[2]	[2]
Total	31,370	37,100	23,400	70,000

[1] Nonadditive. Logistics management expenses for fiscal year 1975 which were originally programed in general costs were subsequently prorated individual country programs.

[2] Comparable costs are now included in the international military education and training program.

COST OF ADVISORY GROUPS [1]

[In thousands of dollars]

Country	Actual fiscal year 1975	Proposed fiscal year 1976	Proposed filsca year 197T	Proposed 1977
East Asia and Pacific:				
Australia	72	84	21	74
China (Taiwan)	2,680	1,698	425	1,309
Indonesia	2,509	2,441	610	2,016
Japan	391	336	84	100
Korea	7,377	6,542	1,636	6,631
Malaysia	16	25	6	21
Philippines	1,858	1,912	478	1,789
Singapore	23	25	6	17
Thailand	4,441	4,749	1,187	4,689
Regional total	19,367	17,812	4,453	16,646
Near East and South Asia:				
India	267	337	84	243
Iran	10,751	3,277	819	589
Jordan	356	497	124	448
Kuwait	397	491	123	
Morocco	631	825	206	733
Pakistan	377	411	103	296
Saudi Arabia	3,717	4,417	1,104	400
Tunisia	463	530	133	429
Regional total	16,959	10,785	2,696	3,138
Europe:				
Austria	77	82	21	85
Bellux	158	160	40	91
Denmark	169	179	45	119
France	168	148	37	56
Germany	785	692	173	341
Greece	1,651	1,858	465	1,628
Italy	346	300	75	178
Netherlands	162	167	42	136
Norway	138	140	35	88
Portugal	537	490	123	486
Spain	1,093	1,160	290	1,145
Turkey	5,517	4,835	1,209	4,818
United Kingdom		74	19	102
Regional total	10,801	10,285	2,574	9,273
Africa:				
Ethiopia	3,271	2,630	658	2,280
Liberia	896	878	220	647
Nigeria	75	122	31	237
Zaire	695	747	187	665
Regional total	4,937	4,377	1,096	3,829
Latin America:				
Argentina	1,307	1,634	409	1,323
Bolivia	979	1,634	409	1,023
Brazil	2,151	2,946	737	2,046
Chile	633	868	217	666
Colombia	776	1,007	252	846
Costa Rica	73	119	30	95
Dominican Republic	439	421	105	492
Ecuador	311	313	78	272
El Salvador	350	493	123	458
Guatemala	577	565	141	569
Honduras	341	507	127	389
Mexico	14	24	6	16
Nicaragua	524	580	145	441
Panama	300	423	106	321
Paraguay	470	694	174	520
Peru	290	305	76	315
Uruguay	552	761	190	614
Venezuela	1,046	1,327	332	1,030
Regional total	11,133	14,621	3,657	11,436
Worldwide total	63,197	57,880	14,476	44,322

[1] Represents cost to U.S. Government less contributed currency. Costs to U.S. Government for fiscal year 1975 and 1976 were MAP or DOD appropriations; for fiscal year 197T and 1977 all costs are funded with MAP appropriations.

AUTHORIZED PERSONNEL STRENGTHS IN ADVISORY GROUPS

Country	Actual fiscal year 1975			Proposed fiscal year 1976			Proposed fiscal year 197T			Proposed fiscal year 1977		
	Mil	Civ	Local	Mil	Civ	Local	Mil	Civ	Local	Mil	Civ	Local
East Asia and Pacific:												
Australia[1]	3			3			3			3		
Cambodia	82		5									
China (Taiwan)	46	4	11	43	5	12	43	5	12	38	4	11
Indonesia	55	6	22	55	6	22	55	6	22	55	6	22
Japan	7	5	5	7	5	5	7	5	5	7	5	5
Korea	159	41	53	155	44	50	155	44	50	155	44	50
Laos	15	7										
Malaysia [1]	1			1			1			1		
Philippines	45	9	6	39	9	6	39	9	6	38	9	6
Singapore [1]	1			1			1			1		
Thailand	169	5	8	166	7	8	166	7	8	158	10	8
Regional total	583	77	110	470	76	103	470	76	103	456	78	102
Near East and South Asia:												
India	4	1	5	4	1	5	4	1	5	4	1	5
Iran	191	18	39	191	18	39	191	18	39	191	18	39
Jordan [1]	9	1	5	10	2	5	10	2	5	10	2	5
Kuwait	9			9			9			9		
Morocco	18	3	6	19	2	6	19	2	6	19	2	6
Pakistan	8		6	9		7	9		7	9		7
Saudi Arabia	140	2	9	148	2	10	148	2	10	148	2	10
Tunisia	9	1	3	9	1	3	9	1	3	9	1	3
Original total	388	26	73	399	26	75	399	26	75	399	26	75
Europe:												
Austria[1]	2			2			2			2		
Bellux	7	1	5	7	1	5	7	1	5	7	1	5
Denmark	7	1	6	7	1	6	7	1	6	7	1	6
France	6	1	6	6	1	6	6	1	6	6	1	6
Germany	22	5	9	22	5	9	22	5	9	22	5	9
Greece	46	9	27	29	7	16	29	7	16	29	7	16
Italy	11	2	6	11	2	6	11	2	6	11	2	6
Netherlands	8		6	8	1	5	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	31	11	19	29	8	19	29	8	19	29	8	19

AUTHORIZED PERSONNEL STRENGTHS IN ADVISORY GROUPS

Country	Actual fiscal year 1975			Proposed fiscal year 1976			Proposed fiscal year 197T			Proposed fiscal year 1977		
	Mil	Civ	Local	Mil	Civ	Local	Mil	Civ	Local	Mil	Civ	Local
Europe—Continued												
Turkey	146	28	86	113	21	58	113	21	58	113	21	58
United Kingdom [1]				2	1		2	1		2	1	
Regional total	303	62	182	253	52	142	253	52	142	253	52	142
Africa:												
Ethiopia	79	4	33	46	4	28	46	4	28	46	4	28
Liberia	12		3	9		3	9		3	9		3
Nigeria [1]	1	1	1	1	1	1	1	1	1	1	1	1
Zaire	10		3	10		3	10		3	10		3
Regional total	102	5	40	66	5	35	66	5	35	66	5	35
Latim America:												
Argentina	27	1	9	27	1	9	27	1	9	28	1	9
Bolivia	29	2	8	29	2	8	29	2	8	29	2	8
Brazil	40	6	26	31	2	14	31	2	14	31	2	14
Chile	15		6	15		6	15		6	15		
Colombia	24	1	6	22	1	6	22	1	6	22	1	6
Costa Rica	2		1	2		1	2		1	2		1
Dominican Republic	8		3	8		2	8		2	8		2
Ecuador	6	1	3	8	1	3	8	1	3	8	1	3
El Salvador	10		3	10		3	10		3	10		3
Guatemala	19		4	15		4	15		4	14		4
Honduras	11		3	11		3	11		3	11		3
Mexico [1]	1			1			1			1		
Nicaragua	17		3	15		3	15		3	14		3
Panama	9	1	1	9	1	1	9	1	1	9	1	1
Paraguay	14		3	14		3	14		3	14		3
Peru	7		3	7		4	7		4	7		4
Uruguay	13		5	13		5	13		5	13		5
Venezuela	31		4	30		4	30		4	28		4
Regional total	283	12	91	267	8	79	267	8	79	264	8	79
Worldwide total	1,659	182	496	1,455	167	434	1,455	167	434	1,438	169	433

[1] Defense Attache Office augmentation for security assistance.

Mr. PASSMAN. Would you like to summarize your statement, General Fish?

General FISH. Yes, sir.

I appreciate this opportunity to once again appear before you. My full statement you kindly entered into the record in its entirety, so I will highlight certain features of it.

I point out in the initial part of my statement the responsibilities of the Department of Defense in regard to this program and make the point that the Secretary of State, of course, has the principal policy supervision, whether there will be a program, and the size of the program is a determination for the Department of State.

We, in the Department of Defense, make our own recommendations and the five major factors which we consider in our recommendations are:

First, to maintain the peace, protect our interests, and promote the settlement of international differences through negotiation, it is necessary to maintain adequate military strength. Weakness on the part of the United States or on the part of our allies and other friends invites probing and adverturism on the part of those who would exploit it.

Second, the United States has political, economic, and strategic interests in the world which must be fostered through foreign policies which are supported by our military posture.

Third, U.S. interests remain under challenge, primarily by the U.S.S.R., which continues to increase its military capabilities qualitatively and quantitatively. These challenges, both direct and indirect, can be seen in Europe, along the Mediterranean littoral, in the Middle East and Africa, in the Persian Gulf, and in Asia.

Fourth, the United States will continue to play the principal role in defending interdependent interests and contributing to world stability. If we fail, there is no other power to take our place.

Finally, the United States must maintain a military establishment which—in conjunction with friendly and allied nations—will safeguard our interests in the face of a growth in adversary capabilities. The instruments of security cannot expand and contract on short notice.

Sir, our overall budget request is, of course, contained in detail in the congressional presentation document and this year for the first time, in addition and in response to the committee's questioning at last year's appearance, we have provided a classified document country by country where we have any security assistance or cooperation programs worldwide and, in an attempt to be responsive to the chairman and the committee and members' request, some additional analyses keyed to the types of questions we received last time.

To avoid the necessity to say, "We could provide that data on a classified basis," we have made copies of this document on the security assistance program and delivered them to the committee room, one for each member of the committee.

Mr. PASSMAN. Thank you, General Fish.

General FISH. Sir, I would like just to make a couple of additional comments, if I might.

Mr. PASSMAN. Proceed.

General FISH. I have for the military training program, which is, I think, not well understood, a statement that expands considerably on our justification of that program as why we believe it is necessary, and I would with the committee's permission like to introduce into the record an article by Dr. Ernest W. Lefever that has just appeared in March 1976 in the "Annals of the American Academy of Political and Social Science." His article is on the military assistance training program and he states that:

> The military assistance training program has been and is a low-cost, low-risk foreign policy instrument that has served the U.S. interest in interstate stability and has provided a valuable channel of communication and influence with a significant elite, especially in the Third World. In the past 25 years, the program has reached over 450,000 officers and men from 70 allied and friendly countries. Most of them have been trained in the United States, in more than 2,000 different skills from auto mechanics and bookkeeping to computer sciences and advanced management. The program has advanced the efficiency, professional performance, and readiness of the recipient military services. Perhaps more significant, it has established a continuing link between United States and host-state military leaders, many of the latter being in positions of political responsibility.

With your permission I would like to introduce the whole article and Mr. Lefever's biography at this point.

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

What is his rank?

General FISH. It is Dr. Ernest W. Lefever. He is a senior fellow in foreign policy studies at the Brookings Institution.

Mr. PASSMAN. Did he get paid for that article, or was it voluntary?

General FISH. Voluntary as far as I know.

Mr. PASSMAN. How does he find time to write this article. He doesn't have anything to do with the military. Do you think he may have been encouraged from some quarter?

General FISH. I don't believe so.

Mr. PASSMAN. He is not in the military at all? Isn't it strange and unusual that this dedicated man would give us his regular daily vocation to write this flowery article about the program when it is now kind of on shaky ground.

[The article and biography follow:]

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INTERNATIONAL EXCHANGE OF PERSONS: A REASSESSMENT

Special Editor of This Volume
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ANNALS, AAPSS, 424, March 1976

The Military Assistance Training Program

By ERNEST W. LEFEVER

ABSTRACT: The Military Assistance Training Program has been and is a low-cost, low-risk foreign policy instrument that has served the United States interest in interstate stability and has provided a valuable channel of communication and influence with a significant elite, especially in the Third World. In the past 25 years, the program has reached over 450,000 officers and men from 70 allied and friendly countries. Most of them have been trained in the United States, in more than 2,000 different skills from auto mechanics and bookkeeping to computer sciences and advanced management. The program has advanced the efficiency, professional performance, and readiness of the recipient military services. Perhaps more significant, it has established a continuing link between United States and host-state military leaders, many of the latter being in positions of political responsibility.

Dr. Ernest W. Lefever, a Senior Fellow in Foreign Policy Studies at the Brookings Institution, has traveled widely in Asia, Africa, and Latin America. He is currently studying U.S. policy toward nuclear arms in the Third World. His books include Arms and Arms Control *(1966) and* Spear and Scepter: Army, Police, and Politics in Tropical Africa *(1970).*

Dr. Lefever's article is based upon a study he has made at the Brookings Institution, but here he speaks only for himself.

ONE OF the least well known and least expensive per capita leadership training programs conducted by the United States government is also one of the largest and most consequential. I refer to the Military Assistant Training Program (MAP), which over the past 25 years has provided United States training for more than 450,000 men and officers from 70 different friendly and allied countries around the world. Never before in history have so many governments entrusted so many men in such sensitive positions to the training of another government. (The number of MAP trainees from 1950 to 1973 by participating country is given in table 1.)

This far-flung program which has averaged more than 17,800 trainees a year has become increasingly controversial, but not as controversial as the overall United States program of providing military equipment and arms by grant or sale. In all transfers of military hardware, the United States or the manufacturer provides specialized training for its use. MAP training may or may not be directly related to the skills needed for a particular weapon or aircraft. The program has made available to foreign military personnel more than 2,000 courses, ranging from jeep maintenance and jet flying to computer technology and general staff training.

The program is consequential because almost half the men it has reached in Asia, Africa, and Latin America are officers and, as is well known, military officers play a significant political role in these regions. MAP may be seen and judged as one form of security assistance, but with equal justification it may be seen and evaluated as one of the larger United States leadership training efforts.

As the United States continues to reduce the size and visibility of its military presence on foreign soil in the immediate future and concurrently encourages allied and friendly states to accept a greater responsibility for their own security, what should be the role of MAP training? In the effort to foster self-sufficiency in national security among friendly and allied states, should Washington increase or decrease MAP training? Given the trend from grant aid to sales in military hardware, should the character or administration of the training program be altered?

To answer these questions, I have sought first to understand the nature of the program and then acquainted myself with the varieties of training offered before I attempted to assess its effects in the participating countries. I have visited more than 20 United States military training facilities, including the Army, Navy, and Air Force Command Schools in the United States; the Army and Air Force schools in the Panama Canal Zone for Latin Americans; and the Army Pacific Intelligence School in Okinawa (now defunct). I visited Panama, El Salvador, Guatemala, Liberia, Morocco, Iran, Thailand, Indonesia, the Republic of China, and Japan to interview members of our military training and advisory missions, United States Embassy officials, and military officers of the host country, including men who have had command-level training in the United States. (As of mid-1970, some 3,264 officers had received United States command

TABLE 1

SUMMARY OF STUDENTS TRAINED UNDER MAP—FY 1950–1973

COUNTRY	UNITED STATES	OVERSEAS	TOTAL	COUNTRY	UNITED STATES	OVERSEAS	TOTAL
Afghanistan	332	—	332	Libya	429	41	470
Argentina	2,654	865	3,519	Luxembourg	63	113	176
Austria	405	11	416	Malaysia	341	27	368
Belgium	3,768	1,430	5,198	Mali	69	5	74
Bolivia	441	3,029	3,470	Mexico	432	232	664
Brazil	7,001	882	7,883	Morocco	918	1,104	2,022
Burma	775	19	794	Nepal	34	—	34
Chile	2,678	2,622	5,3000	Netherlands	4,744	1,553	6,297
China (Taiwan)	20,086	4,221	24,307	Nicaragua	718	3,771	4,489
Colombia	2,402	3,109	5,511	Nigeria	462	—	462
Costa Rica	33	496	529	Norway	4,042	1,386	5,428
Cuba	307	214	521	Pakistan	3,830	530	4,360
Denmark	3,836	811	4,647	Panama	53	3,531	3,584
Dominican Republic	699	2,572	3,271	Paraguay	349	921	1,270
Ecuador	1,561	2,839	4,400	Peru	3,133	2,978	6,111
El Salvador	212	1,173	1,385	Philippines	9,200	5,545	14,745
Ethiopia	3,143	130	3,273	Portugal	2,208	673	2,881
France	12,600	1,742	14,342	Saudi Arabia	1,122	204	1,326
Germany	1,190	434	1,624	Senegal	18	—	18
Ghana	152	—	152	Spain	7,899	1,290	9,189
Greece	11,980	2,164	14,144	Sri Lanka	39	—	39
Guatemala	676	2,048	2,724	Sudan	119	8	127
Guinea	4	—	4	Syria	23	—	23
Haiti	444	60	504	Thailand	9,538	4,011	13,549
Honduras	270	1,922	2,192	Tunisia	346	169	515
India	504	33	537	Turkey	15,932	2,575	18,507
Indochina	408	26	434	United Kingdom	3,719	148	3,867
Indonesia	3,648	583	4,231	Upper Volta	26	—	26
Iran	9,018	1,789	10,807	Uruguay	1,075	1,172	2,247
Iraq	372	32	404	Venezuela	1,552	3,354	4,906
Italy	8,144	1,219	9,363	Vietnam	23,675	9,879	33,554
Japan	9,642	5,637	15,279	Yemen	5	—	5
Jordan	791	34	825	Yugoslavia	625	219	844
Khmer Republic	435	62,959	63,394	Zaire	310	266	576
Korea	22,144	9,386	31,530	International Agencies	465	—	465
Laos	1,830	34,176	36,006	General & Regional	31	—	31
Lebanon	268	1,188	1,456				
Liberia	517	2	519	Worldwide total	232,914	195,562	428,476

SOURCE: *Foreign Military Sales and Military Assistance Facts* (Washington: Office of the Assistant Secretary of Defense, 1974), p. 11.

training. See table 2.) My comments are directed more to a description of what is than a prescription of what ought to be, though my analysis is not without implicit advice.

MAP TRAINING HAS TWO MAJOR OBJECTIVES

Since its inception shortly after World War II, MAP training has

TABLE 2

FOREIGN ALUMNI OF U.S. COMMAND AND GENERAL STAFF COURSES: 1946–1970

REGION	ARMY	AIR FORCE	NAVY	MARINES	TOTAL
Europe (and Canada)	492	235	123	64	914
Latin America	386	241	107	31	765
Asia	765	480	122	62	1,429
Africa	70	41	3	0	114
Australia and New Zealand	27	2	7	6	42
Total	1,740	999	362	163	3,264

NOTE: The above information was compiled by Ernest W. Lefever for a study on MAP training at the Brookings Institution.

The United States Army, Air Force, Navy, and Marines each provide command and staff training for officers of allied and friendly states as follows:

1. U.S. Army Command and General Staff College, Fort Leavenworth, Kansas
2. Air University, Maxwell Air Force Base, Alabama
3. U.S. Naval War College, Newport, Rhode Island
4. Marine Corps Command and Staff College, Quantico, Virginia.

The Air Force Command and Staff Course started in 1946 and the Naval Command Course began in 1957.

been designed to support two major United States foreign policy objectives: first, our security interest, by promoting stability within and among participating states and by enhancing their capacity to defend themselves; second, our larger political interest, by strengthening the bonds of mutual understanding through a person-to-person program that has introduced thousands of actual or potential foreign leaders to American life and institutions. People differ as to whether the more limited security objective or the broader political objective should be the primary rationale for the program. In my view, both objectives have validity, because all United States training has inescapable security and political implications. The utility of a particular program for any country must be determined by its results in view of the weight attached to these two basic objectives and the significance of that country to larger United States interests.

WIDE VARIETY OF TRAINING EXPERIENCES

Approximately 11,800 men and officers a year have been trained in the States in more than 175 different military facilities. English is the usual language of instruction. These foreign trainees study side by side with United States students. More than 5,000 have been trained overseas, most of them in the U.S. Army and Air Force schools in the Canal Zone, in Spanish. Thousands of additional men have received short-term instruction in their own country from United States Mobile Training Teams.

All types of training involve a great deal of person-to-person communication between foreign and American military men, but the trainees in the United States naturally have a deeper and more sustained contact with American culture. The significance of this contact depends upon the length of their stay and the extent of their oppor-

tunity to see the country. My study of the various training experiences suggests several observations:

1. Generally, the students have been well selected and highly motivated. Consequently, they have generally performed well during the training period.

2. MAP training has been characterized by a high professional quality on the part of both the instructors and the trainees.

3. The content of the technical or doctrinal instruction for foreign and U.S. trainees is the same. Stateside MAP students use the same manuals and training facilities as United States trainees. In the higher professional courses where there are occasional classified lectures, foreign students are excluded. In the Canal Zone where the instruction is not in English, regular United States manuals and materials are used in translation.

4. Most stateside facilities serving MAP students have an information program designed to acquaint them with American life and institutions. While varying widely in comprehensiveness because of the length of the training period, the number of trainees, and the location, the program has generally been well received by the students. Not a single charge that this program has presented a distorted picture of the United States, either overly favorable or overly critical, has come to my attention. Arrangements are made for most trainees to visit military and civilian homes, churches, museums, farms, factories, sports events, places of entertainment, government offices, and other sites. Students who have had several training tours in the United States gain considerable first-hand knowledge of America.

5. English-language facility for stateside training, although not always achieved, opens the door to a wider world of information and communication far beyond the trainee's immediate military needs.

EFFECTS ON MILITARY PROFICIENCY

MAP training is designed to improve the professional quality and performance of the trainee and thus upgrade his branch of the military service. The extent to which this is achieved depends upon the initial quality of his service, the number of men trained, the level and character of training, the impact of domestic political forces upon the armed services, and other factors. Granting this, several observations may be made:

1. The newly acquired or improved skills of the returning trainee are generally well utilized, especially during the first two years. United States training is generally a positive factor in his military career.

2. Generally, United States training helps the assisted military service to become more self-sufficient in training. Though there is some resistance to the requirement that returnees, when feasible, become instructors for about two years, a great many of them do so, even at some risk to their chances for promotion. MAP training, therefore, has a multiplier effect. Trainees with encouragement from the United States military mission have established many indigenous training schools and facilities from the command and general staff level on down.

3. If the pace toward self-sufficiency in feasible types of training

has been too slow in some countries, this can be attributed not to deficiencies in MAP training, but rather to internal military, political, or economic factors.

4. The armed services in countries with major United States training programs have significantly improved in proficiency and readiness.

5. For training to be effective, it must be supported by appropriate military hardware (arms and equipment). Generally, the hardware-training balance in MAP assistance has been satisfactory, whether the equipment is acquired by grant or sales.

EFFECTS ON SECURITY AND STABILITY

A major MAP objective is internal and regional stability. In general, this goal has been well served by training, though many political, economic, and other factors bear upon internal security and interstate peace.

1. The increased proficiency of the military establishment resulting from training enhances its capacity to deter or counter internal or external threats.

2. There is no evidence that United States training, or associated military advice, ever induced a participating government to undertake a military adventure against a neighbor. On the other hand, United States training and advice cannot prevent a government from going to war. This is dramatically illustrated by the clashes between India and Pakistan and the short war between El Salvador and Honduras in 1969 which were caused by local grievances, not by the fact that both sides had received MAP hardware and training. Had these four governments heeded United States advice, there would have been no war.

3. Available evidence suggests that MAP training has not stimulated arms races. On the contrary, the net impact of MAP aid, including hardware, has generally had a moderating effect upon the acquisition of arms by the participating countries, thus contributing to stability and arms control in the region. While some types of training may stimulate an appetite for new and unnecessary arms, this factor is usually offset by United States military advice against so doing. If the United States military aid stops, it loses one important channel for exercising a restraining influence.

EFFECTS ON INTERNAL POLITICAL DEVELOPMENTS

Assuming that in all states internal political developments are largely determined by internal forces, available evidence suggests several observations about the political effects of MAP training:

1. United States training has little effect one way or the other on the political role of the armed forces, a role deeply rooted in the history and culture of a country. To the extent that training may have an impact, it is usually in the direction of a more professional and less political military establishment, because the training itself is essentially professional and nonpolitical, reflecting the United States tradition of civilian supremacy and the instrumental rather than the policy role of the military.

2. Under "normal" circumstances, United States security aid, including training, tends to reinforce the government in power. This is also true of diplomatic recognition and economic aid.

3. MAP training has had no significant effect on the character or frequency of military intervention,

though quiet United States military advice associated with training may have had a slight net effect in deterring or preventing some coups. These extraordinary events are determined almost wholly by internal forces. There is no evidence to support the assertion that MAP trains military officers to overthrow constituted civilian authority.

4. The essential political neutrality of MAP training within a state is demonstrated by the continuity of such aid during periods of internal disruption and over several successive regimes. United States training of Brazilian officers, for example, has continued practically without interruption, despite a series of regimes of various political complexions. There is no evidence to support the assertion that MAP training favors "dictatorial" over "democratic" regimes. MAP has provided training to a great variety of friendly governments, allied and nonaligned, from Austria to Upper Volta, from Afghanistan to Yugoslavia, with the assumption that a more professional army would be more likely to perform a responsible security role than a less professional army.

5. MAP training makes no attempt to mold the political philosophy of the student, much less tamper with his political loyalty. The program does not attempt to control his political beliefs or behavior. If any American officer has ever sought to do so, he was violating fundamental MAP regulations.

EFFECT ON INTERNAL ECONOMIC DEVELOPMENTS

MAP training has had little effect one way or the other on internal economic developments.

1. Since its cost to the participating government is negligible, it has not diverted resources from other sectors of the economy. Even if the program were costly, one would have to prove that the expenditure was nonessential to prove the charge that it was unwise.

2. By introducing modern military technology and increasing the pool of skilled manpower, training has had a modest positive effect on the economy. It has also stimulated military civic action projects that have, in turn, encouraged economic development. MAP-trained personnel have been active in building roads, bridges, and other engineering projects in Latin America and elsewhere. Some trainees have engaged in sanitation, health, and literacy projects for the civilian population.

THE MILITARY TRAINING AND ADVISORY MISSION

In the great majority of MAP countries, there is some kind of United States military mission, called by different names, whose function is to facilitate the transfer of hardware, both grant and sales, and to advise on the training program, including the selection and utilization of students and the creation of indigenous training facilities. MAP training cannot be carried on without some kind of competent United States military group in the participating country. Within the past five years, the size of most of these missions has been significantly cut, reflecting the smaller MAP budget and, on a deeper level, a response to the renewed emphasis on self-sufficiency.

The inclusion or exclusion of a particular country from the MAP program is essentially a political decision for the United States government. But once a country is included and the character of the program is determined, the mission should be adequately staffed. In terms of the

existing MAP objectives in the African and Asian countries I have visited, several observations about the military missions there occur to me:

1. In all countries, there was good rapport between the United States military advisors and their local counterparts.

2. The responsible host military officials in all countries wanted the training program and the military mission to continue at the present level, and in several countries they wanted more training and a larger mission. They said a drastic cut in present MAP personnel would jeopardize the quality of the program.

3. Every reasonable effort was being made by military missions to adjust to the personnel cutbacks ordered by Washington.

TRAINING AS AN INSTRUMENT OF U.S. POLICY

MAP training should be undertaken only when it serves the interests of the United States and the participating country and when the benefit is in line with the cost. On our side, this may be more difficult to ascertain than on the other. We have global interests, wide-ranging commitments, and limited resources. We have decided to reduce the size and visibility of our military presence abroad. This decision has affected foreign military bases and military aid. Both hardware and training assistance have been under increasing criticism at home, sometimes for reasons unsubstantiated by evidence.

Given these circumstances, it is imperative that the multiple objectives of MAP training be reexamined and clarified to determine under what circumstances the more specific security objective of enhancing internal and regional stability should take precedence over the broader political objective of promoting face-to-face contacts with potential leaders when deciding whether to initiate, continue, enlarge, reduce, or terminate a program. If the security goal is uppermost, the decision will be easier than if security and political goals are given equal weight. The security of a friendly country can be enhanced by the United States in a limited number of ways—by an alliance, by the presence of an American military force, or by security assistance. Our larger political objective of keeping channels of communication open with current and future leaders—can be pursued by a variety of military, diplomatic, and economic means.

Regardless of the comparative weight given to security and political factors, some countries are clearly more important to us than others because of their strategic location, size, or political orientation. These should have the first claim on strictly security assistance, including military training and advice. If there are sufficient resources to care adequately for pressing security needs, MAP training can be extended to other friendly countries as one additional means to lend our support and one additional channel to influence their foreign policy.

Assuming continuing pressure on the MAP budget, these guidelines suggest that the bulk of our security assistance be allocated to states that are vital to our interests and face an external threat, such as Turkey, China/Taiwan, and South Korea. States where the threat is not as immediate, but which are strategically located and are prepared to play a

constructive security role in an important region, should also merit serious attention. Iran, which is in a position to exert a stabilizing influence in the Persian Gulf, is an example.

The willingness of the state in question to help itself is another positive factor. Taiwan and Iran have shown such a disposition. And Iran has the added asset of oil, which enables it to pay for virtually all its hardware and training needs.

Military training is different from hardware in several respects. It costs less. It has little visibility. Since it is an investment in persons, it need not pass as rigorous a security test as hardware assistance. Consequently, a modest training program in a small land-locked country in a nonstrategic area may be a wise investment in two-way communication, regardless of how much it contributes to internal and regional stability. Such a program might be justified by invoking some of the criteria applied to the leadership exchange program.

The United States interest in helping friendly states to maintain internal stability is another factor that needs clarification. It is easier to make a case for United States military aid to help a country deter or repel external aggression than a case for such aid to deal with indigenous or externally supported insurgents. Assisting a regime to fight guerrillas may be construed as "taking sides in an internal conflict," and this is literally true. But usually United States diplomacy, supported by a variety of instruments, tends to uphold the existing government. United States support for this objective is generally regarded as a legitimate exercise of American influence, as long as the aid is requested by a widely-recognized government. But to people at home or abroad who sympathize with the insurgents, the United States is supporting "the wrong side." These critics, therefore, oppose all forms of United States support, and particularly security assistance. No attempt will be made here to resolve this perplexing issue which underlies some of the more impassioned criticism of MAP training.

If we are interested in encouraging self-sufficiency, a good case could be made for expanding the United States training program over the next five or ten years. By training more instructors and pressing more vigorously for the creation of indigenous training facilities, the burden on us for training would be eased more rapidly.

TOWARD A MORE EFFICIENT TRAINING PROGRAM

Recognizing that the extent and character of United States military training in a particular state must be determined by a complex political calculus involving consideration of possible alternative ways of achieving the same objectives, I turn in conclusion to the question of how United States training programs, however many or few, large or small, may be more efficiently carried out. I am equally interested in quality and economy.

1. There should be no arbitrary limitation on the total number of MAP training openings in the United States or elsewhere. A fixed ceiling introduces rigidity into a program that needs to be flexible and responsive. In my visits to Central America, Africa, and Asia, the most frequently heard criticism from United States and foreign officials was directed against the "Fulbright

Amendment" that limits the number of MAP trainees in the United States to the number of foreign students in the United States during the previous fiscal year under the Hays-Fulbright Act. If the Congress wants to curtail MAP training, it should do so by limiting appropriations, leaving the details of implementation to the administration operating under legislative guidelines.

2. To provide an agreed volume of training at less cost, every reasonable effort should be made to speed up the development of indigenous training facilities, to increase the use of United States Mobile Training Teams, to provide on-the-job training with United States forces in places like Turkey or South Korea, and to expedite third-country training.

3. At the same time, a substantial portion of the training should be continued in stateside facilities for two chief reasons: (*a*) much of the higher level instruction, such as pilot training and command and staff courses, can be provided only in the United States, and (*b*) a stateside experience has certain benefits not associated with overseas training, such as the first-hand contact with many Americans in their home environment, the chance to improve English-language competence, and the opportunity to train side by side with United States and other foreign military personnel.

4. Recognizing that there must always be a certain minimum level of technical training connected with the acquisition by grant or sales of United States military hardware, there should be increasing emphasis in MAP training on the more advanced courses, including those providing technical, administrative, personnel management, defense planning, and command skills.

5. The so-called VIP tours to the United States should be continued for carefully selected military leaders and groups. They are relatively expensive, but no more so than their civilian counterparts sponsored by the State Department. Such tours, whether civilian or military, must be justified in terms of developing ties with actual or potential leaders in other countries. Evidence suggests that these leadership experiences, especially if they follow or precede one or two actual training periods in the United States, have served United States interests well.

6. MAP-administered training should not be terminated in a particular country because it develops to the point where it can pay for most or all of its military hardware. When the contacts and communication related to the acquisition of grant equipment come to an end, it may be even more important to maintain a nonequipment-oriented training program. Any sound sales arrangement provides for the necessary technical training related to the hardware being purchased. But most armed services, including the more advanced ones, can profit from the higher level courses. Japan and Iran, for example, pay for their American equipment, and they both have developed military establishments, but their defense leaders still insist upon the continuation of nonequipment training.

7. Since even a minimal training program requires some kind of United States military advisory group in the country, it is essential that the personnel be selected with great care. There has been a substantial enrichment in the quality of these staffs in the past 10 years, but there is always room for improvement. The courses at Fort

Bragg designed to train such personnel are to be commended. Our missions need more senior officers who are fully qualified in the local language. Further, as the size of the mission is reduced, the higher ranks should not be phased out. In fact, a case could be made to upgrade the rank in order to symbolize our partnership with the host government and its armed forces. I have heard it said: "Our generals are getting a bit tired of taking advice from American captains." This may be an exaggeration, but it is a wholesome expression of the self-respect so essential to self-sufficiency.

In conclusion, it may be said that MAP training, by whatever name, is perhaps the single most valuable instrument the president has to encourage local and regional initiative in defense and security. A sustained training program leading to greater self-sufficiency and self-respect will have the effect of relieving the far-flung military burden of the United States. Military training is a low-cost and a low-profile program. More important, it is a low-risk instrument. A training program, as such, has never involved the United States militarily in a foreign conflict. We have provided training for more than 70 countries and we became involved in combat in only two—South Korea and South Vietnam (including Cambodia)—not because we had previously trained Koreans or Vietnamese, but because five presidents believed vital United States interests were at stake.

ERNEST W. LEFEVER

Dr. Lefever is a senior fellow on the Foreign Policy Studies staff of the Brookings Institution, an independent research center in Washington, D.C. Currently he is studying U.S. policy toward the acquisition of nuclear weapons in the Third World.

He has taught international politics at the University of Maryland and American University. From 1961 to 1964 he was a senior researcher at the Institute for Defense Analyses. He has been a consultant to the State Department and the Arms Control and Disarmament Agency and has done contract research for AID.

He received an A.B. from Elizabethtown College and a B.D. and Ph.D. from Yale University. Mr. Lefever is a member of the International Institute for Strategic Studies (London), the Washington Institute of Foreign Affairs, and the Johns Hopkins University Society of Scholars. He serves on the editorial boards of World Affairs and Freedom at Issue.

Dr. Lefever has written or edited nine books, including Ethics and United States Foreign Policy (1957); Profile of American Politics (co-author, 1960), Arms and Arms Control (1962); Crisis in the Congo (1965); Uncertain Mandate: Politics of the U.N. Congo Operation (1967); Spear and Scepter: Army, Police, and Politics in Tropical Africa (1970); and TV and National Defense (1974). He has contributed chapters to a dozen other books and written for a score of American journals.

Since he came to Washington in 1955, Dr. Lefever has done research at the School of Advanced International Studies of the Johns Hopkins University, taught political science at the University of Maryland, headed the Foreign Affairs Division of the Library of Congress, and was associated with the Washington Center of Foreign Policy Research. He has lectured at the National War College, the Army, Navy, and Air Force War Colleges, the Foreign Service Institute, and many universities.

In 1960 he was a consultant to the International Affairs Program of the Ford Foundation and spent six weeks in Berlin and West Germany studying German foreign policy. In 1961 he served on President Kennedy's Arms Control Task Force. He has participated in arms control conferences in Switzerland, Norway, Britain, Canada, and the United States.

Dr. Lefever has traveled widely in Europe, Asia, Africa, and Latin America. He has visited the Soviet Union, Poland, Czechoslovakia, Hungary, Yugoslavia, and East Germany.

The first three years after World War II he was a field secretary for the World's Alliance of YMCAs in Europe, working among German prisoners of war. He was an international affairs specialist on the National Council of Churches staff in New York, 1952-54.

Born in York, Pennsylvania, in 1919, Mr. Lefever is married and has two sons, David and Bryce. He lives at 7106 Beechwood Drive, Chevy Chase, Maryland 20015. His business address is: The Brookings Institution, 1775 Massachusetts Avenue, N.W., Washington, D.C. 20036 (Area Code: 202--797-6016.)

December, 1974

RESUME OF ERNEST W. LEFEVER

August 1973

PERSONAL

Born November 12, 1919; married; two children. Home phone: 301/652-2522
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PRESENT POSITIONS

1. Senior Fellow, Foreign Policy Studies, Brookings Institution, Washington, D. C., full time since 1964. Phone: 202/797-6016

2. Adjunct Professor of International Affairs, American University, Washington, D. C., part time since 1958.

EDUCATION

1. Elementary and Secondary: Public Schools, York, Pa., 1924-37
2. Elizabethtown College, Elizabethtown, Pa., A.B., 1942
3. Yale University Divinity School, B.D., 1945
4. Yale University Graduate School, Ph.D., 1956

Academic honors at Yale: University Scholar, 1949-50; Junior Sterling Scholar, 1950-51; Junior Sterling Fellow, 1951-52; Kent Fellow, 1950.

PREVIOUS POSITIONS

1. Senior Staff, Arms Control Research, International Studies Division, Institute for Defense Analyses, Washington, D. C., 1961-1964. (Project Director, research, Department of Defense)

2. Research Associate, Washington Center of Foreign Policy Research, Johns Hopkins University, Washington, D. C., 1960-1961.

3. Foreign Relations Specialist on staff of Senator Hubert H. Humphrey, Washington, D. C., 1959-1960.

4. Research Staff and Acting Chief, Foreign Affairs Division, Legislative Reference Service, Library of Congress, Washington, D. C., 1957-1959.

5. Teaching Faculty, Department of Government and Politics, University of Maryland, College Park, Maryland, 1956-1957.

6. Research Associate, School of Advanced International Studies, Johns Hopkins University, Washington, D. C., 1955-1956, (Spent a year working with Paul H. Nitze.)

7. Associate Executive Director, Department of International Affairs, National Council of Churches, New York, N. Y., 1952-1954.

8. Field Secretary, War Prisoners' Aid, World Alliance of YMCA, working in Britain and West Germany, 1945-1948.

CURRENT SECURITY CLEARANCE: Secret, Department of State

CONSULTANTSHIPS

1. Consultant, Research Analysis Corporation, McLean, Va., 1970 - 1972.
2. Consultant, Battelle Memorial Institute, Columbus, Ohio, 1969 - present.
3. Consultant, Operations and Policy Research, Inc., Washington 1958 - present. (Reviewing books for the U. S. Information Agency)
4. Consultant, Institute for Defense Analyses, Washington, 1964-1967.
5. Participant, Africa Study Group, Council on Foreign Relations, 1967-1968.
6. Consultant to U. S. Disarmament Administration, State Department, 1961.
7. Member, President-elect Kennedy's Task Force on Disarmament, 1960-1961.
8. Consultant on Arms Control Research, International Affairs Division, Ford Foundation, New York, N. Y., 1960.
9. Washington Consultant, Council on Religion and International Affairs, 1958-1964.
10. Editorial Board, World Affairs, Washington, 1969 - present.

6. PUBLICATIONS

Books: (These books have been used widely in U.S.I.A. Libraries abroad)

1. Ethics and United States Foreign Policy, World, 1957. (Seven printings)
2. The World Crisis and American Responsibility, editor, Association Press, 1958. (Chinese, Japanese, Pak-Bengali, and Portuguese eds.)
3. Profile of American Politics, co-author, Houghton Mifflin, 1960.
4. Arms and Arms Control, editor, Praeger, 1962. (Two printings)
5. Crisis in the Congo: A U. N. Force in Action, Brookings, 1965.
6. Uncertain Mandate: Politics of the U. N. Congo Operation, Johns Hopkins Press, 1967.
7. Spear and Scepter: Army, Police, and Politics in Tropical Africa, Brookings, 1970.
8. Ethics and World Politics: Four Perspectives, editor, Johns Hopkins, 1972.

Articles and Chapters: Approximately 50 articles, ten chapters in larger works, and many book reviews on foreign policy questions, including the following periodicals:

Africa Report
Annals of the American Academy
American Political Science Review
Catholic World
Christian Century
International Journal (Toronto)
Interplay
Journal of Politics
Orbis
Reporter
Review of Politics
Saturday Review
Survival (London)
Washington Post
Washington Star
Worldview
World Affairs (Washington)

TRAVEL AND RESIDENCE ABROAD

In various research, educational, and other professional capacities I have visited some 70 countries in Europe, Asia, Africa, and Latin America since 1945. This included two periods of residence:

1. England and West Germany: 1945-1948 (three years)
2. West Berlin and Ghana, with the German Development Institute, 1966 (four months)

In addition I made twelve major research trips to Europe, Asia, Africa, or Latin America, 1960-1972, totalling a half year abroad. Participated in international arms control conferences in Canada, United Kingdom, Norway, and Switzerland.

LECTURING HERE AND ABROAD

In addition to graduate teaching at the American University, I have lectured widely in the United States on foreign policy issues at universities and conferences. I have also lectured at:

National War College (Washington)
Army War College (Carlisle Barracks, Pa.)
Air War College (Alabama)
Senior Foreign Service Seminar (Washington)
National Defense College (Tokyo)
German Development Institute (West Berlin)
Salzburg Seminar in American Studies (Salzburg)
Inter-American Defense College (Washington)

1/. PROFESSIONAL AFFILIATIONS

American Political Science Association
American Society of Christian Ethics
Cosmos Club (Washington)
Freedom House (New York)
International Institute for Strategic Studies (London)
International Studies Association
Inter-University Seminar on Armed Forces and Society
Johns Hopkins University Society of Scholars
Society for Religion in Higher Education
Washington Institute of Foreign Affairs
Yale Club of Washington

Mr. PASSMAN. What motivated the gentleman to write this article?

General FISH. He served on the staff of the Senate Foreign Relations Committee.

Mr. PASSMAN. How long ago?

General FISH. I will have to find that for you. It has been in the recent past. He is a member of the Brookings Institution that has as its charter to examine on an unbiased basis the——

Mr. PASSMAN. But he is a civilian?

General FISH. Yes, sir.

Mr. PASSMAN. He is not a military man?

General FISH. No, sir.

Mr. PASSMAN. Thank you, general.

INCREASED MAP REQUEST

Your current fiscal year 1977 request is $279 million for military assistance. Is that correct?

General FISH. Yes, sir.

Mr. PASSMAN. That exceeds by $54 million our fiscal year 1976 conference position of $225 million?

General FISH. Yes, sir.

Mr. PASSMAN. In addition, and this is reflected in your fiscal year 1977 congressional presentation document, there will be an increase of $15 million relative to aid to Spain.

General FISH. Yes, sir, the increased commitments to Spain are not included in the request figures. There is a budget amendment that is in process which will be coming up to the Congress shortly, we hope. It will have to be preceded by review of the proposed treaty with Spain and that will increase the figures for MAP by some $15 million. This will make the total request $294 million.

Mr. PASSMAN. On the military training program, your fiscal year 1977 request is $30.9 million. That is $7.9 million over the amount that is included in our fiscal year 1976 conference report.

Is that correct, sir?

General FISH. Yes, sir.

Mr. PASSMAN. And the foreign military credit sales estimate for fiscal year 1977, is $840 million and I believe the conference report for fiscal year 1976 recommended $1,065 billion. This is a reduction of $225 million below what the Congress recommended for fiscal year 1976 for foreign military credit sales.

General FISH. Yes, sir. Those figures represent the current administration request.

Mr. PASSMAN. Since we are on foreign military credit sales, what is your anticipated total aggregate credit sales ceiling for fiscal year 1977?

CREDIT SALES PROGRAM

General FISH. Sir, this will be for a total credit sales program of $2,179,600,000.

Mr. PASSMAN. Very briefly, what is the repayment record of the creditors?

General FISH. Sir, we have never had to provide any money to pay for a default. Now, we have had some that were going into technical default and we have rescheduled the loans but we have never lost any money on it yet.

Mr. PASSMAN. What is the average term of the military credit sales?

General FISH. Seven, eight years.

Mr. PASSMAN. You have never had a loss?

General FISH. We have never charged anything off as a loss, and the ones that we have had to reschedule amount to less than 1 percent.

Mr. PASSMAN. Is this a statement of fact: That all nations, large or small, regardless of the part of the world you go to, are determined to have a military establishment?

General FISH. Yes, sir.

Mr. PASSMAN. And they have to buy military equipment?

General FISH. They think it is their right.

Mr. PASSMAN. If we don't get it to them either for cash or credit they will go elsewhere and buy it.

General FISH. Unquestionably.

Mr. PASSMAN. Which means if we don't supply them then you throw Americans out of jobs. You divert it to our competitors abroad.

General FISH. Unquestionably.

Mr. PASSMAN. And the record is abundantly clear that if we don't want to sell it to them they are just going to buy it elsewhere.

It is just that simple.

General FISH. Yes, sir.

Mr. PASSMAN. Mr. Roush?

Mr. ROUSH. Thank you, Mr. Chairman.

SOVIET AID TO EGYPT

General Fish, referring to page 4 and the general statement that over the past two decades Moscow has successfully used military aid to expand its influence in the Third World, and then referring to the statement beginning at the bottom of page 5, Egypt, India, Iraq, and Syria have together accounted for 65 percent of the Soviet's arms transfers since 1955, Egypt has now turned her back on the Soviet Union.

Is that not correct?

General FISH. Yes, sir, that is the indication.

Mr. ROUSH. And can you tell me what portion of this 65 percent of Soviet arms transfer since 1955 went to Egypt?

General FISH. Sir, we documented it in the classified review that we provided one copy for each member.

Mr. ROUSH. Is the information I am asking for right now classified?

General FISH. Yes, sir, the details.

Mr. ROUSH. All right.

How does Egypt now propose to maintain a military strength based upon an army, air force, and what have you supplied with Soviet-built military equipment?

General FISH. With great difficulty.

Mr. ROUSH. My next question is, Do we propose to sell arms to Egypt?

C–130's TO EGYPT

General FISH. Sir, the President has made a determination. We are willing to sell six C–130 aircraft and associated training for the C–130 aircraft, and military training in some military schools.

Mr. ROUSH. I read that statement and I read it carefully. You left out one thing, I think, and that was "in this coming year," in 1976.

Isn't that correct?

General FISH. Well, the Presidential determination was as I characterized it. In the testimony provided by the administration to other committees of the Congress, the Secretary of State has said, in effect, that he did not expect any further requests from Egypt during this calendar year.

Mr. ROUSH. Do we propose to sell military arms or give military assistance, either directly or indirectly, to Egypt in the next calendar year?

General FISH. There has been no determination of that nature.

Mr. ROUSH. Let me restate my question because I want to make sure that the answer is on the record.

Do we propose any military assistance to Egypt, direct or indirect, during this fiscal year which is before us now, fiscal year 1977?

General FISH. Sir, only to the extent of the President's determination that has been filed with the Congress which covers all of the C–130's, associated training for the C–130, and training in the United States military schools. That is the only determination. Anything else requires still another determination.

Mr. ROUSH. Do we propose to sell any arms to Egypt or do we propose to provide any military assistance, direct or indirect, to Egypt during the next fiscal year?

General FISH. Sir, I don't know. That would be a matter for the State Department to determine. I have heard testimony to the effect that there are no plans for additional military assistance at this time.

Mr. ROUSH. To your knowledge, are we through the State Department or through any other channels negotiating for such assistance to Egypt?

General FISH. No, sir.

MILITARY EQUIPMENT TO ARAB COUNTRIES

Mr. ROUSH. Are we proposing any other assistance to any of the Arab countries which, although not directly accountable as military equipment, could be used for military purposes?

General FISH. Yes, sir; we are providing equipment to other Arab countries, both in the case of Jordan under grant aid and foreign military sales credits and in the case of Saudi Arabia we are providing cash sales under the Foreign Military Sales Act, not for transfer.

I understood your question to be just for those countries. It is not for transfer. All of the agreements that we make have the provision that they cannot be transferred except with our prior agreement, and report to the Congress on the transfer.

Mr. ROUSH. My time is about up, but would you, for the record, define security assistance for me?

General FISH. Yes, sir.

WHAT IS SECURITY ASSISTANCE?

I believe that I did attempt to do that in my statement. Security assistance strengthens the collective security arrangements by—the components of the security assistance?

Mr. ROUSH. I want you to define what you believe security assistance to be and I guess I am also asking for the limits.

General FISH. Well, security assistance is a program with the objective of strengthening collective security arrangements by improving conventional forces of friends and allies, of promoting recipient nations' international security and, thereby maintaining regional balances.

It consists of the grant aid program wherein we provide materiel on a grant basis to countries.

It also consists of military education and training on a grant basis, and foreign military sales on a credit basis where the recipient country repays the credit and pays interest on the credit at going interest rates, over a period, usually 7 to 8 years, and then cash sales wherein the recipient country pays cash for the equipment that is sold.

SECURITY SUPPORTING ASSISTANCE

Mr. ROUSH. Is security supporting assistance a portion of that?

General FISH. No, sir.

Mr. ROUSH. Would you define security supporting assistance for me?

General FISH. I will defer to the State Department. That is their responsibility.

Mr. WINSHIP. We do, in fact, deal in my office with the military security assistance rather than with the security supporting assistance program. The purpose of the security supporting assistance is to provide an economic type of assistance to countries to offset the high cost of their own military defense, and the program is justified as part of the security assistance program but is administered by AID in the same way that the other aspects of the security assistance program are administered by General Fish and his Agency in the Department of Defense.

Mr. ROUSH. Sir, would it be fair for me to say then that by supplying security supporting assistance to any of the Arab countries we are, in effect, doing this in order that they might maintain their military?

Mr. WINSHIP. We are supporting Egypt in particular with substantial security supporting assistance to maintain its internal stability and to encourage them to work with us on the efforts by the Secretary to encourage movement toward stability and peace in the area.

It cannot be used directly for military purposes.

Mr. ROUSH. If any or all of the moneys for the Middle East for the transitional quarter are provided or proposed by the Senate, should the fiscal year 1977 budget request for these countries be reduced by a like amount?

Mr. WINSHIP. The President indicated to the Congress on April 6, 1976, that he strongly objected to "the Senate action adding nearly $800 million in program terms to the budget" for these purposes and, specifically, that his "fiscal year 1976 and fiscal year 1977 budget requests provide sufficient levels of assistance" to meet Israeli needs. The President also informed the Congress that he would be forced to exercise his veto if the final appropriation bill were to include these additional funds for the transitional quarter. Thus the question posed with respect to compensatory reductions in the fiscal year 1977 budget request is moot.

Mr. ROUSH. Do any of the Arab countries have atomic weapons? Or are any of the Arab countries in the process of manufacturing, constructing, or otherwise procuring atomic weapons?

General FISH. To the best of our knowledge, no Arab countries possess atomic weapons. Nor do we have any evidence that would lead us to believe that any of them are manufacturing, constructing, or otherwise procuring such weapons.

Mr. ROUSH. Thank you.

Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you.

Mr. Shriver?

Mr. SHRIVER. Thank you, Mr. Chairman.

REDUCING MILITARY ASSISTANCE

I have been receiving mail lately, not a great deal but some, urging me to vote to end military aid in favor of more food aid and other humanitarian assistance to developing countries.

Would you agree that that is exactly the direction of our overall foreign assistance program when the Middle East security aid programs are not considered?

General FISH. Yes, sir; I would say the historical movement has been from grant aid which, as the Congressional Presentation Document shows, was in the mid-1950's, up in the $5 billion category, in fact reaching in 1952, $5.744 billion.

Mr. SHRIVER. What year?

General FISH. 1952.

Mr. SHRIVER. That is a long time ago.

General FISH. All right. It has been coming down.

As early as 1966 it was $1.4 billion. It has been coming down almost every year and the grant aid request this year, as you know, is for a modest amount of $294 million, one of the lowest requests in the history of the program. It is $100 million less than the request of last year.

We have been moving away from grant military assistance towards credit sales and cash sales, so the grant assistance program, military aid, has been a decreasing program.

Mr. SHRIVER. Along the same line, how much of this request is for countries which are considered least developed as that term is now used in international economic assistance criteria?

General FISH. I will have to provide it for you.

Mr. SHRIVER. Put it in the record.

[The information follows:]

Here is a list of the 29 countries considered by the U.N. and the international development assistance community as those in the least developed category, as of February 6, 1976. Figures show the amount of security assistance requested in fiscal year 1976 and fiscal year 1977.

[In thousands of dollars]

Countries (Feb. 6, 1976) (least developed)	FMS		MAP		Intelligence Military Education and Training Program	
	1976	1977	1976	1977	1976	1977
1. Afghanistan					200	200
2. Bangladesh [1]						
3. Bhutan						
4. Botswana						
5. Burundi						
6. Central African Republic [1]						
7. Chad						
8. Dahomey						
9. Democratic Yemen [1]			1,500			500
10. Ethiopia	10,000	10,000	11,700	11,700	900	900
11. Gambia [1]						
12. Guinea						
13. Haiti					200	200
14. Laos						
15. Lesotho						
16. Malawi						
17. Maldives						
18. Mali						
19. Nepal					35	35
20. Niger						
21. Rwanda						
22. Sikkim						
23. Somalia						
24. Sudan						
25. Uganda						
26. Tanzania						
27. Upper Volta						
28. Western Samoa						
29. Yemen Arab Republic						

[1] 4 added to list by action of UNCTAD and UNGA, 1975.

Mr. SHRIVER. Then would you tell us how much of this request would go to countries which are to receive substantial amounts in 1977 under the development assistance category of our bill?

General FISH. We will make that reconciliation for you. We will put it in the record at this point, sir.

The following tables show by region, by country, and by worldwide total the amount of economic and military assistance requested for fiscal year 1977. The column under AID is considered development assistance, except for the Middle East and certain other countries where the term for economic aid is supporting assistance. However, these programs are primarily development in nature also.

[The information follows:]

U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE, AND CREDIT SALES
PROGRAMS PROPOSED FOR FY 1977
(in thousands of dollars)

	Total Economic & Military Assistance	Economic Assistance Programs[c/]					Military Assistance Programs[c/]				
		Total Economic Assistance	A.I.D.	Peace Corps	P.L. 480	Int'l. Narcotics Control	Total Military Assistance	Military Assistance Grants (MAP)	Foreign Military Training	Foreign Military Credit Sales	Excess Defense Articles
WORLDWIDE - TOTAL	7,805,414[a/]	5,394,414[a/]	3,244,530	71,180	1,313,910	34,000	2,411,000	305,700	30,200	2,059,600	15,500
AFRICA - TOTAL	362,071	302,726	200,103	22,375	80,248	-	59,345	11,700	3,845	43,500	300
Benin - See Dahomey (below)											
Botswana	2,133	2,133	--	735	1,398	-	-	-	-	-	-
Burundi	694	694	-	-	694	-	-	-	-	-	-
Cameroon	7,861	7,861	6,750	767	344	-	-	-	-	-	-
Central African Republic	1,785	1,785	800	807	178	-	-	-	-	-	-
Chad	3,330	3,330	2,483	599	248	-	-	-	-	-	-
Congo	346	346	-	-	346	-	-	-	-	-	-
Dahomey (Benin)	1,172	1,172	-	712	460	-	-	-	-	-	-
Ethiopia	44,399	21,499	16,945	623	3,931	-	22,900	11,700	900	10,000	300
Gabon	508	508	-	391	117	-	-	-	-	-	-
Gambia	656	656	-	189	467	-	-	-	-	-	-
Ghana	8,257	8,157	4,572	1,059	2,526	-	100	-	100	-	-
Guinea	6,373	6,373	800	-	5,573	-	-	-	-	-	-
Ivory Coast	1,847	1,847	-	1,173	674	-	-	-	-	-	-
Kenya	24,630	19,430	16,468	1,849	1,113	-	5,200	-	200	5,000	-
Lesotho	3,166	3,166	-	638	2,528	-	-	-	-	-	-
Liberia	22,716	22,116	15,753	2,371	3,992	-	600	-	100	500	-
Malagasy Republic	299	299	-	-	299	-	-	-	-	-	-
Malawi	242	242	-	242	-	-	-	-	-	-	-
Mali	16,550	16,550	6,850	581	9,119	-	-	-	-	-	-
Mauritania	1,460	1,460	750	270	440	-	-	-	-	-	-
Mauritius	866	866	-	-	866	-	-	-	-	-	-
Niger	6,244	6,244	2,405	1,311	2,528	-	-	-	-	-	-
Nigeria	1,087	1,087	-	24	1,063	-	-	-	-	-	-
Former Portuguese Territ.[b/]	12,054	12,054	10,778	-	1,276	-	-	-	-	-	-
Rwanda	1,145	1,145	215	50	880	-	-	-	-	-	-
Senegal	17,620	17,575	4,900	1,053	11,622	-	45	-	45	-	-
Seychelles	134	134	-	37	97	-	-	-	-	-	-
Sierra Leone	4,211	4,211	970	1,023	2,218	-	-	-	-	-	-
Somalia	2,000	2,000	2,000	-	-	-	-	-	-	-	-
Sudan	1,241	1,241	-	-	1,241	-	-	-	-	-	-
Swaziland	868	868	-	718	150	-	-	-	-	-	-
Tanzania	27,991	27,991	15,899	-	12,092	-	-	-	-	-	-
Togo	2,554	2,554	-	696	1,858	-	-	-	-	-	-
Upper Volta	5,204	5,204	2,700	753	1,751	-	-	-	-	-	-
Zaire	45,084	14,584	4,035	2,502	8,047	-	30,500	-	2,500	28,000	-
Zambia	112	112	-	-	112	-	-	-	-	-	-
Central & West Africa & Sahel Regional	35,533	35,533	35,533	-	-	-	-	-	-	-	-
East Africa Regional	1,091	1,091	1,091	-	-	-	-	-	-	-	-
Southern Africa Regional	17,509	17,509	17,509	-	-	-	-	-	-	-	-
Regional Program/Support	31,099	31,099	29,897	1,202	-	-	-	-	-	-	-

U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE, AND CREDIT SALES
PROGRAMS PROPOSED FOR FY 1977
(in thousands of dollars)

	Total Economic & Military Assistance	Economic Assistance Programs					Military Assistance Programs				
		Total Economic Assistance	A.I.D.	Peace Corps	P.L. 480	Int'l. Narcotics Control	Total Military Assistance	Military Assistance Grants (MAP)	Foreign Military Training	Foreign Military Credit Sales	Excess Defense Articles
ASIA AND PACIFIC - TOTAL	1,470,159	969,784	335,800	14,581	613,593	5,810	500,375	67,700	9,175	419,100	4,400
ASIA - TOTAL	1,465,030	964,655	335,800	9,564	613,481	5,810	500,375	67,700	9,175	419,100	4,400
Bangladesh	226,682	226,682	68,200	-	158,482	-	-	-	-	-	-
Bhutan	68	68	-	-	68	-	-	-	-	-	-
Burma	2,500	2,500	-	-	-	2,500	-	-	-	-	-
China (Taiwan)	35,900	-	-	-	-	-	35,900	400	500	35,000	-
India	197,389	197,189	61,700	-	135,489	-	200	-	200	-	-
Indonesia	137,636	91,536	49,900	-	41,561	75	46,100	19,400	3,000	23,100	600
Korea	432,885	146,885	-	1,851	145,034	-	286,000	8,300	2,700	275,000	-
Malaysia	38,478	2,178	-	2,178	-	-	36,300	-	300	36,000	-
Maldives	20	20	-	-	20	-	-	-	-	-	-
Nepal	5,977	5,942	4,800	952	190	-	35	-	35	-	-
Pakistan	159,135	158,810	73,900	-	83,110	1,800	325	-	325	-	-
Philippines	115,793	74,393	44,100	2,329	27,964	-	41,400	19,600	600	20,000	1,200
Singapore	55	55	-	-	55	-	-	-	-	-	-
Sri Lanka	29,523	29,508	8,000	-	21,508	-	15	-	15	-	-
Thailand	67,858	13,758	10,800	1,623	-	1,335	54,100	20,000	1,500	30,000	2,600
Regional Program/Support	15,131	15,131	14,400	631	-	100	-	-	-	-	-
Military Training Costs	-	-	-	-	-	-	-	-	-	-	-
PACIFIC - TOTAL	5,129	5,129	-	5,017	112	-	-	-	-	-	-
British Solomon Islands	731	731	-	619	112	-	-	-	-	-	-
Fiji	1,238	1,238	-	1,238	-	-	-	-	-	-	-
Gilbert & Ellice Islands	28	28	-	28	-	-	-	-	-	-	-
Micronesia	1,526	1,526	-	1,526	-	-	-	-	-	-	-
Tonga	687	687	-	687	-	-	-	-	-	-	-
Western Samoa	919	919	-	919	-	-	-	-	-	-	-

U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE AND CREDIT SALES
PROGRAMS PROPOSED FOR FY 1977
(in thousands of dollars)

	Total Economic & Military Assistance	Economic Assistance Programs					Military Assistance Programs				
		Total Economic Assistance	A.I.D.	Peace Corps	P.L. 480	Int'l. Narcotics Control	Total Military Assistance	Military Assistance Grants (MAP)	Foreign Military Training	Foreign Military Credit Sales	Excess Defense Articles
LATIN AMERICA - TOTAL	522,068	313,168	201,111	14,749	81,268	16,040	208,900	3,000	10,300	195,000	600
Argentina	49,300	-	-	-	-	-	49,300	-	900	48,400	-
Barbados	31	31	-	-	31	-	-	-	-	-	-
Belize	297	297	-	297	-	-	-	-	-	-	-
Bolivia	43,072	27,967	23,420	-	4,112	435	15,105	2,305	600	12,000	200
Brazil	65,099	3,999	461	2,000	935	603	61,100	-	1,100	60,000	-
Chile	46,289	46,289	11,395	700	34,069	125	-	-	-	-	-
Colombia	35,347	8,647	840	1,184	5,823	800	26,700	-	700	26,000	-
Costa Rica	1,980	1,980	552	1,092	298	38	-	-	-	-	-
Dominican Republic	10,909	9,384	2,661	724	5,999	-	1,525	25	500	1,000	-
Ecuador	12,994	2,094	-	1,223	541	330	10,900	-	900	10,000	-
El Salvador	20,669	17,549	15,353	680	1,516	-	3,120	20	600	2,500	-
Guatemala	20,539	19,424	14,332	1,041	3,851	-	1,115	15	500	600	-
Guyana	422	422	300	-	122	-	-	-	-	-	-
Haiti	29,128	28,428	19,438	105	8,885	-	700	-	200	500	-
Honduras	32,471	29,356	18,534	1,028	9,794	-	3,115	15	600	2,500	-
Jamaica	2,333	2,333	1,135	1,111	62	25	-	-	-	-	-
Mexico	16,142	10,942	-	-	-	10,942	5,200	-	200	5,000	-
Nicaragua	20,486	17,381	16,467	820	94	-	3,105	5	600	2,500	-
Panama	19,811	17,986	17,176	-	810	-	1,825	225	400	1,000	200
Paraguay	7,577	6,112	5,564	511	25	12	1,465	365	400	500	200
Peru	37,016	16,116	11,555	-	4,301	260	20,900	-	900	20,000	-
Uruguay	3,238	213	213	-	-	-	3,025	25	500	2,500	-
Venezuela	767	67	-	67	-	-	700	-	700	-	-
ROCAP	11,961	11,961	11,961	-	-	-	-	-	-	-	-
Caribbean Regional	7,642	7,642	6,175	1,467	-	-	-	-	-	-	-
Regional Programs/Support	26,548	26,548	23,379	699	-	2,470	-	-	-	-	-

U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE, AND CREDIT SALES
PROGRAMS PROPOSED FOR FY 1977
(in thousands of dollars)

	Total Economic & Military Assistance	Economic Assistance Programs a/					Military Assistance Programs a/				
		Total Economic Assistance	A.I.D.	Peace Corps	PL 480	Int'l Narcotics Control	Total Military Assistance	Military Assistance Grants, (MAP)	Foreign Military Training	Foreign Military Credit Sales	Excess Defense Articles
NEAR EAST - TOTAL	3,688,699	2,116,599	1,855,383	4,627	256,589	-	1,572,100	153,300	6,400	1,402,000	10,200
Afghanistan	14,890	14,690	11,762	594	2,334	-	200	-	200	-	-
Algeria	2,170	2,170	-	-	2,170	-	-	-	-	-	-
Bahrain	505	505	400	105	-	-	-	-	-	-	-
Cyprus	10,000	10,000	10,000	-	-	-	-	-	-	-	-
Egypt	910,113	910,113	750,000	-	160,113	-	-	-	-	-	-
Greece	165,800	-	-	-	-	-	165,800	33,000	1,000	127,000	4,800
Israel	1,796,247	796,247	785,000	-	11,247 b/	-	1,000,000	-	-	1,000,000	-
Jordan	231,899	85,499	77,500	-	7,999	-	146,400	70,000	800	75,000	600
Lebanon	7,164	1,864	-	-	1,864	-	5,300	-	300	5,000	-
Malta	9,505	9,505	9,500	5	-	-	-	-	-	-	-
Morocco	55,962	25,062	7,710	1,667	15,685	-	30,900	-	900	30,000	-
Oman	541	541	-	541	-	-	-	-	-	-	-
Portugal	86,400	85,000	55,000	-	30,000	-	1,400	300	1,000	-	100
Spain c/	n.a.	n.a.	n.a.	-	-	-	n.a.	-	-	-	-
Syria	100,128	100,128	90,000	-	10,128	-	-	-	-	-	-
Tunisia	29,520	14,120	3,484	1,075	9,561	-	15,400	-	400	15,000	-
Turkey	206,700	-	-	-	-	-	206,700	50,000	2,000	150,000	4,700
Yemen	20,166	20,166	14,227	451	5,488	-	-	-	-	-	-
Regional Programs/ Support	5,989	5,989	5,800	189	-	-	-	-	-	-	-
Middle East Special Requirements	35,000	35,000	35,000	-	-	-	-	-	-	-	-
EUROPE - TOTAL	80	-	-	-	-	-	80	-	80	-	-
Austria	40	-	-	-	-	-	40	-	40	-	-
Finland	40	-	-	-	-	-	40	-	40	-	-
OTHER - TOTAL	1,031,543	961,343	652,133 d/	14,844 e/	282,212 f/	12,150 h/	70,200	70,000 i/	200 j/		
U.S. CONTRIBUTIONS TO IFIs - TOTAL	730,794	730,794									
Int'l. Development Assn.	375,000	375,000									
Inter-American Dev. Bank	240,000	240,000									
Asian Development Bank	74,127	74,127									
Int'l. Finance Corporation	41,667	41,667									

a/ Includes $730.8 million for International Financial Institutions -- see above for details.
b/ Angola, Cape Verde, Guinea-Bissau, Mozambique, Sao Tome & Principe.
c/ A proposed FY 1977 level for Spain is not available at this time.
d/ Includes West Bank and Gaza.
e/ Includes $7.3 million for American Schools and Hospitals Abroad; $187.3 million for International Organizations and Programs (includes $9.6 million for UNFICYP); $25 million for International Disaster Assistance; $10 million for the President's Foreign Assistance Contingency Fund; $210 million for Interregional Programs; $195.9 million for Operating Expenses; and $16.7 million for Foreign Service Retirement Fund.
f/ Includes $4.0 million in worldwide program support and $10.9 million as Peace Corps share of ACTION agencywide costs.
g/ Includes: Title I reserve $74.2 million; Title II reserve $32.5, Title II foreign currency grants $2 million; ocean freight $173.5 million.
h/ Includes: International Organizations $4 million; training and support costs $7.6 million; treatment and rehabilitation $0.5 million.
i/ General costs.

Mr. SHRIVER. I am trying to find out if by approving this request, would we be taking significant amounts from the humanitarian program for the poorest countries?

General FISH. No, sir, we don't believe so. We believe, of course, that primarily these programs are to provide for the legitimate security needs of the countries involved and that they are going to provide for these security needs. As the chairman so aptly summed up at the beginning of this hearing, that all these countries believe they have a right to provide for their own security and to the extent that they have the resources to do so, they will take it from other programs of their own in order to provide their security.

Failure to do so would just be a net subtraction from other programs.

THE SOVIET UNION—LARGEST ARMS SUPPLIER TO THIRD WORLD

Mr. SHRIVER. The book indicates that the Soviet Union is now the largest supplier of major weapons to the Third World.

General FISH. Yes, sir.

Mr. SHRIVER. Would you provide for the record some details on that?

General FISH. Yes, sir.

What we have provided particularly is in this classified Security Assistance Review that details, pages 293 to 296——

Mr. SHRIVER. That isn't very helpful when we go on the floor to discuss this matter if it is secret.

General FISH. Yes, sir, and I have provided in my unclassified statement a summary of it.

Mr. SHRIVER. That is what I am asking for in the record.

General FISH. I will examine that and see if we can expand it. We also have a map that shows exactly where the Soviet assistance is provided. The figures in it are classified. I think that we can sanitize that to an unclassified presentation also for the public record.

Mr. SHRIVER. I think it would be well if you could.

General FISH. Yes, sir.

[The information follows:]

U.S.S.R. THIRD WORLD COUNTRIES RECEIVING MILITARY MATERIAL[1]
(FISCAL YEAR 1955–75)

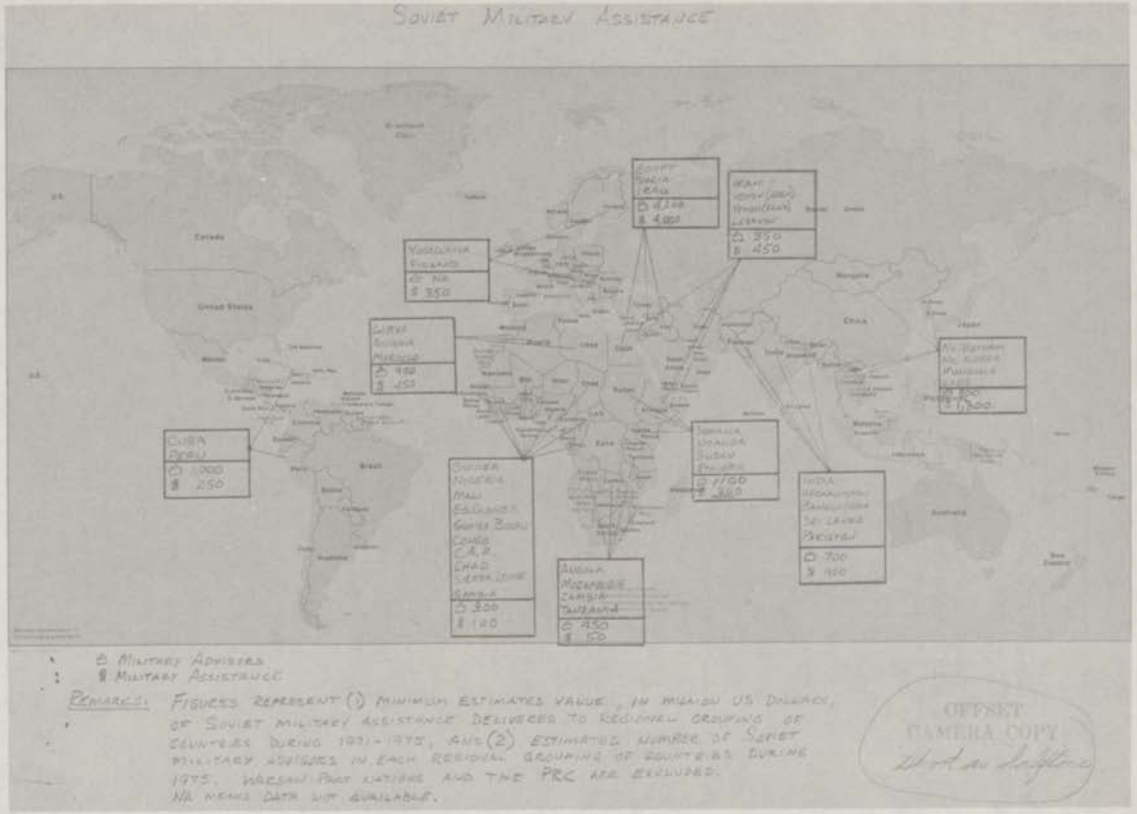
Afghanistan	Ghana	Nigeria
Algeria	Guinea	Pakistan
Bangladesh	Guinea-Bissau	Peru
Burma	India	Sierra Leone
Burundi	Indonesia	Somalia
Cambodia	Iran	Sri Lanka
Cen. Afr. Rep.	Iraq	Sudan
Chad	Lebanon	Syria
Congo	Libya	Tanzania
Cyprus	Maldive Islands	Uganda
Egypt	Mali	Yemen (North)
Eq. Guinea	Morocco	Yemen (South)
Gambia	Mozambique	Zambia

[1] For the purpose of this compilation, Third World Countries exclude the U.S., U.S.S.R., NATO, Warsaw Pact, the Two Koreas, the Two Vietnams, PRC, the Republic of China, ANZUS, Japan, Sweden, Switzerland, Yugoslavia and Cuba.

Value of U.S.S.R.-provided military material by region

	Millions (U.S.)
Middle East	$10,750
South Asia	2,181
East Asia	1,020
Africa	850
Latin America	133
Total [1 2]	14,934

[1] Values of military agreements are Soviet trade prices.
[2] Includes aid only to independent established governments. Aid to Algeria prior to its independence in mid-1962 is, therefore, excluded as is Soviet aid to Angola.


SOVIET MILITARY ASSISTANCE
Canada
United States
Brazil
Australia
China
Mongolia
Japan
Indonesia
New Zealand
Cuba
Peru
△ 1000
$ 250
Yugoslavia
Finland
△ NA
$ 350
Libya
Algeria
Morocco
△ 400
$ 450
Egypt
Syria
Iraq
△ 4,200
$ 4,000
Afghanistan
Iran
Somalia
Uganda
Sudan
Ethiopia
△ 1700
$ 800
Guinea
Nigeria
Mali
Equatorial Guinea
Upper Volta
Congo
C.A.R.
Chad
Sierra Leone
Zambia
△ 300
$ 100
Angola
Mozambique
Zambia
Tanzania
△ 450
$ 150
India
Afghanistan
Bangladesh
Sri Lanka
Pakistan
△ 700
$ 950
△ MILITARY ADVISERS
$ MILITARY ASSISTANCE
REMARKS: FIGURES REPRESENT (1) MINIMUM ESTIMATED VALUE, IN MILLION US DOLLARS, OF SOVIET MILITARY ASSISTANCE DELIVERED TO REGIONAL GROUPING OF COUNTRIES DURING 1931-1975, AND (2) ESTIMATED NUMBER OF SOVIET MILITARY ADVISERS IN EACH REGIONAL GROUPING OF COUNTRIES DURING 1975. WARSAW PACT NATIONS AND THE PRC ARE EXCLUDED.
NA MEANS DATA NOT AVAILABLE.
OFFSET CAMERA COPY
Hand as drafted

NOA FOR THE SALES PROGRAM

Mr. SHRIVER. The revised justification material cuts the new obligational authority for the sales program from $2.2 billion down to $852 million, while the program ceiling level remains at $2.2 billion.

Would you explain that?

General FISH. Yes, sir.

The $852 million is the new obligational authority that is required to authorize and support the foreign sales credit program. Now in that total program, about $500 million of the $852 million is forgiveness of a credit for Israel. The remaining $352 million is to provide the funds necessary for the balance of our FMS direct credit and guaranty program.

PROGRAM FOR SPAIN

Mr. SHIVER. The revised material also reflects the proposed program for Spain. The total for Spain is $137 million.

General FISH. Yes, sir.

Mr. SHRIVER. How does that compare with the current year program?

Mr. WINSHIP. Perhaps I should speak to that from the State Department, Mr. Shriver.

Those figures included in this presentation document for Spain are those which are reflected in the treaty which was signed at the end of January with Spain, which provided for a 5-year program of security assistance, split between grant materiel assistance training, and foreign military sales credits.

The President is about to send, I understand, a budget amendment to the Congress which will reflect that program for fiscal year 1977. It has been included in the totals in this presentation document.

Mr. SHRIVER. How does that differ from prior years?

General FISH. Sir, cash sales to Spain in prior years were $52 million, in 1975. We are estimating $83 million in 1976. We will expect it to be about $20 million in the transition quarter and $40 million in 1977.

As to the credit used, there was no credit provided in the immediate former years. We expect it to be $120 million in 1977.

Mr. SHIVER. Then, in other words, it is all credit. There is no grant?

General FISH. No, sir; there is $15 million in grant and there was supply operations only in fiscal year 1976 for $200,000. In 1975 the figure was $2,609,000. For fiscal year 1977 $15,000,000 is proposed.

Mr. SHRIVER. What do we get out of the new agreement with Spain?

General FISH. The defense security assistance program is to provide for Spain's legitimate defense requirements.

Mr. SHRIVER. We get the privilege of defending Spain?

General FISH. I would like to make the point, sir, that we do, of course, have mutuality of interest with Spain in the security area and we have the base requirements there. However, this is not tied directly to bases only. We believe that we have an interest in seeing that Spain has the forces it requires and we are willing to assist to this degree.

We have an interest in remaining there on the bases.

Mr. SHRIVER. What other countries are aiding Spain?

General FISH. We have provided to the committee in the detailed book and we did get to it in the index——

ECONOMIC ASSISTANCE TO SPAIN

Mr. SHRIVER. While you are looking that up, how much economic aid are we giving?

Mr. WINSHIP. There is no economic assistance program for Spain in the treaty. I should say that the treaty, Mr. Shriver, does cover the continued access to and use of the base facilities, which we required in Spain and which have proved very valuable to us.

We are also entering, in accordance with the treaty, into some very close defense consultation, and from the State Department point of view we are very interested in the ratification of the treaty as a demonstration of U.S. support for the new regime in Spain as it moves toward democratization and in its efforts to reenter the councils of Europe.

FUNDS FOR INDIA AND CHILE

Mr. SHRIVER. Are there funds in this request for Chile?

Mr. WINSHIP. No, sir, there are no funds for Chile.

Mr. SHRIVER. How about India?

Mr. WINSHIP. For India there are probably economic requests but on the security assistance side there is no program for India.

Mr. SHRIVER. Is there a training program?

Mr. WINSHIP. We will check.

[The information follows:]

TRAINING PROGRAM

We have a small grant aid training program proposed for India in fiscal year 1977. The proposed program level of $200,000 will permit a relatively small number of students (approximately 18) to be trained in the United States, and will maintain the historical, professional contact between the military services of the two countries.

CONFERENCE OF THE COMMITTEE ON DISARMAMENT

Mr. SHRIVER. Would you tell us more about our Government's efforts before the Conference of the Committee on Disarmament in Geneva in April 1975 to limit arms sales and transfers in the world? Did we have a specific proposal before that Committee? If so, tell us what it was.

General FISH. In a major plenary statement of April 10, 1975, the U.S. representative to the Conference of the Committee on Disarmament emphasized the importance of giving serious and detailed consideration to the question of possible restraints on conventional weapons. He stated that the U.S. continues to regard the regional approach as a particularly promising one, citing as encouraging examples the negotiations on mutual and balanced force reductions in Central Europe and the Ayacucho Declaration of a number of Latin American states concerning restraint in arms acquisitions. The U.S. representative reiterated U.S. endorsement of the principle that the initiative for developing regional arrangements concerning conventional weapons should come from within the region concerned. He added, however, that states outside the region, especially potential arms suppliers, could play an important supportive role in successful regional arrangements. The U.S. representative said that the U.S.

stood ready to assist and cooperate in developing such arrangements in ways desired by participants within a region.

Besides regional arrangements, the U.S. representative continued, the United States considered it important to explore complementary conventional arms control approaches not limited in their geographic scope. He suggested that consideration be given to the development of principles of restraint generally applicable to the acquisition and transfer of conventional arms, and provided illustrative examples of such principles. While the principles should at least initially rely on states' own self-restraint, self-restraint on the part of one country would create incentives for self-restraint on the part of others. The U.S. representative expressed the belief that broad support for such principles, and their implementation by a significant number of states, would constitute an important first step, leading to more favorable conditions for regional arrangements and for more binding restraints on a broader geographical basis. He expressed the hope that CCD members would comment on the U.S. approach and would propose alternative approaches to restraint.

In May 1975, during the recess between the Committee's spring and summer sessions, diplomatic approaches were made to many CCD member governments, asking for reactions to the U.S. presentation of April 10. In a statement of June 24, 1975, to the CCD, the U.S. Representative again encouraged CCD members to provide their reactions to the U.S. presentation. The reaction of other CCD members has so far been limited.

There is not as yet an international consensus on practical means of restraining the competition in conventional arms, or even on the desirability of such controls. The principal obstacle to controls on conventional arms transfers is the general view held by suppliers and recipients alike that the military, political, and economic benefits of such transfers outweigh the advantages of control. Developing countries have generally been more vocal than supplier countries in their opposition to controls. Many of these countries oppose consideration of this question as diverting attention from the more pressing question of controlling nuclear weapons. It has also been argued that arms transfer controls are inherently discriminatory, since they would affect states which are dependent on arms imports without affecting the activities of arms-producing states. The increased number of arms suppliers and a greater willingness of suppliers and recipients to enter into arms supply relationships regardless of ideological differences have exacerbated the difficulties of controlling the arms trade.

Despite the widespread international skepticism regarding the value of controls over conventional arms transfers, the executive branch is continuing its efforts to develop practical approaches to control. At the present time the Department of State, with the assistance of the Arms Control and Disarmament Agency, is conducting a major study of possible controls over international arms transfers.

Attached hereto is a copy of the report by the President to the Congress, dated June 30, 1975, describing the CCD initiative undertaken pursuant to section 51(c) of the Foreign Assistance Act of 1974.

PRESIDENTIAL REPORT TO THE CONGRESS—PURSUANT TO SECTION 51 OF PUBLIC LAW 93–559, THE "FOREIGN ASSISTANCE ACT OF 1974," CONCERNING INTERNATIONAL TRANSFERS OF CONVENTIONAL ARMS—JUNE 30, 1975

This report is in response to section 51 of the "Foreign Assistance Act of 1974" (P.L. 93–559), concerning the "Conventional Arms Trade," which became effective December 30, 1974.

Section 51 of the act, *inter alia*, urges the President to propose to the Conference of the Committee on Disarmament (CCD) that the Committee consider as a high priority item discussions among its participating members[1] for the purposes of (1) agreeing to workable limitations on conventional arms transfers, and (2) establishing a mechanism through which such limitations could be effectively monitored. Section 51 further calls on the President to transmit to the Congress not later than 6 months after the enactment of the act a report setting forth the steps he has taken to carry out the provisions of the section. (Section 51 is attached as annex A.)

In formulating an approach to implementation of section 51, the executive branch considered it important to take into account reactions of states to previous efforts by the United States and others, at the CCD as well as at the United Nations General Assembly, to encourage serious consideration of possible restraints in the conventional arms field. Among these efforts were U.S. initiatives at the CCD in 1966 and 1970 to promote a regional approach to limiting the competition in conventional arms, and proposals at the U.N. General Assembly by Malta (1965) and Denmark (1968) concerning the registration of international arms transfers. (A history of these initiatives and responses to them are contained in a report to the Congress, pursuant to section 302 of the Foreign Relations Authorization Act of 1972, entitled "The International Transfer of Conventional Arms" and dated April 12, 1974).

Reactions to these earlier initiatives indicate that not only has there been no international consensus on practical means of restraining the competition in conventional arms, there has in fact been little agreement even on the desirability of trying to find such means. While some Western states were fairly receptive to attempts to focus international attention on the need for suitable restraints in the area of conventional arms, most other participants in U.N. and CCD disarmament debates were negative or at best indifferent toward the subject. Developing countries, particularly among the nonaligned group, took the most resistant attitudes.

Indeed, a number of these developing states have been very reluctant even to have the question of conventional arms discussed in international disarmament forums, asserting that consideration of the issue would divert attention from the more pressing responsibility of controlling nuclear arms and other "weapons of mass destruction." It has frequently been argued that controls on conventional arms would undermine the ability of states to meet legitimate and essential security requirements, thus compromising their political independence and threatening to upset existing military balances. Because of their heavy reliance on imports to satisfy military needs, a number of non-aligned developing countries have been particularly sensitive to proposals concerning controls on arms transfers. These countries have held that transfer controls are inherently discriminatory, since they would restrict the access of arms-importing states to vital military supplies without affecting the ability of arms-producing states to acquire them.

Any attempt to develop workable and generally acceptable conventional arms restraints in a representative multilateral forum like the CCD (which includes states with widely varying interests—nuclear powers and non-nuclear weapon states, arms-producing states and arms recipients, developed and developing countries, alliance members and non-aligned countries) clearly would have to take the above views and concerns into account. Moreover, in order to overcome resistance even to addressing the issue, it would be important that any approach provide assurance that the objective of conventional arms control is not to impose arbitrary limitations bearing little or no relationship to legitimate and vital security needs, but rather to establish a frame work of mutual restraint that

[1] The following 30 states are participating members of the CCD: Argentina; Brazil; Bulgaria; Burma; Canada; Czechoslovakia; Egypt; Ethiopia; German Democratic Republic; Germany, Federal Republic of; Hungary; India; Iran; Italy; Japan; Mexico; Mongolia; Morocco; Netherlands; Nigeria; Pakistan; Peru; Poland; Romania; Sweden; Union of Soviet Socialist Republics; United Kingdom; United States; Yugoslavia; and Zaire. France is formally a member of the Committee, but does not take its seat.

would permit states to meet essential security requirements without stimulating competitive and threatening arms acquisitions that could raise tensions and decreate the security of all concerned.

Taking these considerations into account, the Executive Branch decided on an approach for encouraging discussions of conventional arms restraints at the CCD, primarily involving a major plenary statement on the subject. The statement was delivered on April 10, 1975 by Ambassador Joseph Martin, Jr., United States Representative to the CCD. (The text is attached as Annex B.)

Ambassador Martin said the United States continued to regard the regional approach as a particularly promising one in the conventional arms field, citing as encouraging recent examples the negotiations on mutual and balanced force reductions in Central Europe and the Ayacucho Declaration of a number of Latin American countries concerning restraint in the acquisition of arms for "offensive warlike" purposes. The possible special utility of the regional approach, he suggested, lay in several factors: (1) the particular relevance of the size and character of the respective armed forces in neighboring countries to those countries' security; (2) the tendency of neighboring states to acquire comparable military capabilities; and (3) existing cooperative arrangements in several regions of the world that could provide precedents for arms control initiatives.

The U.S. representative reiterated our endorsement of the principle that the initiative for developing regional arrangements concerning conventional weapons should come from within the region concerned. He added, however, that states outside the region, especially potential arms suppliers, could play an important and perhaps essential supportive role in successful regional arrangements. Undertakings by outside powers to refrain from actions inconsistent with regionally-agreed restrictions could reinforce the obligations assumed by local parties to the arrangement and thus create double guarantee of compliance. At the same time, providing local parties with military equipment not proscribed under th arrangement, and rendering other support and assistance, could be important in satisfying those parties that the arrangement adequately protected their interests.

Ambassador Martin said that the United State stood ready to assist and cooperate in developing such arrangements in ways desired by participants within a region. Further, we were prepared to respect the arrangements appropriately, provided the measures taken did not impinge on the participants' legitimate security needs or undermine existing security arrangements contrary to their wishes—and provided other outside powers also respected the arrangements.

Besides regional arrangements, the U.S. representative continued, the United States considered it important to explore complementary conventional arms control approaches not limited in their geographic scope. Ambassador Martin then discussed some major considerations underlying possible principles that might be generally applicable to the acquisition and transfer of conventional arms. He stressed that the primary objective of such principles should be to encourage states to limit their arms acquisitions to those meeting essential security requirements, thus reducing the likelihood that those acquisitions would appear threatening to other states and thereby lead to increased tension. Also, considering existing political circumstances as well as the differing perspectives on the problem held by countries throughout the world, it would be unrealistic to expect states to accept firm obligations regarding conventional arms that would be applicable on a worldwide basis. At least initially, therefore, the principles should largely rely on states' own self-restraint. Such self-restraint on the part of one country would create incentives for self-restraint on the part of others. However, voluntary guidelines could not succeed if self-restraint by some states were not matched by the corresponding restraint of others.

Another fundamental consideration was the wide variety of existing weapon systems and the diverse effects those systems could be expected to have in differing situations throughout the world. The impact of a particular acquisition on stability depended as much on the political and military context in which the arms were acquired as on the characteristics of the weapons themselves; therefore, states should be encouraged to exercise judgment whether, in a given political and military context, acquisiiton of weapons in certain types or quantities would be likely to have an adverse impact on regional or international security. Finally, governments should be called upon to recognize that true security went

beyond strictly military concepts, lying not only in adequate defense capabilities but also in economic and social progress.

The U.S. representative then suggested the following illustrative principles for the Committee's consideration:

(A) States should assume responsibility for making the judgment that the arms they acquire or transfer will not have adverse effects on regional or international security.

(B) Consultations among interested states on the possible effects of arms acquisitions could be useful in preventing or alleviating regional or international tensions.

(C) States should limit arms acquisitions to those deemed indispensable for their security, to avoid the unnecessary diversion of resources from economic and social development.

(D) The export of technical data and equipment for manufacturing arms should be subject to the same effective governmental review and authorization procedures as arms exports themselves.

Ambassador Martin expressed the belief that broad support for principles such as those he had suggested, and their implementation by a significant number of states, would constitute an important first step, leading to more favorable conditions for regional arrangements and for more binding restraints on a broader geographical basis. He pointed out, nevertheless, that these illustrative principles should not be regarded as a formal proposal; rather, they were offered to provide a basis for further discussion and, it was hoped, constructive efforts in an arms control field so far not amentable to effective solutions. The United States hoped that other CCD members would comment on the approach that had been suggested and possibly recommend principles of their own; we would also be interested in any alternative approaches that might be proposed for developing restraints on conventional arms. The subject was one touching the vital interests of all states, and it was essential that the need and desires of all be fully expressed and taken into account.

In May, during the recess between the committee's spring and summer sessions, diplomatic approaches were made to many CCD member governments, both in their capitals and via their missions in Geneva, asking for reactions to the U.S. presentation of April 10. No government was yet prepared to provide an official reaction. A majority of those consulted, however, indicated that they were giving the U.S. initiative careful consideration and would be ready with an official response during the CCD summer session. Some governments specified that their views on the conventional arms question would be provided in plenary statements.

In a statement on June 24, the opening day of the CCD summer session, Ambassador Martin stressed the importance that the United States attached to examining all practical means of achieving restraints in the conventional arms field and once again encouraged CCD members to provide their reactions, whether formal or informal, to the U.S. presentation of April 10. The U.S. delegation to the CCD is instructed to follow up on the April presentation in contacts with other delegations by promoting the ideas contained in the speech, soliciting further reactions to those ideas, and inviting recommendations regarding other approaches to conventional arms restraint. An extensive exchange of views during the summer session would provide a clearer picture of developing international opinion on the subject and help in planning what further steps might be taken at the CCD, and possibly at other forums, toward achieving progress in the conventional arms field.

FOREIGN ASSISTANCE ACT OF 1974

SEC. 51. (*a*) It is the sense of the Congress that the recent growth in international transfers of conventional arms to developing nations——

(1) is a cause for grave concern for the United States and other nations in that in particular areas of the world it increases the danger of potential violence among nations, and diverts scarce world resources from more peaceful uses; and

(2) could be controlled progressively through negotiations and agreements among supplier and recipient nations.

(*b*) Therefore, the President is urged to propose to the Geneva Conference of the Committee on Disarmament that it consider as a high priority agenda item discussions among participating nations of the Conference for the purposes of——

(1) agreeing to workable limitations on conventional arms transfers; and

(2) establishing a mechanism through which such limitations could be effectively monitored.

(c) The President shall transmit to the Congress not later than 6 months after the enactment of this act a report setting forth the steps he has taken to carry out this section.

REMARKS BY AMBASSADOR JOSEPH MARTIN, JR., U.S. REPRESENTATIVE, TO THE CONFERENCE OF THE COMMITTEE ON DISARMAMENT, APRIL 10, 1975

Mr. Chairman, conventional arms have a central place in the military planning of virtually every country of the world, a daily and almost commonplace role in national and international affairs, and a profound long-term impact on the security of us all. Despite—or perhaps more realistically because of—these factors, the subject of conventional arms control has occupied the efforts of the CCD only rarely in recent years.

My Government has long stressed the importance of giving serious and detailed consideration to the question of possible restraints on conventional weapons. In this committee, we have often stated our belief that suitable restraint in the conventional arms field could make a major contribution to the security and well-being of all states. In interventions over the last several years, we have emphasized the willingness of the United States to explore all practical approaches to the problem and have urged other delegations to express their views.

One of the approaches the U.S. delegation has discussed in the committee is that of regional arms control. In 1966, we presented six principles which could be used as a basis for regional agreements in the conventional arms field. In 1970, we recommended three additional steps that states could take unilaterally—"steps which, in their cumulative effect, even without formal binding agreements, could constitute reliable arms limitations on a regional basis" CCD/PV.487).

There are several reasons why my delegation believes it may be useful to consider restraints on conventional arms in a regional context. First, the relationship of the size and character of a country's armed forces to the armed forces of other states within its region is in most cases much more relevant to the security of that country than the relationship between its forces and those of more distant powers. Second, states near one another have generally tended to acquire similar and comparable military capabilities. Third, in several areas of the world there already exists regional cooperative arrangements which could serve as useful precedents for arms control initiatives as well as regional institutions which could most conveniently take action on such initiatives.

Although these factors suggest why, in general, the regional or subregional approach to conventional arms control might be practicable and effective, actual prospects for arms control arrangements obviously vary widely from one region to another. In several areas of the world the prevailing political climate may not for some time permit the successful negotiation of far-reaching arms limitation arrangements.

Nevertheless, we should be encouraged that in two regions of the world there have recently been significant efforts in the area of conventional arms control. In Europe, members of NATO and the Warsaw Pact have been actively seeking a mutual and balanced reduction of forces in the central region of the continent. In Latin America, eight governments of that region agreed, in their Declaration of Ayacucho of December 9, 1974, to create conditions which permit effective limitation of armaments, to put an end to the acquisition of arms for offensive warlike purposes, and to dedicate all possible resources to the social and economic development of Latin American countries. Representatives from several Latin American governments subsequently met in Lima, Peru, to discuss possible means of achieving arms limitations. The U.S. Government supports the efforts of these Latin American countries and hopes they will be successful in reaching solutions that further the worthy goals outlined by Ayacucho.

My Govenment continues to regard the regional approach to conventional arms control as a particularly promising one. In addition to the direct value of regional arrangements, the development of workable measures in one region may provide useful insights for solving arms control problems elsewhere.

A sound principle for the development of regional arrangements—one which we have endorsed on several previous occasions—is that the initiative should come from within the region concerned. This principle reflects the view that, in

order for a regional arrangement to be effective and durable, it must be firmly grounded in the desires and concerns of the local parties, who are obviously the most directly affected.

At the same time, we have also pointed out that states outside the region concerned can play an important, perhaps essential, supportive role in the success of a regional arms control arrangement. The willingness of outside powers, particularly potential arms suppliers, to respect regional arrangements can operate as a strong inducement to develop local initiatives, since it can provide assurance both to local parties and to other outside powers that their efforts will not be undermined. Outside powers might respect a regional arrangement in a variety of ways. They would presumably be expected to agree not to take actions inconsistent with the restrictions worked out by the local states, thus reinforcing the obligations assumed by regional parties and creating a double guarantee of compliance. Another way of respecting the arrangement might be to provide local parties with military equipment not proscribed and to render other types of support and assistance that might be important in satisfying those parties that their interests are adequately protected by the arrangement.

The United States stands ready to assist and cooperate in the development of regional and subregional arrangements in ways desired by the local participants. We are prepared to respect such arrangements in an appropriate manner provided of course that the measures do not impinge upon the legitimate security needs of the participants or undermine existing security arrangements contrary to their wishes, and also provided that other outside powers respect the arrangements.

While pursuing the possibilities of regional arrangements, we believe it is important to explore ways of making progress in the conventional arms field in a broader context as well. We are convinced that this committee, in which countries from all regions of the world are represented, can make an important contribution by examining approaches to conventional arms control that are not limited in geographical scope and that could complement regional arrangements.

Today I would like to suggest one such approach. My delegation believes it would be useful for the CCD to identify and discuss principles of conduct that could be applicable on a worldwide basis to the acquisition or transfer of conventional arms. Before outlining some ideas about the content of such principles, I would like to discuss a number of factors which my delegation believes should underlie conventional arms principles of this type.

Any practical attempt to deal with the question of restraints on conventional arms must be based on the assumption that, in today's world, states will be determined to acquire the means necessary to safeguard their national independence and territorial integrity. The acquisition of conventional arms may indeed reinforce the stability of a local military balance and therefore reduce the likelihood of tensions and conflict.

All of us recognize, however, that there is another side to the impact of conventional arms. In our interdependent world—with its panoply of modern weapon systems, the increasing ability of most states to manufacture or otherwise acquire virtually all the arms they desire, and rapid communications media which often alert states to the conventional arms activities of others—the continuing accumulation of conventional arms does not necessarily guarantee increased security. In seeking to provide for one's own defense needs, the security of others may often be affected and the acquisition of arms by one state may lead to competitive reactions, or over-reactions, by others, resulting in a decreased sense of security for all concerned.

Any principles of conduct must take into account both of these sides of the conventional arms issue. In light of the legitimate and often pressing security requirements of states, it would hardly be realistic to develop guidelines that would prevent the acquisition of arms altogether or would impose limits making it impossible for states to provide for their legitimate defense needs. Instead, the primary objective of such principles should be to encourage states to limit acquisitions to essential security requirements and thereby reduce the likelihood that the acquisition of arms will appear threatening to others and increase tensions among states.

Another important consideration relates to the nature of the restraints that would be called for in principles of conduct. While formal and legally-binding forms of restraint are often desirable in the arms control field, and may be particularly appropriate in the case of regional conventional arms arrangements, it seems premature—considering the very early stage of international efforts in the

conventional arms area and the vastly differing perspectives on the problem held by countries throughout the world—to expect states to accept firm obligations that would be applicable on a world wide basis. Accordingly, any universally-applicable principles of conduct should, at least initially, rely largely on the self-restraint of states. Such principles should encourage governments to be fully aware that their actions affect the security concerns of others and to exercise appropriate restraints in order that such actions will not have adverse consequences, not only for other states, but for their own security as well.

My delegation believes that such an approach could have a significant damping effect on the competition in conventional arms. Self-restraint by one would create incentives for self-restraint by others. However, I wish to emphasize that such a voluntary guidelines approach could not succeed if the willingness of some states to abide by the guidelines were not matched by the self-restraint of others whose cooperation is deemed important. Thus, it would be unrealistic to expect one arms supplier to continue to restrain his shipments if other suppliers were determined simply to take up the slack. Likewise, we could not expect continued self-restraint in the acquisition of arms if such restraint were not reciprocated.

A third consideration is the wide variation not only in the types of military missions of the weapons systems currently in existence, but also in the effects they are likely to have in differing reigons of the world. The political and military implications for regional stability of a particular arms acquisition depend on many factors. Among these are the quantities involved, the extent to which the acquisition provides the acquiring state with a new military capability; the relationship of the acquiring state's armed forces to those of other states whose securty calculations might be affected; the perceptions by leaders of these other states of how the acquisition affects the balance of forces; and how compatible the new weapon systems are with the acquiring state's technical and support capabilities, climatic and terrain conditions, and other weapon systems already in its inventory.

These are, of course, only a few of the many factors that determine the effects of arms acquisitions internationally. They demonstrate, however, that the impact of arms acquisitions on stability depends as much on the political and military context in which arms are acquired as on the characteristics of the weapons themselves. It would rarely be possible to single out specific weapons or cateogries of weapons that would be likely to have the same impact on stability in all situations throughout the world. In some regions, the acquisition of small arms and ammunition might contribute more to insecurity than the acquisition of advanced jet aircraft. In other areas, the reverse might be true.

Because of the diversity of local circumstances, we think that conventional arms guidelines applicable on a worldwide basis should encourage states to exercise judgment in making the determination whether, in a certain political and military context, the acqusition of weapons in certain types or quantities would be likely to have an adverse impact on regional or international security. Since such a determination inevitably has a subjective component, the guidelines would have to provide governments with flexibility in making arms acquisition decisions.

A final consideration in developing practical guidelines concerns the relationship between conventional arms acquisitions and economic and social development. In my delegation's view, such guidelines should call on governments to think of security as more than a strictly military concept; in particular, to recognize that real security lies not only in adequate defense capabilities, but also in economic and social progress.

The foregoing considerations suggest the types of restraints that might appropriately be embodied in principles of conduct in the conventional arms field. One principle might call on states to assume responsibility for making the judgment that the arms they acquire or transfer will not have adverse effects on regional or international security. As I mentioned earlier, the requirements of stability may differ markedly from one situation to another. Accordingly, this principle would involve a careful determination by states as to whether certain types or quantities of weapons would be destabilizing in a particular context.

Another principle might be based on the assumption that the acquisition of arms by one state may be a legitimate concern of those other states whose security is affected. Such a principle might indicate that consultations among interested states on possible effects of arms acquisitions could be useful for the purpose of preventing or alleviating regional or international tensions. "Interested" states might include neighboring countries as well as others outside the region. The consultations could be held in the event of a potential or officially acknowl-

edged acquisition of particular concern to others, and they might also be arranged from time to time without reference to a particular acquisition. The result could be to allay fears that might otherwise lead to competitive and possibly destabilizing actions by other states.

Another principle could be formulated to reflect the view that the concept of security cannot, and should not, be based solely on political-military criteria, but must also encompass progress in the social, economic, and cultural fields. Such a principle might, for example, encourage states to limit their acquisition of arms to those deemed indispensable for their security so that resources would not unnecessarily be diverted from economic and social development. While states themselves must be the judge of their national priorities and of what is indispensable for their security, acceptance of a principle along these lines by a significant number of states, and real efforts to abide by it, could increase the incentives for others to act in accordance with it.

Another principle could apply to the transfer of arms production capabilities, rather than to the transfer of arms themselves. It might recommend that the export of technical data and equipment used for the manufacture of arms should be subject to the same effective governmental review and authorization procedures as arms exports themselves. While all arms exporting countries require licenses or their equivalent for the export of weapons, not all of them require government authorization for the export of technical know-how and equipment for the manufacture of arms. In some cases, therefore, there are fewer legal barriers against the transfer of an arms production capability than against the provision of the arms themselves. Although observance would not restrict the ability of suppliers and recipient governments to engage in transfers of technology, it would reduce the risk of unauthorized transfers that could lead to the creation of arms production capabilities in areas of potential conflict, thus heightening tensions.

We believe that if a wide number of states supported principles such as the ones I have just suggested, and acted in accordance with them, this would have a marked favorable impact on the worldwide competition in conventional arms. Broad acceptance of the view that international security can be enhanced by practicing appropriate restraints could favorably affect the way governments approach decisions on arms procurement. Implementation of such principles by a significant number of states would constitute an important first step, leading to more favorable conditions for arms control arrangements on a regional basis and for more binding restraints on a broader geographical basis.

The illustrative principles I have described this morning are not, of course, meant to be an exhaustive set of policy guidelines in the conventional arms area; nor should they be regarded as proposals in any formal sense. They are intended to provide a basis for further discussion, to focus attention, and, hopefully, constructive efforts, on an area of arms control that has so far not been amenable to effective solutions.

We hope that other delegations will comment on the approach suggested today and possibly recommend principles of their own. We would also be interested in any alternative approaches for developing restraints on conventional arms that delegations may propose. Because the subject of conventional arms control is one which touches upon the vital interests of us all, it is essential that the needs and desires of all states be fully expressed and taken into account in our effort to find effective solutions.

FEDERAL REPUBLIC OF GERMANY: LAWS GOVERNING ARMS EXPORTS

Mr. SHRIVER. While we furnish arms to both sides in the Middle East area, I have read that West Germany has a national policy not to send arms into areas of potential conflict. At least that was the excuse they gave to Mr. Sadat on his recent visit there. Do you know anything about that? Is that a consistent policy on their part? Do any other countries have similar policies?

General FISH. Two 1961 laws govern FRG arms exports. In 1971 the Federal Cabinet issued political guidelines to interpret the laws, thereby establishing the policy that German arms would not be exported to "areas of tension." "Areas of tension" have not been defined

on paper, but are subject to determination on a case-by-case basis when a German arms manufacturer submits an application for authorization to export arms. The FRG's general practice has been to permit the export of arms to NATO countries and to deny permission for exports to non-NATO countries. The policy is consistent and the FRG has been very strict in its implementation of the 1961 acts as interpreted by the 1971 cabinet guidelines. We are not aware of any other countries which have similar policies, with the exception of Sweden and Switzerland, which also refrain from exporting arms to areas of tension, and Japan, which voluntarily limits itself to the production of only those arms required for use by the defense force.

SOVIET MILITARY ASSISTANCE

Mr. SHRIVER. You mentioned some of them in your statement, but would you list for the record the countries which receive a significant amount of arms aid from the Soviet Union?

Egypt is one of those, of course. How are they now getting spare parts for their Russian weapons?

General FISH. The recipients of significant amounts of Soviet military assistance ——— since 1956, ——— are Egypt ——— Syria ——— India——— Iraq ——— Indonesia ——— Libya ——— Algeria ——— Iran ——— and Afghanistan ———.

There is no evidence to suggest that Egypt is currently receiving significant quantities of spare parts for Soviet military equipment from any source. The PRC provided ——— fighter aircraft engines to Egypt last year and open source material indicates that North Korea may also have provided some spare parts. Egypt has discussed its requirements with East European nations and India ———. References to Egyptian shortages of spare parts continue, but the country's recent interest in acquiring major items from Western sources suggests that hopes for receiving the quantities of spare parts necessary to service Soviet equipment are slim.

Mr. SHRIVER. Would you provide a cost comparison and sales terms comparison, for the record, of Soviet and American arms transactions in recent years?

General FISH. A comparison of the U.S. and Soviet cost for roughly equivalent major items of equipment included in recent Soviet arms transaction is as follows: ———.

The Soviets have generally sold its arms at favorable terms. Payment usually has been over 8 to 10 years, after a grace period of 1 to 3 years, at 2 to 2.5 percent interest. Moreover the Soviet Union has been willing to accept payment in commodities or local currency. Discounts from the average trade price are an intrinsic feature of Soviet sales terms and are probably determined on the basis of a client's ability to pay, as well as political considerations. During the 1970's, the discount has averaged approximately 20 percent. Cash sales have accounted for an increasing share of Soviet arms transactions and have made up approximately 15 percent of the Soviet total during the 1970's.

U.S. terms of sales have been as follows:

Eighty-nine percent of the total cumulative foreign military sales made by the military departments as of June 30, 1975 were cash

transactions in which the purchasers were billed for deliveries and contractor progress payments at least 90 days in advance of the time that such deliveries or progress payments were actually made. On June 30, 1975, the military departments had about $2 billion in advance payments from foreign countries on hand in the Trust Fund.

Most of the remaining 11 percent of foreign military sales were made using long-term credit funds authorized and appropriated for this purpose by Congress. Executive branch recommendations as to which foreign countries receive credit financing for military procurement and whether special circumstances warrant a concessionary interest rate are based on interagency coordination between the Department of State, Treasury, Defense, and the Office of Management and Budget. Virtually all credit agreements require the borrower to pay interest at a rate equivalent to the prevailing cost of money to the U.S. Government. A small fraction of foreign military cash sales, less than 1 percent, are made on terms calling for payment 120 days after delivery of the defense articles or services procured. The Director of the Defense Security Assistance Agency, under the authority of sections 21 and 22 of the Foreign Military Sales Act, must authorize such payment terms.

EXPORT OF NEW WEAPONS TO THIRD WORLD

Mr. SHRIVER. Would you expand on your observation that the Soviet Union was the first exporter of new weapons to Third World arms inventories?

General FISH. Yes, sir. As I pointed out in my statement the Soviets first introduced jet fighters to the Third World arms inventories in 1956. The first jet fighter we gave the Third World was in 1960. Some other examples are supersonic aircraft—Soviets 1959—United States 1963, surface to air missiles—Soviets 1961, United States 1963, guided missile patrol boats—Soviets 1961, United States none to date. In each case we have introduced our new weapons into the inventories following Soviet actions and in order to assist in the maintenance of regional balance.

COUNTRIES DEPENDENT ON U.S.S.R. AND UNITED STATES FOR WEAPONS SUPPORT

Mr. SHRIVER. Would you list the countries which are today largely dependent on the U.S.S.R. for weapons, logistic and technical support? Would you then submit a similar list of those dependent on the United States?

General FISH. ———.

TOTAL FMS

Mr. SHRIVER. Our arms sales are down significantly from 2 years ago, are they not? From $11.5 billion for all transactions in fiscal 1975 to an estimated level for fiscal 1977 of $6.9 billion?

And that includes the large request for Israel for arms sales.

General FISH. In fiscal year 1975 we consummated $9.5 billion of government to government FMS agreements for the sale of defense articles and defense services. As indicated in the CPD, we provided

most probable estimates of fiscal year 1976 and fiscal year 1977 FMS agreements of $8.2 and $6.9 billion respectively. FMS to the Government of Israel are included within the foregoing figures as follow: fiscal year 1975—$.9 billion, fiscal year 1976—$1.2 billion and fiscal year 1977—$1.2 billion.

Based on our most probable estimates then, worldwide foreign military sales are declining. We did indicate, however, in the CPD that FMS estimates could increase by as much as 22 percent in fiscal year 1976 and 83 percent in fiscal year 1977. Moreover, these same FMS estimates could also decrease by as much as 29 percent in fiscal year 1976 and 16 percent in fiscal year 1977. The reasons for such wide variances in FMS estimates are explained in the CPD in detail. In short, the uncertainty is due to our dependence on potential purchasers' initiatives, in requesting offers; the U.S. decision process of whether and when to offer; and if a U.S. offer is made, whether and when the country will accept the offer.

Mr. SHRIVER. What portion of U.S. domestic petroleum needs are supplied now with oil from the Middle East—oil that could be cut off again if there were another conflict there?

General FISH. Middle East countries which participated in the 1973 oil embargo are all members of the Organization of Arab Petroleum Exporting Countries (OAPEC).[1] U.S. imports of crude oil and products from these countries averaged 1.8 million b/d in 1975 up from 1.4 million b/d in 1973. Oil imports from OAPEC as a percentage of total U.S. oil consumption rose from 8 percent in 1793 to 11 percent in 1975. In 1975, OAPEC countries provided 29 percent of U.S. oil imports. During the first ten weeks of 1976, foreign oil shipments to the United States increased to record levels, that is, an estimated 7.4 million b/d, with OAPEC providing some 2.5 million b/d of that amount. Saudia Arabia recently replaced Venezuela as the major U.S. oil supplier with 20 percent (month of January 1976) of the import market.

The Organization of Petroleum Exporting Countries (OPEC), which in addition to OAPEC also includes such major non-Arab oil producers such as Iran, Venezuela, Nigera, and Indonesia, supplied 78 percent of total U.S. oil imports in 1975 up from 71 percent in 1973. Imports from OPEC countries average 4.7 million b/d in 1975. Non-Arab oil producers did not join in the 1973 oil embargo.

MILITARY RELATIONSHIP BETWEEN JORDAN AND SYRIA

Mr. SHRIVER. What is the nature of the military relationship now between Jordan and Syria?

General FISH. According to statements by King Hussein, the relationship between Jordan and Syria is one in which areas of mutual cooperation can be examined and mutual benefits derived. Thus far, primary emphasis has been devoted to the economic and cultural areas.———. Although there have been rumors since April 1975 to the effect that Syria and Jordan would form some kind of joint military command, King Hussein has always denied them. We have no information that contradicts that denial.

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[1] OAPEC membership includes the following countries: Algeria Bahrain, Egypt, Iraq, Kuwait, Libya, Qatar, Saudi Arabia, Syria, UAE.

STATUS OF REGULAR LEBANESE ARMED FORCES

Mr. SHRIVER. What is the status of the regular Lebanese armed forces? They really don't have much, do they?

General FISH. ———.

Mr. SHRIVER. Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Shriver.

Dr. LONG?

Mr. LONG. Thank you, Mr. Chairman.

AID FOR ISRAEL

General Fish, the House has passed an appropriation bill to give Israel $1.5 billion for military aid for fiscal 1976. Does Israel have enough outstanding orders to obligate all the credits included in that bill in the remaining months of this year?

General FISH. Yes, sir. This year including the transition quarter.

Mr. LONG. No question about that?

General FISH. No question about it.

Mr. PASSMAN. Will the gentleman yield.

Will you place a list of those obligations in the record?

General FISH. We will.

[The information follows:]

At March 24, 1976, the Army, Navy, and Air Force reported that Israel had about 1,100 open foreign military sales (FMS) cases with uncollected balances totaling $1.9 billion. In addition, there were about 50 commercial sales cases (all involving procurement of U.S. defense articles) with uncollected balances of $323 million that were financed through the FMS credit program. To pay the uncollected balances that will eventually come due on open military and commercial sales cases, Israel had $235.4 million in unexpended credit funds available at March 24, 1976. The $235.4 million represents the remaining net balance of all prior-year credit extended to Israel plus $300 million of fiscal year 1976 credit made available to Israel under continuing resolution authority.

The following schedule summarizes the status of Israel's outstanding orders as of March 24, 1976:

	Millions
Uncollected balance of outstanding FMS cases with the military departments	$1,918.7
Uncollected balance of outstanding commercial sales cases	323.5
Less: Unexpended balance of U.S.-provided credit funds available to apply against outstanding credit	(235.4)
Net uncollected balance of outstanding Israeli orders for U.S. defense articles	[1] 2,006.8

[1] A total of $1.5 billion in fiscal year 1976 credit is needed to augment the unexpended balance of prior-year credits so as to make payments through the end of the transition quarter on existing sales case plus new sales cases that will be implemented.

Mr. LONG. The Senate bill includes $375 million in funds for the transitional quarter. Are there enough outstanding orders to obligate all the funds in the Senate bill during that transitional quarter, that is to which will end on September 30?

General FISH. Yes, sir.

You are using the word "obligation." The present status of our Israeli cash flow is such that it is our estimate that they will require $1.5 billion of cash through this fiscal year and the transitional quarter. You use the word "obligations" and that is why I answered the matter yes, because there are outstanding orders that exceed that

amount, but the cash flow requirement, our estimate is that they will require $1.5 billion through the transitional quarter.

Mr. LONG. No; that wasn't my question.

My question applied to the fiscal year 1976.

General FISH. Yes, sir, but you used the word "obligation."

Mr. LONG. That is what I am talking about. There are enough in outstanding orders to obligate all the funds in the Senate bill for the transition quarter? That is $375 million.

General FISH. I think we are having a little trouble with terminology because they don't obligate the money. What we provide in a sense is that we use in the appropriations sense of U.S. Government obligations. We provide credit. Instead, they pay their bills with available credit as they come due either from former orders or current orders that are being placed at this moment.

In addition to the funds that are available from prior year credit programs, we estimate that Israel will need $1.5 billion during fiscal year 1976 and the transitional quarter, to pay bills that will come due during this period.

Mr. LONG. What I am trying to find out is, is the money needed and can it be used effectively?

General FISH. Yes, sir, it can be used effectively, $1.5 billion through the transition quarter.

Mr. LONG. You already answered that question.

But I just asked the question of the transitional quarter, $375 million.

General FISH. Our estimate is that they need about a billion dollars between now and the end of the fiscal year 1976 to pay bills that will be coming due. They need about another $500 million during the transition quarter for bills coming due in that 3-month period. This results in the total of $1.5 billion that is in the 1976 legislation.

Mr. PASSMAN. I am mixed up.

That means for the full 15 months?

General FISH. Yes, sir.

Mr. PASSMAN. The $1.5 billion?

General FISH. Yes, sir.

Mr. PASSMAN. Thank you.

Mr. LONG. How much in outstanding arms sales orders or commitments does Israel have at the present time?

General FISH. Our figures show about $1.112 billion will have to be paid on existing open military sales cases during the period February through September 1976.

Mr. LONG. $1.112 billion.

General FISH. $1.112 billion.

Mr. LONG. To the present time?

General FISH. Yes, sir.

Mr. LONG. And they have remaining months——

General FISH. No. That is what we expect they are required to pay during the period February through the transition quarter.

In addition, we will have recurring support costs, largely the purchase of spare parts. It will be $231 million.

Mr. LONG. How much?

General FISH. $231 million, sir.

Mr. LONG. For a total of what?

General FISH. Those two figures add to $1.343 million. However, some additional funds will be needed for new equipment orders.

Mr. LONG. I have information here from Mr. Clyde Jeffcoat, head of the Financial Division, Security Assistance Agency.

"Israel has outstanding military sales orders and sales commitments in excess of the foreign military sales credit levels not only to cover the $1.5 billion in fiscal year 1976, but also to cover full transition quarter funding of $275 million, plus $1 billion for fiscal 1977."

My information from Mr. Jeffcoat is there are more than enough outstanding orders and commitments to immediately obligate at least $3 billion in foreign military sales credits.

General FISH. Sir, may I see the statement? Mr. Jeffcoat works for me and I don't think I can follow the detail of the statement as clearly. May I examine it an maybe testify to your satisfaction?

Mr. WINSHIP. I wonder if it would be helpful——

Mr. PASSMAN. Is Mr. Jeffcoat here?

General FISH. No, Mr. Jeffcoat is not here. We can get him if you wish him, sir.

Mr. PASSMAN. Doctor, could we turn to——

Mr. LONG. I think this is an important question.

Mr. PASSMAN. Sure it is important.

Mr. LONG. We get one set of figures over a telephone and we get a different set when we come here.

Mr. PASSMAN. I think we are going to have to rely upon the General's figures.

General FISH. All right.

I don't think they conflict, sir. The important point is that Mr. Jeffcoat works for me. He is in charge of my accounting office. What he is addressing there is that Israel has on the books orders and planned orders from the approved list given to Prime Minister Rabin. He is not addressing fiscal year 1976 and transition quarter cash requirements. They don't have to pay for these things until deliveries are made or until progress payments are made. What we address in our administration request is the credit required to meet the cash flows during the current year.

That is, as I have testified, $1.5 billion through the transition quarter and $1 billion in 1977.

Mr. LONG. There is no question that the money would be used? It is simply a question then of when the equipment gets paid for; is that right?

General FISH. Yes, the credit is provided——

Mr. LONG. The statement that has been frequently made that Israel could not spend this money usefully between now and the end of September, does not apply. They could use it? They do have the orders for it?

General FISH. For the 1.5, yes, sir.

Mr. LONG. And they have enough orders for the other $375 million. It is a question of when they want to pay for it.

Isn't that so?

General FISH. No. We think that it should be provided coincident with their requirements to pay.

STAFFING AUTHORIZATIONS FOR MAAGS

Mr. LONG. The administration proposes only a slight decrease in the personnel levels of Military Assistance Advisory Groups stationed abroad. Military personnel are to be reduced from 1,455 in fiscal year 1976 to 1,438 in fiscal year 1977, with slight reductions in civilian staff slots.

Is it your view that the staffing level for military advisors is at or near the lowest practical level? Or will the Department continue to implement policy followed in previous years of significant reductions in the number of U.S. military advisors stationed abroad?

General FISH. Through the annual review process, MAAG space authorizations are carefully evaluated to ensure that only the minimum number required to accomplish security assistance and related functions are assigned. In a number of countries the staffing level of advisors is at the lowest practical minimum level necessary for security assistance responsibilities. Manning levels in these countries range from 5 to 12 personnel. In other countries having larger security assistance responsibilities the staffing level is higher. As these latter countries improve their ability to plan, evaluate and monitor the programs and consequently assume increased responsibility for active program mangement, reductions in advisor staffing can be anticipated. The timing of these reductions would be dependent upon the countries' progress toward self-sufficiency.

ADMINISTRATION ASSURANCES TO CONTINUE TO HELP MAINTAIN ISRAEL'S STRENGTH

Mr. LONG. It has been reported that the U.S. Ambassador to Israel, Malcolm Toon, told an Israeli magazine that U.S. aid to Israel will decrease. Your justifications stress the need to assure Israel's sovereignty and to counter the influence of the Soviet Union in the strategic Middle East. What assurances can you offer this committee that the administration will continue to help maintain Israel's strength at the level needed to assure her security?

General FISH. I am not familiar with the remarks attributed to Ambassador Toon. However, the administration has frequently stated its dedication to the security and survival of the state of Israel. The best assurance that the administration will continue to maintain Israel's strength at a level needed to assure her security is our past record in this regard which is exemplified by Israel's current ability to defend herself effectively and successfully, based in large part on the security assistance we have made and are making available. I would also add to this the President's strong personal concern for Israel's security and the importance he attaches to maintaining the strengh of United States-Israeli ties.

IRAN'S ECONOMY

Mr. LONG. Recent press reports indicate that Iran has had some economic troubles and, despite huge oil revenues, has had a balance-

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of-payments deficit. Do you expect this economic situation to affect Iran's cash arms purchases from the United States, estimated at $1.2 billion in fiscal year 1977?

General FISH. No. We would expect the estimate of $1.2 billion Iranian cash purchases for fiscal year 1977 to be fairly close. It is doubtful if the level of expenditures would exceed this figure as the government of Iran, like the rest of the world, is readjusting their planning to coincide with the slower than projected growth in the world economy. Most of this $1.2 billion will be expended to meet planned programs whose cancellation or slowdown would save very little money and would drive the ultimate cost of the government of Iran's armed forces modernization program that much higher.

Mr. LONG. What effect, if any, do you see on the Middle East arms balance?

General FISH. Over the long term, economic realities will be a factor in the arms balance; but over the short term, economic realities have very little, if any, effect. The decisions which affect the arms balance are seldom, if ever, tied to short term perturbations in a country's balance of payments but more realistically tied to their long-term security objectives. A country will make trade-offs to secure their objectives. Iran's present minor financial problems are not solely caused by arms purchases but relate to the across-the-board nation building program on-going in Iran. Should Iran decide its armed forces modernization program is paramount, trade-off with the civilian sector could be made to bring their balance of payments in line. We review each sale against current U.S. Government policy and objectives.

CHANGES IN MILITARY AID TO LEBANON

Mr. LONG. You propose $5 million in military sales credits plus some training for Lebanon. In light of the recent fighting and political struggle in Lebanon have you reassessed your aid program? Do you have contingency plans to modify the military aid program if a Governmental change takes place in Lebanon?

General FISH. The foreign military assistance program is under continual review on a world-wide basis. Special attention has been and is currently being devoted to the situation in Lebanon, both with regard to evolving political-military developments and requirements for foreign military sales credits.

With regard to the second part of your question, the magnitude and direction of governmental change in Lebanon is not yet clear, ———.

STRENGTH OF THE MAAG IN THAILAND AND OTHER U.S. MILITARY PERSONNEL IN THAILAND

Mr. LONG. Your budget request contemplates a 176-man Military Assistance Advisory Group based in Thailand. Was MAAG not affected by the recent Thai request to remove U.S. forces? Are any other U.S. military personnel still based in Thailand?

General FISH. The Royal Thai Government requested that all U.S. forces except the Joint United States Military Assistance Group (JUSMAG), the Defense Attaché (DAO) and the U.S. Marine Corp Embassy Guards be removed by July 20, 1976. There are less than

4,000 U.S. military personnel in Thailand. The vast majority of these personnel are engaged in the retrograde of U.S. military equipment.

MILITARY AID TO INDONESIA

Mr. LONG. Why should the United States provide $46 million in military aid, including more than $19 million in grants, to Indonesia, which recently engaged in aggressive military operations, because of a "phantom" security threat?

General FISH. There are two issues raised by your question—one concerning the importance of Indonesia as a nation and a second which apparently refers to Indonesia's action in Portuguese Timor.

As indicated in the Department of Defense Congressional Presentation for fiscal year 1977, the Indonesian archipelago is the world's largest island complex. Stretching from mainland Southeast Asia eastward between Australia and the Philippines, it borders on three major bodies of water—the Indian and Pacific Oceans and the South China Sea. Indonesia is the world's fifth most populous nation. It is also one of the largest, for its islands spread over an expanse of more than 3,000 miles. Economically, it is one of the most important international suppliers of tropical agricultural products and a major source of the world's tin and petroleum. Although its sovereignty was recognized in 1949, the Indonesian people have ever since then been engaged in a national development effort far more taxing than the struggle for independence. Because of Indonesia's importance as a nation, and the seriousness of the problems that beset it, it is important that this country be well understood by the world outside.

Our proposed security cooperation program with Indonesia provides tangible evidence of our interest in Indonesia's future, contributes to the maintenance of friendly Indonesian relations with the United States and her non-Communist neighbors, and provides support for the development of an effective military establishment capable of maintaining internal security and self-defense, thereby allowing Indonesia to act as a stabilizing element in the Southwest Pacific. Without our assistance, Indonesia would be hard pressed to maintain an effective national defense, because a majority of her budget must focus on critical economic development problems.

Since the fall of Vietnam and Cambodia, the Indonesians have been increasingly concerned about insurgency and the possible infiltration of weapons into the Indonesian archipelago. This concern has caused a revision of their estimate of the threat and has resulted in a requirement for acceleating the modernization of their national defense forces. Much of our military assistance program for Indonesia is designed to support this effort.

Indonesia's involvement in Portuguese Timor is the result of many complex factors—the viability of this small island community standing alone, the political stability of Portugal itself, and Indonesian fears that Timor might become a support base for insurgencies. The Indonesians and the Portuguese have stated their intentions to cooperate with the United Nations Security Council's consideration of the Timor problem. Hopefully, action by the United Nations will provide the basis for a settlement of the problem which will be acceptable to the inhabitants of Timor, the Portuguese, and the Indonesians.

Mr. LONG. Should U.S. military aid be given to the Philippine Government primarily to keep civil unrest in check? Is this an appropriate role for the United States? Is not the main rationale for aid to the Philippines to assure the continued presence of U.S. naval and air bases there?

General FISH. The United States has maintained valuable defense ties with the Philippines since granting them independence in 1946. These ties include our use, rent free, of major military facilities, especially Clark Air Base and the Subic Bay Naval Complex. Essentially, our security assistance is designed to enhance the value of these mutual defense ties to both countries.

With this aim in mind, the Government of the Philippines utilizes our assitance to improve the self-sufficiency of its forces, particularly in their transportation capability by land, sea and air.

NEED FOR GRANT MILITARY AID FOR JORDAN

Mr. LONG. The administration proposes to give Jordan $70 million in grant military aid, more grants than to any other recipient under the MAP program. Inasmuch as it is U.S. policy to phase out grant aid, why such a large amount targeted for Jordan?

General FISH. Jordan has legitimate needs for U.S. assistance. The U.S. military relationship is a major ingredient in the overall relationship with that country and derives mainly from Jordan's position as a moderate pro-Western Arab state with influence throughout the Middle East. By virtue of its geographic location, Jordan has been exposed to severe internal and external pressures, yet has supported U.S. initiatives for a peaceful settlement of Arab-Israeli disputes and has been a major factor for stability in the Middle East. Jordan depends extensively on the United States as a source of supply for military articles and services. The relationship with the U.S. would suffer if Jordan is forced to turn to other less desirable sources for its legitimate security needs, perhaps prompting less moderate, less stabilizing policies by that Government. The $70 million in grant aid will help assure that Jordan can maintain its independence and its effectiveness in supporting U.S. initiatives.

MILITARY SALES TO SAUDI ARABIA

Mr. LONG. Saudi Arabia's armed forces total only about 61,000 men. From fiscal year 1974 through fiscal year 1977, Saudi Arabia will have purchased $7 or $8 billion in U.S. arms under foreign military sales agreements. This huge expenditure averages nearly $130,000 per man in the Saudi forces. Is this military sales policy contradictory to your statement—in the justification—that "we assiduously avoid" programs which would "stimulate regional arms races"?

General FISH. We do not believe that USG sales to Saudi Arabia under foreign military sales agreements have stimulated regional arms races. The majority of FMS sales to Saudi Arabia is for construction of facilities such as military cantonments, family housing, hospitals, and the like, and not for arms. Saudi Arabia's armed forces are very modest in size, particularly in view of the size of the country and its wealth. Most of the other states in the region that are neighbors to Saudi Arabia (Iran, Iraq. Jordan, Egypt) all have armed forces

significantly more powerful than the forces Saudi Arabia is seeking to develop.

Mr. PASSMAN. Thank you, Dr. Long.

I will come back to you. I don't want to delay. I know it is important but I think each member ought to have his 5 minutes and, of course, we are going to be very generous. If they want 10 minutes they can take 10.

I am going to yield to Mr. Conte.

MILITARY NEEDS OF ISRAEL

Mr. CONTE. You mentioned there has been a lot of controversy, as you can see, over the military needs of Israel and you state in your justifications on page 79 that this request was the product of intensive review.

Who participated in that review?

General FISH. Sir, the intensive reviews were made by the National Security Council, the State Department, the Defense Department, our Military Middle East Task Group, and the Israelis. I guess I got most of the participants.

Mr. CONTE. And did the Government of Israel concur in this conclusion?

General FISH. Which conclusion is it, sir?

Mr. CONTE. Well, the conclusion of $1.5 billion for fiscal year 1976 and the transition period.

General FISH. I am not aware of any nonconcurrence of Israel but I would defer to the State Department if they have anything to add.

Mr. WINSHIP. Well, Mr. Conte, I am not sure whether the committee has yet received a letter from the President which was addressed to the Speaker of the House yesterday which is relevant to this subject and I might read just briefly from the President's letter dated April 6.

As you know, this administration is firmly committed to the security of the State of Israel and also to providing constructive economic assistance to Egypt, Jordan, and Syria. However, the fiscal year 1976 and 1977 budget levels were designed to meet these purposes on an austere basis without any funding in the transition quarter. It is natural that the recipient governments would like to receive financial support at a higher level than provided in the administration's request. I am aware, also, that it has been argued that the United States should fund through security assistance any budget deficit which governments might incur as a result in part of acquiring military equipment from the United States. However, it should be obvious that any such proposals are completely unfeasible, since the United States is in no position to control every aspect of another government's budget spending. Security assistance is intended to provide military and economic funding to ease the pressure on friendly governments in meeting their legitimate security needs. It never has been nor should be intended to meet every budgetary deficit or foreign exchange shortfall which another government may incur, and no such commitment has been made.

Specifically, in the case of Israel, my fiscal year 1976 and 1977 budget requests provide sufficient levels of assistance to meet that nation's needs. Our most careful analysis indicates that the levels provided in the fiscal year 1976 and 1977 requests for FMS credits are adequate to enable Israel to maintain its security. Our previous estimates of this need have been carefully rechecked and reaffirmed.

EGYPTIAN RELATIONS WITH U.S.S.R.

Mr. CONTE. Could you get us something, Mr. Secretary, on what the effects are of Egypt's break with the Soviet Union, on its military strength and capability?

Mr. WINSHIP. We would be glad to ask for something for the record on that subject.

[The information follows:]

EFFECT OF BREAK WITH SOVIET UNION ON EGYPT'S MILITARY STRENGTH AND CAPABILITY

Soviet supply of major items of military equipment (planes, tanks, armored personnel carriers, et cetera) to Egypt ended in May 1975. Since that time Egypt has received from the Soviets only a trickle of spare parts. The abrogation of the Egyptian-Soviet treaty, and the cancellation of Soviet access to Alexandria shipyard facilities, can be expected to cut Egypt off from this already sharply curtailed flow of spare parts. Egypt's efforts to obtain military hardware from other sources, such as France and England, have so far not resulted in any major arms shipments to Egypt. Furthermore, much of the equipment Egypt has in its inventory today has been heavily used. As a result, most observers agree that Egyptian forces now are less well equipped and not as strong as they were a few years ago.

Mr. CONTE. It better be good because you people haven't done a very good job building a record, I tried to get you a little more money in this committee in markup and I was defeated soundly.

Isn't that right, Mr. Chairman.

Mr. PASSMAN. That is right, Mr. Conte.

MAP FOR INDONESIA

Mr. CONTE. Did you find that having some MAP programs in some of these countries has really helped, for instance, Indonesia, one of the largest countries in the world? We didn't have a lot of military assistance in there but we did have a MAP program, did we not?

General FISH. Yes, sir.

Mr. CONTE. We also trained some of their officers here at our War College; right?

General FISH. Yes, sir; we have training programs with Indonesia.

Mr. CONTE. And it was a program that really helped throw out Sukarno at that time without costing any American lives or military equipment; is that right?

General FISH. The Indonesians did turn away from the Soviets and to the West, to the United States.

FMS FOR YUGOSLAVIA

Mr. CONTE. The Foreign Military Sales cash agreements with Yugoslavia have increased from $257 thousand to $1.5 million in 2 years. Do you anticipate further dramatic increases in the next few years?

General FISH. The Government of Yugoslavia has indicated an interest in acquiring a variety of U.S. equipment. Some increase in dollar volume of sales is expected. Such sales will be subject to the normal review and approval process.

YUGOSLAVIA

Mr. CONTE. How serious do you perceive the threat to Yugoslavia to be at this time?

General FISH. We believe that there is no serious threat, either internal or external, to Yugoslav independence, security and unity at present. ———.

FMS FOR YUGOSLAVIA

Mr. CONTE. What types of equipment is Yugoslavia purchasing?

General FISH. T–33 aircraft, spare parts for machineguns and artillery pieces, mine detectors, radars, radio sets, a technical data package for fuzes and boosters, uniforms, and other personnel equipment.

Mr. CONTE. You mention that Ethiopia feels threatened by Soviet arms supply to Somalia. How significant is that increase of Soviet weapons.

General FISH. ———.

ETHIOPIA

Mr. CONTE. How vital to the U.S. interests is Ethiopia?

General FISH. Ethiopia has long been the focus of U.S. interest and assistance in Africa south of the Sahara for a variety of reasons in addition to the presence of our communications facility at Kagnew. Ethiopia's key geographical location has been underlined by developments during and following the 1973 Arab-Israeli war, the subsequent oil crisis, the reopening earlier this year of the Suez Canal, and Soviet intrusions into the area.

FMS CASH AND CREDIT SALES TO ARGENTINA

Mr. CONTE. In fiscal year 1975, Argentina purchased $6,004,000 in military equipment for cash and used only $8 million in credit. This year cash sales have dropped to $3 million while credit sales have risen to $27 million. Why such a large increase in credit sales when there is a drop in cash sales?

General FISH. The present state of the Argentinian economy is considered to be the prime reason for the increase in the use of credit—as opposed to cash—for the purchase of military hardware and services. The inflation rate in Argentina during calendar year 1975 was 335 percent, the highest in the world. It was this increasing erosion of the purchasing power of the peso, compounded by mounting internal security problems, which prompted the government of Argentina to turn more to the use of credit for the purchase of U.S. defense equipment.

The net increase in the amount of Argentinian purchases of defense equipment from fiscal year 1975 to fiscal year 1976 is to meet modernization requirements to cope with internal security problems.

POWER OF BRAZIL

Mr. CONTE. Many Latin American countries are already afraid of the growing power of Brazil. Does our aid contribute to this perception of a threat?

General FISH. Any concern about growing Brazilian power which may be felt by other Latin American countries is based essentially on the size, the expanding economic base, and the growing international influence of Brazil. There is no doubt that Brazilian impact is being felt, at least in economic terms, on neighboring countries of the region.

Her military power, however, is commensurate, at best, with her size

and population and her general relations with other Latin American countries are cordial.

In any case, U.S. assistance—which has diminished greatly since 1968 and is minor compared to the size of the Brazilian economy—has little, if any, role in these perceptions.

Mr. CONTE. You indicate that Brazil could perceive a Soviet naval threat. What size and quality is the current Brazilian Navy?

General FISH. The Brazilian Navy is presently the largest and one of the two best in Latin America. The approximately 48,000 man force consists of an ASW carrier, a cruiser, U.S. World War II destroyers, LST's, submarines, amphibious ships, new mine warfare ships from Germany, numerous utility and river craft, and support and auxiliary ships. Six British frigates are presently under construction and their present submarine force includes a British Oberon and two additional Oberons under construction.

The Brazilian Navy is attempting to upgrade its ship inventory through a modernization program and upon completion in the early 1980's should provide Brazil with the best navy in Latin America. At present, Brazil's navy can defend her LOC's and coastlines againt any attack from one of her neighbors; however, it would be no match against the surface or submarine force of a major world power principally because of obsolescent equipment.

Mr. CONTE. I don't want to take any more time, my 5 minutes are up, but it's a shame I am not going to be here this afternoon, but you better make a record on this thing so we will have something.

Mr. PASSMAN. Thank you, Mr. Conte. General Fish, you have stated several times today that the $1.5 billion in proposed military aid to Israel for fiscal year 1976 is adequate for the full year as well as the transitional quarter.

CREDIT LEVELS FOR ISRAEL FOR FISCAL YEAR 1977

Isn't it also true that, in initially considering the fiscal year 1977 foreign military aid request, that the experts in the administration said, for Israel, $500 million was adequate, then the Defense Department recommended a level of $750 million, and then the President himself insisted on putting in $1 billion?

General FISH. Sir, I don't recall that dialog.

Mr. PASSMAN. Let me say for the record that is right and if you don't know about that, then you ought to have them have another briefing for you. The experts said that $500 million in 1977, in addition to the pipeline, in addition to the $1.5 billion proposed for 1976, was adequate. That came from the people who evaluated the program.

The Defense Department said it should be $750 million, but the President of the United States himself insisted it should be $1 billion. I state those figures to be accurate and from as high an authority as you have in America.

Mr. Koch?

JUSTIFICATION FOR AID TO LATIN AMERICA

Mr. KOCH. General, may I take you to Latin America for a change of pace?

First, I would like to set the premise for my questioning: Would you agree with me that it's the stated policy of the United States not

to intervene in the internal affairs of other countries? Is that a fair statement?

General FISH. I think so. The State Department, do you agree?

Mr. KOCH. OK. In looking through the justifications for military assistance in Latin America, I came across these notes with respect to these countries. I will just read a few of them: El Salvador; and I quote: "Internally there have been numerous terrorist acts, but there is no reason to believe that they pose a serious threat to the present government." The request for military assistance there is $3.1 million.

Guatemala, "The traditional internal insurgency has abated in recent years," we gave them $1.1 million.

General FISH. Sir, that is from the Congressional Presentation Document?

Mr. KOCH. Yes. Nicaragua: "There exists in Nicaragua an insurgent organization capable of conducting rural raids and terrorist activities. The Nicaraguan Armed Forces are capable of coping with the insurgent activities." Their request is $3.1 million.

Uruguay; "Terrorism was a serious threat to the government in Uruguay during 1968 to 1973. This threat has been greatly reduced by the Uruguayan security forces, although the potential for terrorism remains." The request there is $3 million.

Those are all quotes. There are others. One other note, I find it curious that Costa Rica, which has no defense forces, and which therefore receives no military aid from the United States, is one of the few democracies left in Latin America. What I want to ask is why do we use, as justifications for military assistance, reference to the internal insurgencies that exist in these countries. I don't mean to suggest for a moment that these insurgencies don't exist. Rather, I wonder whether such an internal threat is sufficient reason for our supplying military assistance?

Mr. WINSHIP. May I speak to that, Mr. Kock? The fact that, as provided in the law, the internal security is one of the threats to the existence of a friendly government which we consider is authorized and is a legitimate purpose.

Mr. KOCH. I am interested in that. Your position is if there is an internal threat, that that can be the basis for our providing military aid. That is to say, if there is some revolutionary force in Brazil we will provide aid to the Government of Brazil to put down an internal insurgency?

Mr. WINSHIP. We provide security assistance as a factor in our bilateral relations with friendly foreign governments, friends and allies, and that is considered by the foreign governments a very essential element in their relationship with us.

Mr. KOCH. I will bet, for them, but how about for us?

Don't you agree with my statement that the United States should not interfere in the internal affairs of other countries, and yet didn't you also state that the United States considers a purely internal threat a legitimate reason for our providing military assistance?

Mr. WINSHIP. That is correct.

Mr. KOCH. How do you reconcile these two statements?

Mr. WINSHIP. I do not consider them contradictory.

Mr. KOCH. Explain that to me, please.

Mr. WINSHIP. Because the foreign government will be seeking its military equipment in any case, as pointed up by the chairman at the beginning of this session.

It will——

Mr. KOCH. Wait a minute, if you will. That is another justification. The justification that you are raising now is that if we don't sell it, somebody else will. I haven't asked about that. What I am asking is whether as one of the premises for providing military aid, you use the threat of a truly indigenous insurgency—good, bad, or indifferent against a government? You have just told me on one occasion that we are not going to get involved in the internal affairs of another country, and then subsequently, to that you said yes, we are going to help governments put down insurgencies. Which is it?

Mr. WINSHIP. We are attempting to work with friendly governments to assist them in maintaining their security.

CREDIT SALES TO URUGUAY

Mr. KOCH. OK. Now Uruguay is now known as the torture house of Latin America. That is the judgement of Amnesty International after its investigations. Are you familiar with the fact that Uruguay now is alleged to surpass Chile in terms of torture? Are you familiar with that allegation?

Mr. WINSHIP. Mr. Williams from the Latin American bureau perhaps is more familiar with that allegation.

Mr. KOCH. Is that a reasonable statement I just made?

Mr. WILLIAMS. That is Amnesty International's position.

Mr. KOCH. Would the State Department have a position?

Mr. WILLIAMS. I think it would be difficult to say.

Mr. KOCH. Which is worse?

Mr. WILLIAMS. Yes——

Mr. KOCH. They are both pretty bad.

Mr. WILLIAMS. I think that is a correct statement.

Mr. KOCH. Would you please tell me then why we should give to Uruguay, which is considered the charnal house of Latin America, $3 million for its security forces? Doesn't that make us part and parcel of the torture operation?

General FISH. Sir, we are not giving them $3 million. The request is $50,000 for grant material assistance, $500,000 for grant training; $550,000 is the grant.

Mr. KOCH. I mean the request, isn't that $3 million?

General FISH. $2.5 million is for authorization for credit sales.

Mr. KOCH. OK. When I say give, I am talking not in terms of whether they pay for the military supplies. I suppose "furnish" is a more appropriate word.

Why should we furnish $3 million to a country that will use that and against its own people for terror purposes?

Mr. WILLIAMS. I don't think, Mr. Koch, you could equate our provision of security assistance with utilization of that to suppress its own population.

Mr. KOCH. Don't you agree there is no external threat to Uruguay? Is there any country that wants to take it over at the moment?

Mr. WILLIAMS. No.

Mr. KOCH. There isn't any?

Mr. WILLIAMS. That is correct.

Mr. KOCH. To give to the security forces it has when it has a reputation as the terror chamber of Latin America, do you suggest those arms are then not going to be used against Uruguayans?

Mr. WILLIAMS. The obvious purpose of the threat is internal security, as I say.

Mr. KOCH. From Uruguayans?

Mr. WILLIAMS. Or Argentines, who have come across the border, but it is essentially an internal threat.

FUNDING FOR POLICE FORCES

Mr. KOCH. Let me just ask one more question. Didn't we pass legislation, not very long ago, which bars our providing aid for internal police purposes?

Mr. WILLIAMS. Public safety programs.

Mr. KOCH. Public safety purposes.

Mr. WILLIAMS. That is correct.

Mr. KOCH. Do you distinguish between an internal situation which exists in Uruguay or Nicaragua or Guatemala, from the armed forces we are funding? Aren't those actually police functions that the Army carries out?

Mr. WILLIAMS. No, we have done a very—the Defense has done a very, very careful study of the legislation, and with the police function in mind, and I think the record will show that there has been a scrupulous observation of observance of the law in separating any police training from military security functions.

Mr. KOCH. Let me pursue that, if I may. Doesn't Nicaragua have only one force. As I recall there is no police force per se, but the military carries out those functions.

Mr. WILLIAMS. It doesn't have an army as such, it has a National Guard, but I am not certain about the police force.

Mr. KOCH. The single force is used for police purposes as well as armed services. Will you accept that as an accurate statement?

Mr. WILLIAMS. I can't answer that. I don't know.

Mr. KOCH. Well, if I am correct in that, aren't we then funding police functions? Are we not then funding police functions in a state that allegedly commits torture on its own citizens?

Mr. WILLIAMS. I can't accept the premise that the National Guard is involved in a police function.

Mr. KOCH. OK. Well, will you look into it?

Mr. WILLIAMS. I will look into it.

Mr. KOCH. And you will give us a little history on the National Guard and whether or not it's used for police purposes.

Mr. WILLIAMS. That is right.

[The information follows:]

POLICE FUNCTIONS IN THE NICARAGUA NATIONAL GUARD

The National Guard of Nicaragua was created by the U.S. Government in the late 1920's as one element of a strategy designed to end the civil war between liberal and conservative forces. Envisaged as a nonpartisan military force, its mission was to provide a stable environment within which normal political processes could resume. During its early years, it was employed against the

conservative guerrila leader, Augusto Sandino. After Sandino's death in 1934 and the departure of the U.S. Marines, the Guard became the personal instrument of Gen. Anastasio Somoza, who subsequently seized the presidency. It has remained to this day the principal power base for the ruling Somoza family. General Anastasio Somoza Debayle, the current President, is also the Supreme Commander of the Armed Forces, which is, the single service National Guard.

While you are correct in the sense the National Guard of Nicaragua is a single force that operates as both a civil police department and as an armed service, it is important to note that within the Guard there is a distinct functional differentiation between military and police-type units. There are certain units charged with civilian law enforcement duties which are performed by no other Guard units. These units are clearly identifiable as "police" type units quite distinct from those performing normal military duties, and as such, receive no assistance under the Foreign Assistance Act of 1961 as amended.

Mr. KOCH. It is the stated policy of the United States not to intervene in the internal affairs of other countries. If this is so, why is the threat of internal disorder used as a justification for military aid?

Mr. WINSHIP. The provision of assistance by the United States to foreign governments, in response to the requests of such governments, is not considered to be "intervention" within the meaning of the general policy against U.S. intervention. Security assistance is provided in accordance with law to assist countries in the maintenance of their own defensive strength; an essential element in a country's defense capacity is the maintenance of its political and economic stability. The use of military assistance for the purpose of meeting internal threats to the stability of the government, particularly when the insurgency is supplied from outside the country, is legal and proper.

Mr. KOCH. In 1973 and 1974 Congress banned U.S. aid to foreign police and prisons. Why then are we, for example, aiding Uruguay "to maintain an adequate counterinsurgency capability"? Why in Nicaragua are we supplying military aid when the armed force and the police are fully integrated into the National Guard, under the close personal direction of Somoza?

Mr. WINSHIP. The statutory ban on the use of military assistance or other U.S. funds to provide training in, or financial and material support for, any phase of civilian law enforcement is section 660 of the Foreign Assistance Act of 1961, as amended. That section also precludes the furnishing of any assistance under the act to members and units of the armed forces of any foreign government where such members or units have clear responsibility for on-going civilian law enforcement, regardless of the formal title or organization of such units and regardless of the nature of the assistance.

In the cases of Uruguay and Nicaragua, we have been able to clearly identify "police" units within armed forces of their respective governments. We do not provide assistance to such units nor to individual members of them. Likewise, we do not assist units or individuals who have police functions as well as military functions. Moreover, we provide military training under the act to individual members of Uruguayan and Nicaraguan military forces only when we are satisfied that such personnel will not be assigned to units charged with on-going civilian law enforcement functions for a reasonable period following completion of the training.

SOVIET NAVAL EXPANSION IN THE SOUTH ATLANTIC

Mr. KOCH. What exactly is the possibility of Soviet expansion of naval capabilities in the South Atlantic?

General FISH. For the purposes of this discussion the South Atlantic is considered to be that sea area south of a line drawn between Monrovia, Liberia and Natal, Brazil. During the Angolan Civil War the Soviets deployed naval forces to this portion of the world. Accordingly, they are known to be physically capable of expanding their operations into the South Atlantic whenever they see the effort as being worthwhile. The fact that the Soviets have since withdrawn that force suggests that they do not perceive a continuing presence there to be beneficial to their interests at this time. The primary Soviet naval objectives in the Atlantic area include maintaining a presence in the Mediterranean, augmenting that presence whenever necessary, and having crisis-reaction forces available for operations in the Norwegian Sea area. ———.

Mr. KOCH. If the naval threat is the crucial one, are we concentrating our aid in building up the Brazilian Navy? If not, why not?

General FISH. All FMS credits extended to Brazil in fiscal year 1975–1976 and not required for the multiyear funded F–5/C–130 program agreed upon in 1972 have gone to the Brazilian Navy. The Brazilian Navy has a modernization program which will be financed by FMS credits. This program has our support as it will materially increase their ASW capability in the South Atlantic and relieve U.S. forces of that burden. However, in view of the world economic difficulties which impact on Brazil because of her dependence on foreign petroleum sources, this modernization program has slipped during the past 2 years but in no instance has it been abandoned.

Mr. KOCH. Are police functions being carried out by the military in Brazil? If so, what is the United States doing to insure that our aid does not assist Brazilian police operations, as such aid was banned by the Congress in 1973 and 1974?

General FISH. The Brazilian Army Intelligence Service has primary responsibility for internal security matters and subversion but does not involve itself in police functions. There has been no MAP material program in Brazil since 1968 and none of the present MAP training program is directed towards the assistance of Brazilian police operations. Likewise FMS credits extended to Brazil have not been used to purchase equipment supportive of police operations. It should be noted that the GAO, following a study of security assistance programs in Latin America, including Brazil, recently reported to Congres its finding that the Department of State and Defense were complying with section 660 of the Foreign Assistance Act of 1961, as amended, which prohibits the use of funds under the act for any phase of civilian law enforcement or for units which have clear responsibility for ongoing functions of this nature.

Mr. KOCH. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Coughlin?

SOVIET ASSISTANCE TO THIRD WORLD COUNTRIES

Mr. COUGHLIN. Thank you, Mr. Chairman.

General, on page 4 of your statement you indicate that since 1965 the Soviet Union has extended about $15 billion in military hardware to 38 third world countries. Can you tell me how much aid we extended to the same countries?

General FISH. Yes, sir. We have been in the process of correlating that and I will provide it for the record. We have used this same information in other committees and that has been requested.

[The information follows:]

Hardware Deliveries by U.S. to Third World Countries Which Also Have Received Hardware from the U.S.S.R.

[In million United States dollars]

Burma	65
Cambodia	1,031
Egypt	(*)
Ghana	(*)
Guinea	1
India	112
Indonesia	96
Iran	2,521
Iraq	55
Lebanon	19
Libya	33
Mali	2
Morocco	60
Nigeria	(*)
Pakistan	601
Peru	96
Sri Lanka	3
Syria	(*)
Yemen (North)	2
Total	4,697

* Less than $500,000.

NOTE.—Of the total 38 countries which received military hardware from the U.S.S.R., the U.S. delivered no hardware to 20 countries during the period.

COUNTRIES DEPENDENT ON U.S.S.R. FOR MILITARY RESOURCES

Mr. COUGHLIN. On page 7 of your statement you list some countries which are dependent upon the Soviet Union for military resources. Could you provide for the record a list of countries that are dependent totally on the United States for their military resources?

General FISH. Yes, sir, we will be happy to do that.

[The information follows:]

COUNTRIES DEPENDENT ON U.S. MILITARY RESOURCES

Australia
Belgium
Bolivia
Brazil
Canada
Chile
China (Taiwan)
Colombia
Denmark
Ethiopia
Federal Republic of Germany
Greece
Guatemala
Honduras
Indonesia
Iran
Israel
Italy
Japan
Jordan
Kuwait
Liberia
Malaysia
Morocco
Netherlands
New Zealand
Nicaragua
Norway
Pakistan
Panama
Paraguay
Peru
Philippines
Republic of Korea
Saudi Arabia
Singapore
Spain
Switzerland
Thailand
Tunisia
Turkey
United Kingdom
Uruguay
Venezuela
Zaire

NOA FOR FMS

Mr. COUGHLIN. On page 8 of your statement you show, and I am just confused on this, a request of $852 million in new obligational authority for the FMS program, and yet you show on page 9 that there will be an estimated total of $6.9 billion in FMS sales.

What is the difference between those two figures?

General FISH. Sir, the $6.9 billion is a projection for new sales agreements financed by both cash and credit and the $852 million is new obligational authority to finance a credit program of $2.179 billion.

Mr. COUGHLIN. On a concessional basis?

General FISH. No, sir, on the cost of money basis with the exception of the State of Israel where $500 million would be forgiven.

SALES AND TRAINING FOR LEBANON

Mr. COUGHLIN. On page 10 of your statement you state $300,000 in training funds and $5 million in credit sales will go to Lebanon. Has there been any change in that administration's view on this?

General FISH. Well, we would hope, sir, that this program would be authorized and appropriated. Of course, when this was prepared, the situation was not as unsettled as it is now in Lebanon.

We, of course, if we had the authority and the appropriation, would not go forward to provide it except under the conditions that would be in our national interest, but we do think that as Lebanon hopefully comes out of its present troubles we would have the capability to be responsive to them in providing security assistance, depending upon the situation at that time.

Mr. COUGHLIN. I would like to follow up a little bit on some questions that Mr. Koch was asking.

SECURITY ASSISTANCE FOR EGYPT

You indicated in your statement that one of the purposes of Soviet aid, as well as our aid, is to have countries that are dependent upon the Soviet Union for their logistics and resupply or on us for their logistics and resupply. You continue that the Soviet terms were very good, and yet all of that doesn't seem to work in Egypt.

Egypt has now thrown the Soviets out and is looking to us. Why did that happen if the Soviet program was so successful?

General FISH. Well, I don't believe the security assistance program of any nation is the overall controlling factor. I think it is only one factor, it is an important factor, but I don't think that you can draw cause-and-effect relationships only on one factor, you have to look at the totality of the relationship between the countries involved.

Mr. COUGHLIN. In your opinion why did the Egyptians want the Soviet military assistance out of there?

General FISH. I would defer again to the State Department on that. I think there was a very great combination of factors. I think one of the main reasons is, from my observation, has been the Egyptian statement that they recognize that the Soviet Union can provide them equipment, and assistance in fighting, but they have only limited capability to provide them assistance in making peace, and they think the United States is probably better equipped to assist them in making peace.

U.S.-U.S.S.R. TERMS FOR PROVIDING ASSISTANCE

Mr. COUGHLIN. The reason I am asking this is that I was always under the impression that contrary to your statement, the Soviet Union was very hard in its terms for providing military assistance compared to the United States and you would indicate that they are very generous in their terms.

General FISH. Unquestionably more generous and we have documented it in great detail in the classified documents. We provided these to the committee, and as I indicated in my unclassified statement, their terms are very concessionary.

Mr. COUGHLIN. They are more generous than we?

General FISH. Absolutely.

Mr. CONTE. Would you yield?

Mr. COUGHLIN. Yes.

Mr. CONTE. That is not so. They don't get many spare parts, that is why the Egyptians are in trouble right now, and I have been on this committee 18 years with the chairman and I have always found that the Soviets always get all kinds of strings, and if they give any military equipment or loan it to you or sell it on credit, they always barter, too, don't forget that. They barter with the Cubans to get sugar.

We don't barter, and you are all wrong on that, General, and you will find they give very, very limited spare parts, whether Egypt or Afghanistan or Somalia or any other place. And spare parts, there is the old string right there.

General FISH. I thought Congressman Coughlin was making a different point in talking about the terms they provide credit on. Typically the Soviet Union allows a waiting period, a forgiveness period before they have to pay back any part of the loan. The rates run 2 to 2½ percent for a large portion of their loans, and these are much more concessionary than our terms.

Our terms are cost of money, which normally runs 7 or 8 percent. We do provide concessionary rates on some individual cases, but these amount to less than 1 percent. But I was addressing the financial terms. I agree with everything the Congressman says about the strings that they attach to their sales.

Mr. COUGHLIN. Your statement is somewhat misleading then.

General FISH. I hope not, sir.

Mr. COUGHLIN. The Soviet Union's terms and their ability to use their military assistance programs has not been entirely successful in some instances.

General FISH. I am sure it has not, just like ours has not always been successful either, because it is only one factor in the totality of the relationship. But it's an important factor and we think that they have been successful in many areas.

ESTIMATED COSTS OF ZAIRE'S MILITARY FORCE MODERNIZATION

Mr. COUGHLIN. If I remember correctly, last year when you requested funds for Zaire, you stated that the funds were needed to modernize Zaire's military forces and increase stability in the area. How much does the administration anticipate the modernization plans for Zaire will cost?

General FISH. A survey in early 1975 by a tri-service military technical assistance team headed by General Rockwell of the U.S. Army, estimated the cost of Zaire's military equipment needs at approximately $115 million, phased over an 8-year period. Events during the past year have increased the threats to Zaire's security. The ultimate modernization program would depend on decisions by the Zairian Government. Our assistance, primarily in the form of foreign military sales credits, would provide a modest contribution to the total program.

U.S. POSITION IN THE PHILIPPINES

Mr. COUGHLIN. There have been some reports that the Philippines are going to ask us either to leave the country or turn over our bases

to them. Could you elaborate on this matter and tell us whether such reports are accurate?

General FISH. Following the collapse in Indochina, the Philippines questioned the value of security arrangements with the United States. After this period of reappraisal, they reaffirmed support for United States use of the bases. President Marcos and President Ford agreed, in a joint communique issued when President Ford visited Manila in December 1975, that the military bases used by the United States in the Philippines remain important in maintaining an effective United States presence in the western Pacific in support of mutual objectives.

The 1947 United States-Philippine Military Bases Agreement was amended in 1966 to permit its expiration after 1991. The United States has agreed to renegotiate the agreement in the clear recognition of Philippine sovereignty. Accordingly, Philippine Foreign Secretary Carlos P. Romulo will meet in Washington with Secretary Kissinger on April 12 for the opening of the negotiations which we expect to be conducted in a spirit of cooperation and cordiality.

POSSIBILITY THAT THE ROYAL THAI GOVERNMENT MAY REQUEST THE RETURN OF U.S. FORCES

Mr. COUGHLIN. I believe I read in the newspaper that the new Prime Minister of Thailand may request that the United States return to Thailand. What's happening along this matter?

General FISH. The new Thai Government has not been formed as yet. The first meeting of the newly elected house of representatives is scheduled by Royal decree for April 16, 1976. It is anticipated that Mr. Seni Pramot will be asked to form a government since his party won approximately 40 percent of the seats in the lower house. There have been some indications that the new Thai Government might re-evaluate the position concerning U.S. withdrawals. The position of the United States is to continue to remove its forces in accordance with the request of the Royal Thai Government. To our knowledge there has been no change in policy on the part of the caretaker Thai Government.

Mr. COUGHLIN. Thank you, Mr. Chairman.

Mr. PASSMAN. Mr. Bevill?

FOREIGN MILITARY SALES TO EGYPT

Mr. BEVILL. It has been stated in the press that the administration considers the proposed sale of six C–130's to Egypt to be highly symbolic in the establishment of our new relationship with that country. Do you consider this highly symbolic? If so, how can a high symbolic value be placed on this sale when President Sadat has already made it clear that he wants not just transport planes, but also weapons? Why isn't our proposed economic aid to Egypt enough of a symbol of our friendship? Won't any weapons supplied to Egypt eventually increase the amount needed by Israel to maintain equal military strength?

General FISH. I do consider the proposed sale of C–130's to Egypt as a significant step in the evolution of our new relationship. While our Government has been providing some economic aid to Egypt, this proposed sale of military equipment and training is a further example of

the normalization of our affairs with Egypt as they turn to the West for both economic and military support. We do not consider that the sale of these aircraft to Egypt will constitute a destabilizing factor in the balance of power in that region.

FOREIGN MILITARY CREDIT SALES

Mr. BEVILL. I noticed that the sales credit program to Turkey is to be increased by $20 million, while the sales program to Greece is increased by $17 million. Is the increase to one country simply a response to an increase to the other? Why do you feel that these countries need these particular increases?

General FISH. The amount of assistance to one country is not related to the other. Both Greece and Turkey are undergoing force modernization programs which will increase their defensive capabilities thus contributing to the overall effectiveness of NATO. Proposed increases are in support of these modernization programs.

Mr. BEVILL. Foreign military credit sales to Kenya are up from $2 million last year to $5 million this year. Is this solely due to tensions in relations with Somalia? If so, what are the latest developments in their relations?

General FISH. No U.S. military equipment has been sold to Kenya under the FMS credit program, although we expect sales to begin soon. The Kenyans have requested assistance in modernizing their armed forces and the credit made available reflects our intention to provide some limited assistance in response to their request. ———.

Mr. BEVILL. It was mentioned in the hearings last year that Tunisia felt threatened by Soviet arms shipments to Libya and Algeria. At what rate are these shipments still going on? Does Tunisia still feel the same degree of threat? Is the infiltration from Libya still going on?

General FISH. Soviet shipments to Algeria have increased recently partly as a result of the controversy over the former Spanish Sahara where Algeria is strongly opposed to Moroccan and Mauritanian claims of sovereignty. Sizeable shipments to Libya have also continued throughout the year under agreements reached with the Soviet Union during 1974–75.

Tunisia believes that the external threat has increased, particularly from Libya as evidenced by a virulent propaganda campaign now going on between the two countries. Infiltration from Libya also continues unabated, despite heightened security along the borders. In this regard, three Libyans are to be tried in Tunis shortly for their part in an alleged plan to assassinate leading Tunisian figures, widely believed to include Prime Minister Nouira.

Mr. BEVILL. In the security assistance program the trend for several years has been to increase credit sales, while decreasing military assistance grants. Will any countries be taken completely out of the grant program this year, and be relying solely on credit sales for the first time?

General FISH. The grant aid materiel, or military assistance program, request for fiscal year 1977 is $100 million less than requested for fiscal year 1976, even though it will assume responsibility for MAAG administrative costs previously financed from military de-

partment appropriations. The recipients programed for grant materiel have been reduced from 18 countries in fiscal year 1976 to 12 in fiscal year 1977. Those countries phased out, beginning in fiscal year 1977, are Korea, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Peru. A Spain grant materiel program is being requested in fiscal year 1977 in accordance with the recently signed Treaty of Friendship and Cooperation between the United States and Spain.

Mr. BEVILL. Thank you, Mr. Chairman.

Mr. PASSMAN. There is really two pleasures I get every year. One is Christmas, being with my relatives, and the other one is irritating the foreign aid people. But I don't do it to be mean.

Mr. LONG. Christmas comes every day in the year on that; doesn't it, Mr. Chairman?

Mr. PASSMAN. But, I do want to make an absolutely understandable concise record, and I am not trying to trap you.

But I do want to make a very positive record, so all of our colleagues not on this committee will understand once and for all what the facts are.

HOW THE MILITARY ASSISTANCE PROGRAM WORKS

Annually we pass an authorization bill and subsequently an appropriation bill providing for funding of the authorized programs. After we have passed that legislation, then those in the executive branch make the allocations, and it is credited to these nations, whether it is credit or whether it is grant or whether it is to be forgiven, you set up a credit to these nations and from that they place their orders, if we are thinking in terms of military; is that correct?

They furnish the shopping list?

General FISH. No, sir, that is not quite correct.

Mr. PASSMAN. Well, tell me what it is then. Let's clear it up.

General FISH. The credit flow——

Mr. PASSMAN. We are talking dollars now. What is available regardless of what category, the amount that is available by which purchases or grants or whatever can be made.

General FISH. I will give you an example, sir, that will probably clarify the matter. We have agreed to provide certain credit say to Taiwan.

Mr. PASSMAN. All right, go ahead.

General FISH. Taiwan or to Korea, and they place orders, those orders are placed and the cash flow that they require for this year is relatively small.

The year that the order is placed——

Mr. PASSMAN. That is understandable and I am getting to the pipeline.

General FISH. So, then in the subsequent year the credit is not only for new orders but for payments for past orders.

Mr. PASSMAN. I understand that perfectly. That is additional money to load into the pipeline.

Let's put it this way: As of January 31, the combined funds available, credit, grant, what have you, for Israel was $1.9 billion, undelivered equipment. If they had never given them another nickel there was available to be withdrawn and shipped a total of $1.9 billion. Is that correct?

General FISH. Yes, sir; that sounds like the right figure.

Mr. PASSMAN. This has to be right on the button, this doesn't sound like a guess. We are making a record that must stand up. Let's look at it, $1.9 billion.

General FISH. Yes, sir.

Mr. PASSMAN. All right, sir. For fiscal 1976, for the full year, and the transition quarter, the administration asked for military aid for Israel, all categories, $1.5 billion; is that correct?

General FISH. Yes, sir.

Mr. PASSMAN. And 28 days from today, on May 6, we will be marking up a bill at this table, and in that budget there is $1 billion for Israel; isn't that correct?

General FISH. Yes, sir.

Mr. PASSMAN. Now that adds up to $4.4 billion that will be to the credit of Israel for new orders and undelivered in the area of military. Would you add that up?

General FISH. Yes, sir; that sounds right.

Mr. PASSMAN. No, is it right?

General FISH. Yes, sir.

Mr. PASSMAN. Now, what is the lead time on your military equipment?

General FISH. Well, it varies greatly.

Mr. PASSMAN. Well, average.

General FISH. Let's say 36 months. I am thinking of the major end items I am dealing with.

Mr. PASSMAN. Your predecessor didn't know what he was talking about, if you are right, so have a look at the record. You have better stability in the Middle East now than you had a year ago, do you not?

You have troubles, but I mean, with all of the negotiations, and commitments and grants.

General FISH. I think there is. I defer to the State Department.

Mr. PASSMAN. You have possibly better stability.

Mr. WINSHIP. Yes, that is correct.

Mr. PASSMAN. Much better than you had 2 or 3 years ago.

Mr. WINSHIP. Certainly, when we had wars.

Mr. PASSMAN. So at this particular time it looks like we could go to sleep and believe there is a status quo for the time being.

Mr. WINSHIP. That is correct.

Mr. PASSMAN. What are the average deliveries, dollarwise, let's say for Israel per year?

AVERAGE DELIVERIES TO ISRAEL PER YEAR

General FISH. I would say on an expenditure basis about a billion this year, it's running about a billion a year. But, you know, there has been great variety in it, and I would have to look and be precise.

Mr. PASSMAN. I want some direct answers, if it's a billion a year in deliveries, it simply means if you take the $1.9 billion, you take the $1.5 billion, you take the $1 billion, then they have almost a 4½-year supply of funds at the same rate of delivery.

If you are withdrawing a billion a year and you take the new money, feed it into the pipeline, you would have a pipeline of $4.4 billion, would you not?

General FISH. There is only one thing wrong with what you are saying, and that is the impression that it starts now. There is also the requirement to pay for equipment that was ordered in the past.

Mr. PASSMAN. You pay for it out of these credits though.

General FISH. Yes, sir.

Mr. PASSMAN. But, you do have a total available to pull out of the pipeline. You have taken out of one end and you are putting in at another, so if you just stopped today and put all of the money that we are giving you for fiscal 1976, and what is available or will be available for fiscal 1977, putting it in the pipeline, total undeliveries, the grant total would be $4.4 billion.

General FISH. There is no pipeline of money.

Mr. PASSMAN. Pipeline covers undelivered goods.

General FISH. Undelivered goods. The value of——

Mr. PASSMAN. Correct.

General FISH. But they have made progress payments against those.

Mr. PASSMAN. But, you have to associate all of this to dollars. If you take your credits, undelivered as of January 31, there is $1.9 billion in the different assortment of goods we are going to make available to Israel whether concessionary sales or grants or military sales, we put $1½ billion in and it's in the conference report, that is correct.

General FISH. Yes, sir.

Mr. PASSMAN. And you have $1 billion coming up.

General FISH. Yes, sir.

Mr. PASSMAN. So when all is said and done, whatever you associate it with, somewhere along the way you are going to utilize a value of $4.4 billion in differing types of equipment to go to Israel.

General FISH. The Congress in its past appropriations have funded, and the Israelis have applied against undelivered equipment, moneys on the order of $1.9 billion, and the $2½ billion that we are requesting are necessary for the future requirements and for some money for past.

Mr. PASSMAN. I understand it perfectly. You have said just what I said, but differently.

General FISH. Yes, sir, and we are agreed.

Mr. PASSMAN. That on the basis of what is being delivered, a billion a year, if that figure holds up, and you have reasonable calm, then you could deliver at the rate of $1 billion a year for 4½ years.

General FISH. That is roughly correct.

Mr. PASSMAN. OK, that is what we are trying to get for the record. Under the $1.5 billion, one half of that is to be forgiven.

General FISH. Yes, sir.

Mr. PASSMAN. Of the fiscal year 1977 request of $1 billion, it started off at a half a billion dollars but the President insisted on $1 billion, you check this out, if you will, with the Chairman of the National Security Council, I wish you would do it this afternoon and get it in the record, because we may need these facts momentarily.

General FISH. Be happy to do so.

Mr. PASSMAN. It was $500 million. They said that was adequate. Then the Defense Department, in cooperation with the State Department, said no, they should have $750 million.

Then the President of the United States said no, I want a billion. So will you check that out?

General FISH. Yes, sir, be happy to.

Mr. LONG. Would the Chairman yield?

Mr. PASSMAN. Yes, for a question.

Mr. LONG. I am intrigued by your statement to the Chairman that there is no pipeline.

General FISH. No pipeline of cash, there is of equipment, but not of cash. In fact, at the rate at the present moment, Dr. Long, because of the fact that the——

Mr. LONG. You mean this is equipment that is paid for but not delivered, to the value of $1.9 billion?

General FISH. Yes, sir. I will give an exact, I am going to check that figure, but that figure sounds correct to me from, you know, right off the top of my head.

I will have to check it to be certain, but it does sound correct.

Mr. PASSMAN. Well, help me understand one thing, if you will.

Mr. LONG. Excuse me, Mr. Chairman, if I could ask just one more question.

Now, $1.9 billion, which represents the goods that are on the way toward delivery, that have been paid for, so it's a goods pipeline.

General FISH. There is a pipeline, some of it is paid for, and I will provide the precise figures for the record. The chairman says it's $1.9 billion.

[The information follows:]

GOODS PIPELINE

The value of physically undelivered foreign military sales orders, including Israel's recent purchase of F–15 aircraft for $653 million, is $2.5 billion. Israel has paid $600 million against the undelivered orders, leaving an uncollected balance of $1.9 billion that will eventually come due when the material is shipped or when progress payments are made to contractors.

Mr. PASSMAN. But it's available.

General FISH. Yes, sir.

Mr. LONG. Now, this is a little different from saying they only use a billion a year in military goods.

General FISH. The chairman asked me about my estimate sitting here with familiarity with the program about what is the amount of dollars value of the deliveries, and I equate that to expenditures, and expenditures have been going about a billion.

Mr. PASSMAN. I am going to reduce it to dollar value.

Mr. LONG. Shouldn't you use the figures, not of deliveries, but of consumption? What is the amount of military equipment that is consumed in a year?

General FISH. That is pretty difficult. Much of the equipment is stockpiled because they must stockpile it against the contingency of another war.

Mr. PASSMAN. That is included in the billion dollars?

General FISH. Yes.

Mr. PASSMAN. It is included in the billion dollars, the stockpiling of everything?

General FISH. Absolutely.

Mr. LONG. Israel used up vast quantities of equipment in 12 days of the war.

General FISH. And the objective was to replace it and provide a stockpile for further wars to insure survival.

Mr. LONG. So the billion a year is the figure only if Israel remains at peace, right?

General FISH. We would hope it would be sufficient.

Mr. LONG. But we can't be sure.

General FISH. It's our estimate that it is.

Mr. PASSMAN. If you can finally get all of the warehouses filled and if there is no trouble, sooner or later the requirements will be met for the stockpiles, will they not?

General FISH. There are other requirements, though, Mr. Chairman. No state is static, or it forces static; it has to be modernized and improved. Otherwise we will not maintain the security stance we are dedicated to maintain.

Mr. PASSMAN. General Fish, there is so much confusion but a lot of people think we ought to pour sufficient money into the Treasury of some of our friends to meet all of the foreign exchange deficits. Well, for the last complete year the U.S. balance of payments was in deficit $18 billion.

Now, I am going to make this record complete, and I don't want to badger you, but I have to understand it and get it in language we can read.

Let's take the $1.9 billion undelivered balance as of January 31 for Israel. If the Congress, in its wisdom, should say that is all, we are just killing the program, then at some date, whether it's credit or whether it's yet to be arranged, $1.9 billion of equipment will be delivered to Israel.

General FISH. If that is the value of the pipeline that has been paid for.

Mr. PASSMAN. I am trying to place a value because it's you people that said it was $1.9 billion, so at some subsequent date there will then be $1.9 billion worth of something delivered.

General FISH. With the assumption the chairman has used, that is true.

Mr. PASSMAN. It may not have to be paid for, it may be grant, or credit or maybe a combination, just like your $1.5 billion, and your $1 billion.

Now, is this true? It may not be paid for, but we have assured them that this will be available. Isn't that correct?

General FISH. Yes, sir.

Mr. PASSMAN. Well, good, that is what I have been trying to establish.

MILITARY ESTABLISHMENT IN ALL COUNTRIES

Now, let me ask you to work with me on this. We agreed earlier that all nations, large or small, rich or poor, are going to have some type of a military establishment.

General FISH. Yes, sir.

Mr. PASSMAN. And if you give a kid firecrackers, he wants matches to light them with.

General FISH. Yes, sir.

Mr. PASSMAN. If you train people to use military equipment, then he will want equipment. Doesn't that naturally follow?

General FISH. But that is not the way we usually do it. We provide equipment and then training.

Mr. PASSMAN. If you train them, you understand how to use military equipment, it's only natural the next thought would be towards acquiring equipment, wouldn't it?

General FISH. Yes, but as I said——

Mr. PASSMAN. You and I, our destination is the same. You are too smart to be evasive, you know, that is true, you are not going to just train them, you understand, for fun.

General FISH. We usually provide them the equipment and then train them.

Mr. PASSMAN. Mr. McNamara used to say, if you train them that doesn't necessarily mean you are going to furnish equipment, and he was so smart I never could comprehend his reasoning.

ADEQUATE EGYPTIAN MILITARY FORCE

Wouldn't you think Egypt would be determined to have some kind of military regime, as strong a military force as they can afford? Their entire thrust is not just economic, they are also thinking in terms of the military establishment, are they not?

General FISH. The indications are that Egypt does want to have an adequate military force. Although I am really not very expert on Egypt because we have——

Mr. PASSMAN. I am not going to press you, I just want simply questions answered.

General FISH. Yes, sir.

Mr. PASSMAN. That Egypt would like to have and they are going to have, no doubt, some kind of adequate military force, as good as they can make it.

General FISH. Unquestionably.

Mr. PASSMAN. Does Egypt earn substantial foreign exchange out of her exports?

General FISH. It has a balance of payments deficit, my understanding is.

Mr. PASSMAN. I know. We have one, too.

General FISH. They have very serious economic problems.

Mr. PASSMAN. I know. We have them in some areas in this country too, but I am trying to deal with it realistically that they do earn, whether it's a deficit or credit, or what have you, they earn billions of dollars from their exports, do they not?

General FISH. I don't know. Do you know, Mr. Winship?

Mr. WINSHIP. I don't have any detailed information on the Egyptian economy.

Mr. PASSMAN. They have to earn foreign exchange from their exports, do they not?

Mr. WINSHIP. They have some export production and they have substantial gains from the operation of the Suez Canal.

Mr. PASSMAN. You are evasive because you think I am trying to lead you into a trap.

Mr. LONG. They are just scared to death of these country Congressmen.

Mr. PASSMAN. Let's take 1975, the last complete year. They had income from their exports of $1.54 billion. And I would assume that they used this $1.54 billion to buy and pay for commodities they could utilize in their economy; is that correct?

General FISH. I am sure.

Mr. PASSMAN. Are we all in agreement on that?

General FISH. Yes, sir.

Mr. PASSMAN. All right. Now if we give Egypt $695 million economic aid for fiscal 1976, wouldn't that release the same amount of their earnings from their foreign exchange or from their exports to buy military equipment if they should make that election?

Mr. WINSHIP. That portion of our assistance which is directly related to the commodity import program.

Mr. PASSMAN. I know, but you don't tell these people how to allocate their own resources. If you had that kind of agreement how in the world could they pay for any equipment?

Mr. WINSHIP. I might cite the latest figures we have on the gross figures in our earlier document, which show that in 1974 Egypt actually imported $3.7 billion worth of goods, and their military imports were listed as $107 million.

Mr. PASSMAN. Where did they get the $107 million to pay for military equipment, out of their own economy or out of their own foreign exchange?

Mr. WINSHIP. I am not certain of the basis of this figure, whether this included in 1974 some Soviet aid in addition to what they spent from their own economy, but the assumption would be this was $100 million from their own funds.

Mr. PASSMAN. They take it out of their own economy to pay for military equipment.

Mr. WINSHIP. That is correct.

Mr. PASSMAN. Now if we have a massive foreign aid program, budgetary support, give it any name you want to, whatever we provide, it is to pay for commodities that they need for their economy.

Mr. WINSHIP. Well, the security supporting assistance program is not keyed primarily to this. There is no budget support in it, and the amount of commodity——

Mr. PASSMAN. Some of the nations you do have budget support, do you not?

Mr. WINSHIP. In the case of Jordan we do.

Mr. PASSMAN. What are they going to do with the $695 million, just look at it or utilize it to assist their own economy?

Mr. WINSHIP. It is intended to assist the economy in a country which has overwhelming military expenditures. and it is related to our security assistance program.

Mr. PASSMAN. But countries have to have military, don't they?

Mr. WINSHIP. That is correct.

Mr. PASSMAN. Now, let's get down to the facts of it. If you have a massive aid program going into Egnyt, we call it supporting assistance, but its economic aid, we just fix that sweet sounding name to confuse people.

Mr. WINSHIP. That is correct.

Mr. PASSMAN. All right. When you pour into Egypt in fiscal 1976,

$695 million that they hadn't previously had coming from any source, that certainly would give them more flexibility as to how they utilize their foreign exchange.

Mr. WINSHIP. That is correct.

Mr. PASSMAN. If they want to buy military equipment with it, they can buy it, can't they?

Mr. WINSHIP. We try to track our dollars.

Mr. PASSMAN. I know, but if they wanted to they would and could.

Mr. WINSHIP. There is substantial——

Mr. PASSMAN. All right, you have answered the question. I don't know why we can't make an accurate record.

BROOKINGS INSTITUTE

With respect to the Brookings Institute, they have an office in Washington; do they not?

General FISH. Yes, sir.

Mr. PASSMAN. Brookings Institute, I think over the years have had some very lucrative contracts, have they not, with the AID Agency?

General FISH. I am not aware of that, sir.

Mr. PASSMAN. You are not? Well, I am aware of it.

General FISH. I defer to your greater knowledge.

ISRAEL FISCAL YEAR 1976 REQUEST

Mr. PASSMAN. I have many years here, and I will ask one final question with respect to the $1.5 billion for Israel for fiscal 1976. One half of that is forgiven, and the other half would be arranged on some type of credit terms.

Mr. WINSHIP. That is correct.

Mr. PASSMAN. Is it your understanding, General Fish, that the $1.5 billion was to take care of the 12 months as well as the transition period?

General FISH. Yes, sir. Our testimony has been that it was to take care of it.

Mr. PASSMAN. All I want is the answer, I don't want to make you elaborate. Is that your understanding?

General FISH. Yes, sir.

Mr. PASSMAN. Thank you very much.

FISCAL YEAR 1977 BUDGET REQUEST

General Fish, could you tell the committee why the fiscal 1976 amounts transmitted in the January 1976, budget documents for military assistance and military credit under programs differ from the fiscal 1977 budget request figures you show in your justifications?

General FISH. Yes, sir; and the reason is because they have been increased by the amount that is being proposed in the budget amendment that grows out of the agreement with Spain, and so we are showing those figures in our Congressional Presentation Document, the budget amendment will be up shortly.

Mr. PASSMAN. Thank you, General Fish.

NUMBER OF COUNTRIES RECEIVING ASSISTANCE

General Fish, would you please tell the committee how many countries you will be operating in in fiscal 1977?

General FISH. Yes, sir. There would be some sort of security assistance program with 45 different countries. That will either consist of FMS credit, MAP material, MAP supply operations or MAP training.

Mr. PASSMAN. Would you put a breakdown in the record of the different categories?

General FISH. Yes, sir; be most happy to.

[The information follows:]

FISCAL YEAR 1977 PROGRAMS

There are a total of 45 countries which we will be operating in, in Fiscal year 1977 and the breakdown by category is as follows:

	Countries
MAP grant material	12
MAP grant supply operations	8
FMS credit	34
Training program in United States and overseas	24
Training program in United States only	20

Some countries are included in two or more categories.

CASH SALES

Mr. PASSMAN. It is my understanding that in addition to the military credit sales, we have very substantial cash sales to the countries where you have military assistance, as well as military credit sales.

General FISH. Yes, sir; it varies around the world, but most of the credit countries also have some cash sales.

Mr. PASSMAN. Would you place in the record a breakdown by category?

General FISH. I can do that right here, 34 receive FMS credit, 12 MAP material, 8 supply operations only, and we have then 24 countries that have training in both the United States and overseas.

We have 20 countries that come to the United States for training only.

Mr. PASSMAN. Well now, some of these countries are customers and they make cash purchases.

General FISH. Yes, sir; and I will provide the ones.

Mr. PASSMAN. If you will.

[The information follows:]

FISCAL YEAR 1977 FOREIGN MILITARY SALES

Of the 45 countries for which we have a proposed program the following 40 countries are expected to make cash purchases under FMS:

East Asia and Pacific.—China (Taiwan), Indonesia, Korea, Malaysia, Philippines, and Thailand.

Near East and South Asia.—India, Israel, Jordan, Lebanon, Morocco, Pakistan, and Tunisia.

Europe.—Austria, Finland, Greece, Portugal, Spain, and Turkey.

Africa.—Ethiopia, Ghana, Kenya, Liberia, and Zaire.

Latin America.—Argentina, Bolivia, Brazil, Colombia, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Paraguay, Peru, Uruguay, and Venezuela.

TOTAL AMOUNT OF CASH SALES

Mr. PASSMAN. What is the total amount of cash sales we make?

General FISH. We have shown the cash sale estimates in the document, and I would like to point out, sir, that this year for the first time we have provided a detailed explanation of how we estimate, page 18 of the presentation document.

I recommend it to the committee, because for the first time we explained in detail how we determine these estimates, and the degree of uncertainty associated with them. We list every country that we expect to have foreign military sales agreements, actually in 1975, the estimate for the completion of 1976 and also the estimate for 1977.

This presentation is different than in past years in response to the committee questions in the prior years.

AMOUNT IN PIPELINE FOR THREE PROGRAMS

Mr. PASSMAN. General, please tell the committee how much will be in the pipeline for each of the three programs mentioned above as of September 30, 1976?

General FISH. We will be happy to. We will have to calculate that.

[The information follows:]

The pipeline (unexpended balance) as of September 30, 1976, is anticipated to be:

	Million
Grant military assistance	$590
Military training program	28
FMS credit	638
Total [1]	1,256

[1] These funds are committed and obligated to ongoing approved programs and are needed to meet expenditures as progress payments come due.

C–130's FOR EGYPT

Mr. PASSMAN. There has been much publicity about the proposed sale of six C–130's to Egypt. Could you tell the committee what the status of this proposed sale is? And indicate whether it will be a cash or credit sale from the U.S. Government or from a commercial source.

General FISH. Sir, it will be a government-to-government sale on a cash basis. The present status is that it is under review by the Congress.

We reported it to the Congress, on the 25th of last month, and the Congress is reviewing it. We had a hearing yesterday before Mr. Fascell's committee, and provided testimony to the House as to the details of the sale.

Mr. CONTE. Mr. Chairman?

Mr. PASSMAN. Yes.

Mr. CONTE. Why can't we have those details?

General FISH. We will be happy to provide them, sir.

[The information follows:]

DETAILS OF C–130 SALE

The proposed sale of six C–130 aircraft to Egypt will not have significant impact on U.S. readiness, procurement programs, or the military balance in the Middle East. The aircraft will be either USAF C–130H's or C–130H (export) models. C–130's are currently in production. The estimated value of the sale

including spare parts, ground support equipment, ancillary support and C–130-related training, is $65 million. The Government of Egypt will pay all of the costs of the proposed sale, plus a standard 2-percent administrative charge. These aircraft will provide limited logistics support to the Government of Egypt. The final details of the letter of offer will be determined after discussions with the Government of Egypt.

Mr. PASSMAN. Could you tell us the aggregate of the sale and the cost?

General FISH. We are estimating it would be $65 million. That includes the price of the aircraft, support equipment, spares, and training for the C–130's.

Mr. PASSMAN. What would these planes be used for?

General FISH. Sir, they are tactical transport aircraft. They are used to support the deployed forces in operations. It has the capability to drop both equipment and paratroops. It would haul 92 fully equipped troops or drop some 65 paratroopers.

Mr. PASSMAN. Military?

General FISH. Yes.

Mr. PASSMAN. That is all I wanted to find out. Now you say $65 million?

General FISH. That is the estimate.

Mr. PASSMAN. That is the estimate for cash?

General FISH. Yes, sir.

Mr. PASSMAN. Now, I believe that they could get that all from foreign exchange account, could they not? Earnings from their exports?

General FISH. I am not sure how they will get the money.

Mr. CONTE. We will give them $70 million and then they pay us.

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

General FISH. There is no intention of providing it on a grant basis or credit in this case.

Mr. PASSMAN. I know, but it's cash, what I want to find out though, where are they going to get the cash?

General FISH. I am not sure. There are several possibilities.

Mr. PASSMAN. Is it going to come out of the $695 million we are giving them?

General FISH. No.

Mr. PASSMAN. Then it's bound to come out of their own resources.

General FISH. That or possibly that provided by other countries.

Mr. WINSHIP. They are getting substantial support.

Mr. PASSMAN. You are having a hard time. Realize in the last complete year they earned $1.54 billion from their exports and that became what we refer to as a foreign exchange credit.

General FISH. They get substantial budgetary support, as I think Mr. Winship was about to say, from other Arab countries.

Mr. PASSMAN. We are not an Arab country, are we?

General FISH. I say from other Arab countries other than Egypt.

PROPOSED ARMS SALES TO EGYPT

Mr. PASSMAN. Would you tell the committee what other arms sales will be made to Egypt within the next several months or years?

General FISH. The Presidential Determination only went to C–130's, and training.

U.S. ARMS TO SYRIA

Mr. PASSMAN. Do we plan to provide arms to Syria at some future date?

Mr. WINSHIP. No.

UNITED STATES AS CHIEF ARMS SUPPLIER FOR EGYPT

Mr. PASSMAN. Is this an indication that in the future we will become the chief arms supplier for Egypt?

Mr. WINSHIP. This is an individual step and sets no precedent for the future. There is no further commitment on our part. The Egyptian Government has told us that it plans to make no further requests for military equipment from the United States this year, and we do not plan therefore to submit any further requests to Congress this year.

MILITARY ASSISTANCE FOR THAILAND

Mr. PASSMAN. I note you plan to provide Thailand with $54.1 million in fiscal year 1977 for security assistance and I am sure you are aware that Thailand has asked us to remove our troops from her country. Could you please tell the committee why we are providing her with military aid in light of this request for our troop removal?

General FISH. We believe it is in the interest of the United States to have a strong and stable Thailand which is capable of resisting the increasing Communist presence and influence in Southeast Asia. It should be noted that Thailand did not renounce its close and continuing friendship with the United States and we must be wise enough to perceive the new environment in Southeast Asia within which the Thai must operate.

PHASEOUT OF MAP

Mr. PASSMAN. As you are aware the current authorizing legislation provides for the phaseout of the military assistance program by September 30, 1977. Could you please tell us what your reaction is to this termination of the grant assistance program and what are your plans to implement this phaseout?

General FISH. The President, in his response to the section 17 requirement of the FAA of 1974 indicated that grant assistance in some form will remain a basic requirement. It will continue to be in the U.S. interest to be able to meet the legitimate security requirements of countries which cannot shoulder the full burden of their own defense; grant assistance will also be needed to assist countries that provide the United States with essential military bases and facilities. I believe this need for a degree of flexibility by the executive branch has been recognized by the 94th Congress. The Conference Report on International Security Assistance and Arms Export Control Act of 1976, in section 105, has allowed for authorization to specified countries in specified amounts after September 30, 1977. Our fiscal year 1977 grant assistance budget request reflects a 28-percent reduction

below the fiscal year 1976 request, the termination of grant materiel assistance to Korea and the elimination of five small grant materiel programs in Latin America. The Spanish Treaty, for example, carries within its terms the need for grant aid until 1980. My reaction is that we will be dealing in reductions and phaseouts over time to meet the legal deadline, and we will be requesting country programs on a case-by-case basis as our national interest directs.

Mr. PASSMAN. Could you please tell the committee if there have been any violations during the last 2 years of the unauthorized transfer of U.S. equipment to third countries, indicating the country that transferred the equipment, the receiving country, and the type of equipment that it transferred?

Mr. WINSHIP. Within the past 2 years, we have investigated 2 unauthorized third-party transfers that were brought to our attention. The first involved the transfer by Iran to the Sudan of four small patrol boats with a total value of about $18,000 which the Government of Iran had obtained from the United States under foreign military sales procedures. The Government of Iran explained that it had not obtained our prior consent to the transfer for reasons of pure inadvertence and assured us that it would not undertake other transfers without our authorization. In view of this explanation, the Iranian assurances subsequently obtained, and the small value of the articles concerned, we did not conclude that a "substantial violation" had occurred.

The second case involved seven F–5A aircraft transferred by Libya to Turkey which a previous Libyan regime purchased from the United States in 1967. Since Libyan authorities did not request U.S. Government approval of this transfer, we instructed our Embassy in Tripoli to lodge a protest with the Libyan Government, pointing out that failure to conform with restrictions on the transfer of U.S.-supplied military equipment would be taken into account in our consideration of any future requests by that Government to purchase military items from within the United States. Since the United States was then and is now making no military sales to Libya, and in view of our limited leverage on that Government, we concluded that such a protest was the most effective way to encourage Libyan compliance with the terms of its contracts.

Both of the above situations were reported in detail to Congress at the time they occurred.

Mr. PASSMAN. Could you please tell the committee what sales of missiles the United States plans to carry out during fiscal year 1977 to foreign countries, indicating the country receiving the missiles and the type of missiles to be sold?

General FISH. The nature, extent, and timing of foreign military sales are dependent upon the initiative of the foreign government and review by the U.S. Department of State and the Congress. Consequently, projections of all FMS sales, not only missiles, are made under conditions of extreme uncertainty. The process is based upon analyses of interest expressed by potential purchasers, which may or may not result in actual offers after the thorough and lengthy U.S. review process is completed, and a judgment as to which offers may be accepted and the timing of such acceptances.

As we indicated in the Congressional Presentation Document, we developed a most probable estimate for fiscal year 1977 upon which the following information is based:

Missile systems	*Potential purchasers*
Dragon	———
Improved Hawk	———
Nike	———
TOW	———
Maverick	———
Harpoon	———
Aim–9 (Sidewinder)	———
Aim–7 (Sparrow)	———
Shrike	———
Redeye	———

MISSILES FOR GRANT AID COUNTRIES

Mr. PASSMAN. Would you also provide the same information concerning missiles that will be given to countries on a grant basis? Do any of these missiles have a nuclear capability?

General FISH. The following missiles are planned for supply to the countries indicated under the fiscal year 1977 military assistance program:

Country	Quantity	Type Missile
Greece	———	TOW missile surface attachment.
Jordan	———	Dragon missile surface attachemnt.
Turkey	———	TOW missile surface attachment.
Do	———	Harpoon missile.

Note: None of the above missiles have a nuclear capability.

MILITARY ASSISTANCE PROGRAM

Mr. PASSMAN. Will any of the military assistance or military credit sales funds be used to provide countries with police or prison system support?

General FISH. None of the requested fiscal year 1977 military assistance or foreign military sales credit funds are projected for support of police or prison systems.

Mr. PASSMAN. Could you please tell the Committee what the total military sales program will be in fiscal year 1977 when you include the military credit sales program, the military sales cash program, and the commercial sales program?

General FISH. Our estimate for fiscal year 1977 is expected to be $8,156,190,000. This total includes $6,915,650,000 for foreign military cash and credit sales and $1,240,540,000 for commercial deliveries.

Mr. PASSMAN. Could you please tell the Committee what type of control you have over the cash sales program and the commercial sales program.

General FISH. Regarding the foreign military sales program, including cash and credit sales, the Department of State maintains policy control over all FMS transfers in accordance with the provisions of the Foreign Military Sales Act (FMSA) of 1968 as amended. Specifi-

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cally, section 2(b) of the FMSA makes the Secretary of State, under the direction of the President,

> responsible for the continuous supervision and general direction of sales . . . including but not limited to determining whether there shall be a sale to a country and the amount thereof, to the end that sales are integrated with other United States activities and the foreign policy of the United States is best served thereby.

The Department of Defense does have ample opportunity to make its views known to the Department of State during the review process. The Secretary of Defense is primarily responsible for the determination of military end item requirements; the procurement of military equipment in a manner which permits its integration with service programs; supervision of end-item use by 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 these functions for the Secretary of Defense is to ensure that the security assistance programs administered by the Department of Defense are efficiently implemented. These programs must be in the best interests of the United States in accordance with applicable provisions of the Foreign Assistance and Foreign Military Sales Acts and other governing legislation which provides specific policy guidelines.

Regarding commercial sales, the Department of State, through its Office of Munitions Control (OMC), controls and manages commercial exports of items within the munitions lists. OMC obtains, as appropriate, interdepartmental approval from appropriate agencies, including the Department of Defense. The DOD primarily reviews such requests with regard to technology transfer and overall military impact.

Mr. PASSMAN. Have you had any bad debt experience in the credit sales program since its inception?

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. 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

Mr. PASSMAN. Could you please tell the committee what outstanding balance you have presently in your military credit sales program.

General FISH. As of December 31, 1975, the outstanding unpaid principal owed by foreign governments to the Department of Defense pursuant to foreign military sales credit agreements was $2.0 billion.

Mr. PASSMAN. Could you please tell the Committee if any funds requested for military assistance or military credit sales in fiscal year 1977 will be used to purchase oil or oil products for any country and if so, please list the country and the amount to be supplied for this purpose.

General FISH. None of the funds requested under foreign military credit sales for fiscal year 1977 will be used to purchase oil or oil products. Under the military assistance program only Ethiopia and Thailand will receive oil products; Ethiopia $300 and Thailand $13,479.

SECURITY ASSISTANCE SUSPENSIONS

Mr. PASSMAN. Could you please provide a list for the record showing which countries you have suspended military assistance to for the last 5 years, and the reason for this suspension?

General FISH. During the past 5 years security assistance to the following has been suspended:

Laos, Cambodia, and Vietnam were suspended and terminated when the governments the United States was supporting in those countries became nonviable entities.

Turkey was totally suspended over the Cyprus incident and subsequently partially restored by Public Law 94–106 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.

Argentina was suspended during the period for trading with Cuba.

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.

Shipment of lethal items was suspended to Lebanon because of unsettled conditions in the country in late 1975. Because of continued unrest in Lebanon all FMS deliveries were suspended on April 6, 1976.

Mr. PASSMAN. Are all the funds appropriated for military assistance and foreign military credit sales spent in the United States?

General FISH. Most of the funds appropriated for military assistance and all of the FMS credit appropriations are spent in the United States. The MAP exceptions are those costs related to support of MAAG's which must be spent in the host country. Examples are: local national salaries, rentals, utilities, and local services. In addition, we spend a limited amount of MAP funds overseas (about $1 million in fiscal year 1976) for repair and rehabilitation (R. & R.) of MAP equipment and for limited overseas training.

Overseas R. & R. is only used when the cost of returning the equipment to the Conus would be substantially greater than having the work accomplished at an overseas facility.

COUNTRIES EXPERIENCING A COUP

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. Yes; there were coups in the following countries: Argentina, Ecuador, and Peru.

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 1977? If so, please list the country and indicate why the country is in need of such assistance and under what authority these sophisticated weapons were supplied.

Mr. WINSHIP. The Foreign Assistance Act (section 504(a)) requires the President to report to Congress any determination to grant sophisticated weapons to underdeveloped countries. Also, the Foreign Military Sales Act (section 4) requires the President to report to Congress any determination to provide sophisticated weapons on credit terms to underdeveloped countries, other than those countries specifically mentioned in that section of the act. Over the past year, under one or other of these two authorities, the President has determined to provide the following sophisticated weapons to the countries listed below, for reasons indicated in the respective Presidential determinations (previously provided to Congress, as required by law):

Country	Weapon system	Reasons
Brazil	Sidewinder missiles	As stated in the classified enclosure to Presidential Determination No. 75-19 of May 9, 1975.
Korea	(See classified attachment)	As stated in the classified enclosure to Presidential Determination No. 75-26 of June 30, 1975.
Jordan	do	Do.
Ethiopia	F-5A/B Aircraft	As stated in the classified enclosure to Presidential Determination No. 75-27 of June 30, 1975.
Kenya	do	Do.

In addition there were cash sales of jet aircraft and missiles to various countries during the last year, for which no Presidential Determinations (regarding specific sales) nor notification to Congress were required by the above cited Sections of law, since no U.S. Government grant or credit assistance was involved. The Congress is being provided periodic reports on all cash transactions, both commercial and governmental, as required by Section 414(e) of the Mutual Security Act and Section 36(a) of the Foreign Military Sales Act, respectively.

Regarding the provision of sophisticated weapons, by means of security assistance, to underdeveloped countries in fiscal year 1977 the country summaries contained in the fiscal year 1977 Security Assistance program congressional presentation document of March 8, 1976, present the current plans of the executive branch regarding the weapons systems (including sophisticated weapons) for which security assistance funding is requested for that fiscal year.

Mr. PASSMAN. Could you tell the committee which countries are now considered essential to the national security of the United States, and are presently receiving military assistance?

Mr. WINSHIP. The U.S. Government does not enter into a security assistance relationship except upon a determination that such assistance strengthens the security of the United States and promotes world peace. The countries listed below are presently receiving, or are programmed to receive, grant military assistance:

Republic of China,[1] Indonesia, Republic of Korea, Philippines, Thailand, Jordan, Tunisia,[1] Yemen, Greece, Portugal, Spain,[1] Turkey, Ethiopia, Bolivia, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Uruguay.

Additional countries receive, or are programmed to receive, grant military training, as listed on pages 13 through 15 of the Security Assistance program congressional presentation document of March 8, 1976.

WITHDRAWAL OF BASE RIGHTS PRIVILEGES

Mr. PASSMAN. Have any countries withdrawn our base rights privileges during the past year?

General FISH. On July 25, 1975, in response to suspension of security assistance by the Congress, Turkey unilaterally declared as invalid a 1969 agreement governing U.S. intelligence and communications facilities in Turkey. Although a new defense cooperation agreement has now been concluded, it has not been approved by either party; pri-

[1] These military assistance programs include supply operations costs only, consisting largely of the expenses of packing and shipping material previously granted to the recipients.

mary operations at the installations involved remain suspended. In addition, Turkey has withdrawn certain privileges previously accorded to U.S. forces. On March 20, 1976, after negotiations failed to reach satisfactory agreement on the status of residual U.S. forces in Thailand, the Thai Government requested that residual U.S. forces be withdrawn by July 20, 1976. That withdrawal is now underway.

Mr. PASSMAN. In a letter from the General Accounting Office dated December 1, 1975, it is indicated that a review conducted by the GAO shows that the Air Force had not recovered from foreign governments millions of dollars for costs incurred in training foreign students and additional substantial costs will not be recovered unless effective corrective action is taken. Could you please tell the committee what corrective action is being taken to recover these costs?

GENERAL FISH. The Department of Defense provided a reply to the Comptroller General of the United States which outlined the corrective actions to be taken by the Air Force. Assistant Secretary of Defense Comptroller directed the Air Force to review its Fiscal Year 1975 billings and to attempt to collect the additional costs when outdated or incorrect rates were used and also to attempt to recover an amount for use of DOD facilities and equipment to include aircraft.

Mr. PASSMAN. Could you please tell the committee if the Department of the Army was reimbursed from the military assistance program for these nonexcess transfers? Could you please tell the committee why these transfers were not charged against military assistance funds?

General FISH. ———. In view of foregoing, Defense does not plan to reimburse Army for the material transferred to Thailand.

Mr. PASSMAN. On page one of the justifications you indicate that the U.S.S.R. was the largest supplier of major weapons to the Third World in the latest reporting period, 1974, outstripping the United States by 50 percent. During this reporting period, could you tell how much military aid the U.S.S.R supplied, and how that compares to the United States during that same period?

General FISH. For the 20-year period fiscal year 1955–1975, U.S. shipments and U.S.S.R. military agreements with Third World countries were $10.9 billion and $14.9 billion, respectively, as shown in the following schedule.

COMPARISON OF UNITED STATES AND U.S.S.R. MILITARY AGREEMENTS FOR THE PROVISION OF MATERIAL WITH THIRD WORLD COUNTRIES[1] FISCAL YEAR 1955–75

[In millions of U.S. dollars]

Country	U.S.S.R. agreements signed	United States MAP, FMS and MASF deliveries	Country	U.S.S.R. agreements signed	United States MAP, FMS and MASF deliveries
Total	———	10,938	Cambodia	———	1,031
			Cameroon	———	(2)
Afghanistan	———	———	Central African Republic	———	———
Algeria	———	———	Chad	———	———
Argentina	———	133	Chile	———	92
Austria	———	143	Colombia	———	78
Bangladesh	———	———	Congo	———	———
Bolivia	———	19	Costa Rica	———	2
Brazil	———	301	Cyprus	———	———
Burma	———	65	Dahomey	———	1
Burundi	———	———	Dominican Republic	———	19

See footnotes at end of table.

COMPARISON OF UNITED STATES AND U.S.S.R. MILITARY AGREEMENTS FOR THE PROVISION OF MATERIAL WITH THIRD WORLD COUNTRIES[1] FISCAL YEAR 1955–75—Continued

[In millions of U.S. dollars]

Country	U.S.S.R. agreements signed	United States MAP, FMS and MASF deliveries	Country	U.S.S.R. agreements signed	United States MAP, FMS and MASF deliveries
Ecuador	——	28	Mozambique	——	----------
Egypt	——	(2)	Nepal	——	2
El Salvador	——	5	Nicaragua	——	8
Equatorial Guinea	——	----------	Niger	——	(2)
Ethiopia	——	148	Nigeria	——	(2)
Finland	——	(2)	Oman	——	1
Gabon	——	(2)	Pakistan	——	601
Gambia	——	----------	Panama	——	5
Ghana	——	(2)	Paraguay	——	6
Guatemala	——	28	Peru	——	96
Guinea	——	1	Philippines	——	322
Guinea-Bissau	——	----------	Saudi Arabia	——	357
Haiti	——	2	Senegal	——	2
Honduras	——	6	Sierra Leone	——	----------
India	——	112	Singapore	——	12
Indonesia	——	96	Somalia	——	----------
Iran	——	2,521	South Africa	——	3
Iraq	——	55	Spain	——	738
Ireland	——	(2)	Sri Lanka	——	3
Israel	——	2,515	Sudan	——	----------
Ivory Coast	——	(2)	Syria	——	(2)
Jamaica	——	1	Tanzania	——	----------
Jordan	——	309	Thailand	——	414
Kuwait	——	4	Trinidad and Tobago	——	(2)
Laos	——	242	Tunisia	——	35
Lebanon	——	19	Uganda	——	----------
Liberia	——	6	Upper Volta	——	(2)
Libya	——	33	Uruguay	——	34
Malaysia	——	36	Venezuela	——	135
Maldive Islands	——	----------	Yemen (North)	——	2
Mali	——	2	Yemen (South)	——	----------
Mexico	——	12	Zaire	——	38
Morocco	——	60	Zambia	——	----------

[1] For the purpose of this comparison, Third World Countries exclude the United States, U.S.S.R., NATO, Warsaw Pact, the two Koreas, the two Vietnams, PRC, the Republic of China, ANZUS, Japan, Sweden, Switzerland, Yugoslavia, and Cuba.

[2] Less than $500,000.

[3] Values of military agreements are Soviet trade prices.

[4] Includes aid only to independent established governments. Aid to Algeria prior to its independence in mid-1962 is, therefore, excluded as is Soviet aid to Angola.

N.B. Soviet Military Advisers Worldwide in 1975, excluding Warsaw Pact Advisers, total 10,256. US MAAG/Mission/MilGp military personnel in fiscal year 76 total 1,455 worldwide. (This ratio is 7 to 1 in favor of the U.S.S.R.)

Note: Totals may not add due to rounding.

Mr. PASSMAN. I notice under your historical table for military assistance on page 2 you indicate that in 1952 we provided $5.7 billion in military grant assistance, as compared to $225 million provided in fiscal year 1976. Doesn't this indicate that we have greatly reduced the military grant assistance program over the years?

General FISH. Yes it does. The amount appropriated for fiscal year 1976 is only 3.9 percent of that for fiscal year 1952.

Mr. PASSMAN. Could you please tell the committee what unobligated balances you estimate you will have available as of September 30, 1976, for the military credit sales program and the military assistance program?

General FISH. Since fiscal year 1976 funds will be available for obligation through the transition quarter and the transition quarter MAP program is limited essentially to overhead, we expect unobligated balances to be lower than normal as of September 30, 1976. Perhaps $500,000 will be unobligated in MAP and no FMS credit funds will be unobligated.

U.S. MILITARY PERSONNEL STATIONED ABROAD

Mr. PASSMAN. Please list for the record, the countries where we presently have U.S. troops stationed and indicate the number of U.S. troops stationed in each?

General FISH. As of December 31, 1975, Department of Defense figures for U.S. military personnel stationed abroad are as follows:

Total outside the United States	484,000
U.S. Territories and possessions (include afloat)	30,000
Foreign countries	454,000

More than 1000 (figures rounded off to nearest 1000)

Australia	1,000	Morocco	1,000
Belgium	2,000	Netherlands	2,000
Bermuda	1,000	Panama Canal Zone	9,000
Canada	1,000	Philippines	14,000
Cuba	3,000	Portugal/Azores	1,000
Germany	214,000	Puerto Rico	4,000
Greece	4,000	South Korea	41,000
Guam	9,000	Spain	9,000
Iceland	3,000	Taiwan	2,000
Italy	13,000	Thailand	11,000
Iran	1,000	Turkey	7,000
Japan	48,000	United Kingdom	21,000
Midway Island	1,000		

Between 250 and 1000: Greenland.

Between 100 and 250: Bahamas, Barbados, Brazil, Ethiopia, Johnston, Islands, Norway, Saudia Arabia.

Less than 100: Afghanistan, Argentina, Austria, Bolivia, Bulgaria, Burma, Cameroon, Canton Island, Chad, Chile, Colombia, Costa Rica, Cyprus, Czechoslavakia, Denmark, Dominican Republic, Ecuador, El Salvador, Finland, Ghana, Gibraltor, Guatemala, Haiti.

Honduras, Hungary, India, Indonesia, Ireland, Israel, Ivory Coast, Jamaica, Jordan, Laos, Lebanon, Liberia, Luxembourg, Malagasy, Malaysia, Malta, Marshall Islands, Mexico, Nepal, Nertherland Antilles, New Zealand, Nicaragua.

Nigeria, Pakistan, Panama, Paraguay, Peru, Poland, Romania, Senegal, Seychelles Islands, Singapore, Somali Republic, South Africa, Sri Lanka, St. Helena, Switzerland, Tunisia, United Arab Republic (Egypt), Uruguay, U.S.S.R., Venezuela, Yugoslavia, Zaire.

PIPELINE TO ISRAEL

Mr. PASSMAN. Could you please tell the committee what the present undisbursed and undelivered pipeline is to the credit of Israel as of the present time?

General FISH. The pipeline of physically undelivered foreign military sales orders to Israel totalled $2.5 billion at March 24, 1976. Against those orders, Israel has made disbursement of $600 million to the military departments. Therefore, the undisbursed—or uncollected by the military departments—value is $1.9 billion. Although Israel had existing credit resources at that point of $235 million, these funds were obligated to pay for outstanding commercial sales cases.

FMS FOR LEBANON

Mr. PASSMAN. Could you please tell the Committee what type of military equipment or supplies we are presently supplying to Lebanon no matter whether it is new commitments or from the pipeline?

General FISH. We have been furnishing non-lethal items contained in previous sales cases, including radios, electronic repair parts, auto-

motive spare parts and the like. Since early December we have prepared Letters of Offer for clothing, armored vests, more spare parts, and misc. items of individual equipment and uniforms; only one case has been signed—for automotive spares. We have recently placed a hold on all shipments to Lebanon pending clarification of the situation there.

TRAINING PROGRAM FOR AUSTRIA AND FINLAND IN FISCAL YEAR 1977

Mr. PASSMAN. I notice again that you plan a $40,000 training program for Austria and Finland in fiscal year 1977. Could you please tell the committee why we still provide a training program to these two developed countries?

General FISH. Our small $40,000 program for each country will provide for the professional training of key officers—not technical training related to hardware. The purpose of these programs is to encourage Austria and Finland, both of whom have a policy of neutrality, to maintain positive and open communication with the United States and the West. It is unlikely that either country would purchase this training on an FMS basis. Therefore, elimination of the programs would preclude continuation of professional military relationships built through the years. The exposure of selected Austrian and Finnish officers to American institutions has succeeded in their governments' having a better appreciation of U.S. objectives.

SECURITY ASSISTANCE TO ARGENTINA

Mr. PASSMAN. I note also you plan to provide a security assistance program of $49.3 million to Argentina in fiscal year 1977. Would it not be wise for us not to supply any military equipment to this country in light of its curent internal situation?

General FISH. No; our failure to provide Argentina with a modest security assistance program would be detrimental to U.S. interests in Latin America. The foreign military sales credits proposed for Argentina for fiscal year 1977 should not influence the current internal situation in the near term. The proposed program provides for grant aid training and military sales at a level to be responsive to minimum modernization and support requirements of the Argentine Armed Forces. The actual delivery of military equipment, as a result of this program, will probably be production leadtime away and well into the future.

Mr. PASSMAN. Of the $1.5 billion that was scheduled to be provided to Israel in fiscal year 1976 from the foreign military credit sales program, how much of that will be used to pay for prior years' orders, to pay for current years' orders, and how much will be used to pay off past credits?

General FISH. Between now and the end of the transition quarter, the $1.5 billion scheduled to be provided to Israel in fiscal year 1976 will be used to pay $1.1 billion in bills that will come due on prior-year orders and about $400 million in payments coming due on current-year orders. None of the fiscal year 1976 funds will be used to pay off past credits.

Mr. PASSMAN. I note you plan a foreign military credit sales program of $175,500,000 during the transition period when the conference committee has agreed on the level of $30.0 million during this time. I assume most of the credits will have to be supplied on a guarantee basis. Could you please tell the Committee how much of this transition period amount will be used for guarantees?

General FISH. We anticipate that the entire FMS credit program for the transition quarter will be supplied on a guaranty basis.

Mr. PASSMAN. In the Budget Appendix it indicates that a foreign military sales program for fiscal year 1977 would amount to $8,930,000,000 whereas on page 21 you indicate that this total has been reestimated to $6,915,000,000. Could you please tell the Committee how you were able to reduce this program by over $2 billion in a 3 or 4 month period?

General FISH. The estimate of fiscal year 1977 foreign military sales (FMS) agreements submitted with the President's budget was actually developed in the fall of 1975. The estimate of $6.9 billion in the fiscal year 1977 CPD was developed in February of 1976. The decrease of approximately $2 billion is accounted for by two factors: the passage of approximately 4 months which provided greater visibility of potential purchasers' interest, USG intentions and timing of potential acceptances; and DOD's modification of its estimating procedures.

Because of the difficulty and uncertainties involved in estimating future FMS agreements, DOD developed three estimates based on a judgmental degree of probability of foreign acceptances of requested or to be requested offers. These were termed "low", "most probable", and "high." The low is the minimal level of agreements expected. The most probable, includes the minimal plus those offers we reasonably expect both to make and to be accepted within the fiscal year. The high, estimate includes all cases in the "most probable" category plus those which could quite possibly be accepted in the fiscal year. The estimates presented in the CPD are the "most probable". With these new procedures we now have a range, that is, the fiscal year 1976 estimate could decrease by 16 percent or could increase by as much as 83 percent.

The foregoing accounts for the revised estimates in the fiscal year 1977 CPD.

MAAG COSTS

Mr. PASSMAN. On page 25 of the justifications, you indicate that beginning on July 1, 1976, the military assistance appropriation will assume funding responsibility for MAAG administrative costs previously financed from military department appropriations. Does that mean that the total cost of all of the MAAG's will now be included under the military assistance program and will DOD finance any of the MAAG costs after July 1, 1976?

General FISH. With the exception of those countries, such as Iran, who have agreed to pay most of the cost of the MAAG, the MAP appropriation will pay the total cost of MAAG's, Missions, Mil-Groups and similar organizations beginning 1 July 1976. DOD appropriations will not pay any MAAG costs after that date. This is in accordance with section 515 of the Foreign Assistance Act of 1974.

DISESTABLISHMENT OF MAAGS

Mr. PASSMAN. Could you please tell the committee what effect the new authorization bill has on the MAAG administration? Will the phase out of these MAAG groups have an effect on the efficiency of the military assistance or the military credit sales programs?

General FISH. The new authorization bill, which requires the disestablishment of 10 MAAGs by the end of September 1976 and the termination of all MAAGs by end September 1977 unless approved by Congress, will have an adverse effect on the administration of the security assistance program. Termination will reduce U.S. influence on key elements of the host country, and will preclude efficient control and management of security assistance responsibilities. In countries where material and services are provided under provisions of the military security assistance program, to include foreign military sales, it will be difficult to assess the threat accurately, to assess the ability of the host country to integrate the requested equipment into its forces, and to monitor end-item use of U.S. origin equipment. Difficulty will be encountered in selecting personnel for training in the United States; projecting maintenance and repair requirements through the life cycle of the system; and in providing timely and responsive technical and operational advice and assistance to the host country military establishment.

Mr. PASSMAN. On page 48 of the justifications, you indicate that there might be some option of gradual withdrawal of U.S. troops stationed in Korea. Could you please tell the committee if there has been any firm negotiations regarding this topic and whether the United States will actually withdraw troops from Korea in the near future?

General FISH. We do not believe it is desirable or feasible to withdraw any of our troops stationed in Korea and we have no plans to reduce our forces. We believe that withdrawal of U.S. troops is contingent on two conditions. First, South Korean forces must achieve parity with those of the North so they can serve as a deterrent to North Korean aggression, unaided by U.S. combat forces. Second, conditions suitable for withdrawal are related to the overall political climate prevailing internationally on the Korean Peninsula and in the Asian area. We cannot predict with any certainty when satisfactory conditions will exist.

Mr. PASSMAN. You also indicate that you plan to terminate grant materiel assistance to Korea in fiscal year 1977. Does that mean that Korea will have to purchase all her military equipment under the credit sales program?

General FISH. The Republic of Korea (ROK) will have to purchase its military equipment under the FMS cash and credit programs or through direct commercial sales.

Mr. PASSMAN. Do you feel that Korea is financially able to purchase all this equipment on a credit basis?

General FISH. The South Korean economy has progressed remarkably well in the past and projections indicate that in the future, it will be able to purchase this equipment on a credit or commercial sales basis.

Mr. PASSMAN. Could you please explain to the committee just what the operating portion of the military assistance program covers?

General FISH. The operating portion of the MAP program includes equipment, supplies, and services required to maintain forces in the recipient country. This includes follow-on spare parts, low unit value secondary items, and all expendables except war reserve ammunition.

ARAB-ISRAELI MILITARY CAPABILITY

Mr. PASSMAN. Could you please tell the committee what the military capability is of Israel compared to the Arab confrontation states?

On page 78 of the justifications, you indicate that this year's request for Israel is a product of an intensive review and analysis of Israeli requests and their needs as the administration sees them in relation to the overall Middle East situation. I assume this means that you do not consider additional funds would be needed to finance Israel's military program, is that correct?

General FISH. After intensive review and analysis, we have concluded that, based upon their training, leadership, morale, and past and current U.S. security assistance, the Israeli Defense Forces maintain the ability to defend themselves successfully and effectively against the Arab confrontation states and such forces from other Arab states as may reasonably be expected to participate in renewed hostilities. I do not anticipate that additional funds will be required to finance Israel's military requirements.

U.S.S.R. MILITARY AID TO AUSTRIA

Mr. PASSMAN. On page 114 of the justifications, you indicate that the military threat to Austria is presented by the Warsaw Pact Forces. However, I note under the classified portions of the justifications that you supplied us, that they also get arms from the Soviet Union. Could you please tell the committee if they are threatened by the Warsaw Pact Forces why in the world they are getting arms from the U.S.S.R.

General FISH. ———. The small amounts of military weapons provided to Austria by the U.S.S.R. and the willingness of the U.S.S.R. and pact countries to sell weapons and spare parts to Austria, no doubt was intended to improve relations between the pact and Austria. But the military fact remains that one geographic route for Warsaw Pact forces to strike at NATO forces in Germany and Italy is through Austria. ———.

INTERNAL SITUATION IN PORTUGAL

Mr. PASSMAN. Could you please tell the committee what the present internal situation is in Portugal?

General FISH. The moderate pro-Western Government is maintaining a narrow but growing toehold on the situation. Communists and their allies received only about 12 percent of the votes cast in constituent assembly elections last year and are expected to show even more poorly in the assembly elections this month. A socialist oriented constitution has been promulgated and presidential elections are slated to take place in June. Social and economic problems of inflation, unem-

ployment, and housing, exacerbated by the influx of large numbers of refugees from former African colonies, are extremely serious ———.

COST OF SPANISH AGREEMENT

Mr. PASSMAN. Could you please tell the committee what the total cost will be to the United States of the United States-Spanish Agreement of Friendship and Cooperation? Could you please tell the committee how long this agreement is scheduled to run?

General FISH. Military security assistance under the Treaty of Friendship and Cooperation with Spain totals $685 million over a 5-year period. The greater portion of this amount, $600 million, will be in the form of U.S. Government guaranteed loans made available through the Federal Financing Bank. These loans will be repaid by the Government of Spain with interest. Of the security assistance portion $75 million will be MAP and $10 million will be for the international military education and training program. In addition, the treaty provides that we will furnish $50 million to improve the Spanish aircraft control and warning net, which is used jointly by United States and Spanish forces, and that we will buy back Spain's 34 F–4C aircraft for $55 million. On the nonmilitary side, the treaty provides for $450 million in Export-Import Bank credits and $35 million in educational, cultural, and scientific grants. The agreement is for a period of 5 years from expiration of the previous agreement, which was September 25, 1975.

ASSISTANCE TO TURKEY

Mr. PASSMAN. Could you please tell the committee if the U.S.S.R. supplied any equipment or arms to Turkey while the United States had its arms embargo in place? Could you please tell the committee what Turkey's reaction has been to the legislative restrictions on our arms deliveries? Because of these legislative restrictions, has Turkey moved to a more peaceful situation on Cyprus? Could you please tell the committee if Turkey is now allowing us to gain control of our bases within her borders?

General FISH. We are not aware of any Soviet military assistance to Turkey. Such a circumstance would have been highly unlikely. Turkey considered the restrictions as a breach of our bilateral agreements and, after a period, declared those agreements to be null and void, suspended primary U.S. operations at several bases in Turkey, withdrew privileges previously offered to the U.S. forces and called for negotiations for a new agreement. No. Turkey has not permitted the resumption of U.S. operations.

ANGOLA—AFTERMATH OF THE WAR

Mr. PASSMAN. Could you please tell the committee what the present situation is in Angola and how the disruption within that country has affected her neighbors? What has been Zaire's reaction to this disruption?

General FISH. As for the present military situation in Angola, the MPLA, aided by Soviet equipment and Cuban combat units, have

achieved victory. The MPLA forces are now stationed throughout Angola and, on the whole, the situation remains calm. Isolated actions by small UNITA guerrilla forces in southern and eastern Angola are continuing.

Economically the situation is not good, but it will improve as Gulf Oil returns to full production in the next few months. Agricultural production fell off badly during the civil war, and the closure of the Benguela Railroad has created serious economic and political problems. Loss of revenues, disruption of normal traffic patterns, and unemployment at the ports all have resulted. Food shortages exist in the cities and internal transportation is a problem. There are reports that the MPLA may take over the iron ore, oil, and diamond industries, but the present regime is expected to move cautiously in this area.

The new MPLA government is busily extending its authority to the local levels.

The two most disruptive consequences of the Angolan situation that affect Angola's neighbors are the closure of the Benguela Railroad and the continuing presence of large numbers of foreign troops.

The final elements of South Africa's expeditionary force were withdrawn on March 27 but several hundred Russian advisors and over 13,000 Cuban troops are estimated to remain in Angola. Both Zambia and Zaire are seriously concerned about the security threat that they represent. The South Africans supposedly are preparing defensive positions along Nambia's northern border.

Zambia is highly dependent upon the Benguela Railroad which formerly moved nearly 40 percent of its exports. There is no good alternative to this route, and closure of the railroad has created serious economic problems in Zambia. Zaire too is seriously affected. There are alternative routes for Zaire but they are already under heavy use, suffer from lack of rolling stock, or are subject to possible stoppages on a political basis.

Finally, Zaire is concerned about possible assistance from Angola to dissident groups, including the ex-Katangese who fought with the MPLA in the Angola war. Zaire and Angola are moving to "normalize" their relationship but there has been no formal recognition and the specifics are still being clarified.

TRAINING PROGRAM AND MAAG IN INDIA

Mr. PASSMAN. In fiscal year 1975, 1976, 197T, and 1977, India purchased or is projected to purchase military equipment or services, on a cash basis valued at $7.9, $5, $1.2, and $2 million, respectively. These amounts are insignificant when compared to India's military ventures with the Soviet Union. In this light, why should we squander $200,000 of our resources on a military training program there? Why do we need 10 MAAG personnel in India?

General FISH. The small grant aid training program will permit us to train a small number of Indian military personnel here in the United States and maintains the historical professional contact between the military services of the two countries. This in turn assists in the accomplishment of the United States' political purposes by provid-

ing the opportunity for communicating with the military leadership of India as a counter to Soviet influence.

The personnel of the Office of the Defense Representative (MAAG) supervise the training program and assist the host country in identifying training and material requirements. They assist with foreign military sales actions, provide Department of Defense representation in the host country, furnish the U.S. Chief of Mission military advice and maintain personal contact and liaison with the Indian Ministry of Defense.

Mr. PASSMAN. Recently, there was established at the Electronics Systems Division of Air Force Systems Command a division dedicated to the management of foreign military sales. Has this proven to be a success and, if so, are there any plans to bring foreign military sales under this type of concentrated program management within each responsible division?

General FISH. The Deputy for Security Assistance programs was established at Headquarters Electronics Systems Division because the USAF, through foreign military sales activities, was required to develop new equipment and systems not currently in or planned for introduction into the USAF inventory. The USAF has established System Program Offices (SPO's) to manage those various weapon systems developed and introduced into the USAF operational inventory. Because of the uniqueness and magnitude of certain FMS requirements, the various established SPO's were not capable of supporting these FMS activities. Seek Sentry and Seek Switch—multiyear FMS Communications-Electronics-Meteorological (CEM) programs with Iran which involve considerable development effort—are two examples of the programs managed by the Deputy for Security Assistance programs at Headquarters ESD. For these two programs there are 105 DOD personnel assigned to Headquarters ESD. They are paid through direct FMS program management cases and the 2 percent administrative charge. The Deputy for Security Assistance programs at Headquarters ESD has been an outstanding success. At the present time, however, there are no plans to duplicate this type of concentrated program management in each responsible division. For those FMS activities which can be supported by the established USAF SPO's the creation of a separate Deputy for Security Assistance would require additional management personnel and add cost to the various FMS programs.

Mr. PASSMAN. What is the current status of the Iranian foreign military sales programs Peace Scepter II and Peace Scepter III? Dollar value and "brief" technical progress report?

General FISH. Peace Scepter II was a program to provide communications at two new Iranian Air Force bases. In May 1974, a letter of offer was signed and a contract let with Philco-Ford now renamed Aeronutronic Ford. In March 1975, the contract with Ford was cancelled at the direction of the Government of Iran and the remaining work to be completed by the Telecommunications Company of Iran. The dollar value of this case is estimated to be $28 to $30 million.

Peace Scepter III was a program to define the long-range communications needs for the Imperial Iranian Air Force. Prior to implementation, the Peace Scepter III program has become a part of the overall Seek Switch program. Seek Switch is an FMS case to develop

a plan to improve the national communications system for Iran and to meet the combined needs of military and civilian sectors over the next 20 years. The initial planning effort is now underway with American Bell International, Inc. as the contractor. The cost estimate for this initial effort is $24.8 million.

SALES TO THE NATO CONSORTIUM

Mr. PASSMAN. Are there any plans for the sale of the F–16, AWACS or AABNCP to the NATO consortium?

General FISH. Yes; European countries that will participate in F–16 coproduction plan to buy a total of 306 aircraft with an option to purchase 42 more. These will include: (1) Belgium—102 with an option for 14 more; (2) Denmark—48 with an option for 10 more; (3) the Netherlands—84 with an option for 18 more; and (4) Norway—72.

Concerning the sale of AWACS to NATO, on February 23, 1976, NATO requested a letter of offer for the sale of a variant of 20–32 AWACS aircraft. A preliminary letter of offcer is now being prepared by the Air Force and is expected to be submitted to NATO in May. Assuming that NATO Ministers agree in principle at their June Meeting to proceed with the NATO AWACS program, a second, more comprehensive, letter of offer will be submitted to NATO in November 1976. Eventual sale of an AWACS force to NATO will depend on subsequent NATO decisions.

UNUSUAL INFLATIONARY SPIRALS

Mr. PASSMAN. During fiscal years 1975, 1976, 197T, and 1977 foreign military sales agreements, mostly for cash, are expected to be negotiated with Iran and Saudi Arabia for $5.4 and $5.5 billion respectively. Projections for actual deliveries for these two countries over the same period of time are projected at $431 and $113 million respectively.

I understand the factor lead time. How do our letters of offer protect our Government and our contractors against unusual inflationary spirals? Would it be more feasible to tie our military contracts in this part of the world to oil rather than dollars? Cash foreign military sales have helped us immensely during our current recessionary period but, in the long run, won't the strain on our limited resources cause the cost of our own Department of Defense to skyrocket?

General FISH. Insofar as our contractors are concerned, our letters of offer and contracts normally provide for escalation of unit prices to compensate for inflationary increases in the costs of labor and materials.

Under existing law, it is not possible for us to sell for oil rather than dollars.

Cash foreign military sales will not strain our productive resources or cause the cost to our own Department of Defense to rise. In fact, foreign military sales permit significant cost savings for the Department of Defense. By adding foreign requirements to our own, we are able to have longer and steadier production runs. The result is lower unit costs for all DOD purchases and the maintenance of a warm production base better able to expand quickly to meet surge requirements

in the event of an emergency. In some cases, without foreign orders we would have had to reopen production lines and make every costly production runs for overselves because of uneconomical order quantities. In fact, the Congressional Budget Office, in an analysis for foreign military sales, has recently advised the House Armed Services Committee that based on the current mix of sales of weapons, services and construction, $8 billion sales program would on the average generate $650 million in savings annually. $160 million of the $560 million are R. & D. recoupments. Therefore, this half billion dollars a year saving, calculated from fiscal year 1974 through fiscal year 1977, nets a saving of two and a quarter billion dollars.

INSPECTOR GENERAL, FOREIGN ASSISTANCE

Mr. PASSMAN. The cost of the Inspector General (Foreign Assistance) has risen from $175,000 in fiscal year 1975 to a projected $700,000 in fiscal year 1977. Why the dramatic increase? I am also particularly disturbed that I have not been able to procure any IG reports in the area of Foreign Military Credit Sales. Why? How many people are dedicated to the Inspector General (Foreign Assistance)? How much of their fiscal year 1976 budget is for travel and how much for administrative expenses?

General FISH. During fiscal year 1975, at the urging of the Subcommittee on Foreign Operations of the Senate Committee on Appropriations, IGA materially increased the proportion of its inspection efforts devoted to security assistance programs to a projected 40 percent of fiscal year 1976 efforts. IGA had traditionally billed the Department of Defense $175,000, 10–15 percent of its budget, as representative of its security assistance effort. The balance of IGA funds had been obtained from AID and the Peace Corps.

The GAO, in its review of IGA dated July 25, 1975, questioned the imbalance of funding sources and inspection efforts, and recommended that the Department of Defense share of funding be increased and AID's share decreased accordingly. Concurring in GAO's recommendation, IGA arranged increased funding from the Department of Defense. As a result AID's share of IGA funding was reduced from $1,200,000 (86 percent) in fiscal year 1975 to $915,000 (59 percent) in fiscal year 1976.

The increased IGA oversight of security assistance programs has focused particularly on foreign military sales (FMS) programs.

IGA's most recent report on FMS was "Security Assistance Programs, Morocco," published December 16, 1975. Several IGA teams have just returned from the Middle East where FMS programs in Iran, Saudi Arabia, Jordan, and Kuwait were inspected in detail. The subcommittee will receive the final inspection reports on these efforts as soon as necessary followup work in Washington is completed. Further FMS inspections of both cash and credit sales are being planned.

The Office of the Inspector General, Foreign Assistance has 41 positions. IGA's revised fiscal year 1976 budget is $1,550,000. Of this amount $1,223,500 (79 percent) is for personnel, $248,000 (16 percent) is for travel, and $78,500 (5 percent) is for support costs.

BASE RIGHTS NEGOTIATIONS WITH GREECE

Mr. PASSMAN. What is the status of current base rights negotiations with Greece? Are the negotiations on an annual or multiannual basis?

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General Fish. For the past years we have been engaged in negotiations with Greece to modernize a series of older agreements governing U.S. facilities and operations. These negotiations are continuing and can be expected to last another year, but there is no specific time limit connected with them.

Mr. Passman. Do our aircraft currently have fueling rights in the Azores?

General Fish. Yes. A 1971 agreement governing U.S. use of Lajes airfield technically expired in 1974, and negotiations for its extension are currently in abeyance. However, refueling rights for U.S. aircraft have not been affected and continue without interruption.

Mr. Passman. What are the total number of personnel located at DSAA? Are the costs of any of these personnel absorbed by the administrative expense negotiated in individual country LOA's?

General Fish. The current Defense Security Assistance Agency authorized strength is 18 military and 106 civilian. Beginning October 1, 1976, we plan to cover all costs of DSAA personnel involved in FMS from the administrative surcharge.

USG LIABILITY TO MAAG EMPLOYED LOCAL NATIONALS

Mr. Passman. Pending legislation will result in the drawdown of many of the current MAAG's by the close of fiscal year 1977. What is the USG's liability in regard to the local nationals employed by the MAAG's?

General Fish. The local nationals employed by the MAAG's come under the Department of State wage scale which is derived from the local employment practices in the individual country. Therefore, USG liability would vary greatly from country to country and within the country on an individual basis.

Several countries have generous severance pay entitlements. Civil service annuities are also applicable depending on the country, and additionally would vary from individual to individual employee depending on length of employment and the type of appointment.

RECOUPMENT OF R. & D. COSTS

Mr. Passman. What is the current procedure for attempting to recoup some of the USG's R. & D.'s cost when a production contract is eventually awarded to a country such as Iran?

General Fish. DOD policy for recoupment of R. & D. costs of equipment being coproduced is outlined in DOD Directive 2140.2 dated January 23, 1974. Paragraph IV.E of this Directive states that: "For coproduction agreements, a nonrecurring costs surcharge should be assessed unless: (1) the model of the weapons system to be coproduced has been in production for 10 years or more, and/or (2) the model of the weapons system to be produced has been superseded for Department of Defense production requirement by a more advanced model. In the above exception, consideration may be given to the assessment of a royality charge under appropriate circumstances."

LEAD TIMES AND UNIT COSTS OF CERTAIN WEAPONS SYSTEMS

Mr. Passman. What are the lead times on the F–16, A–4, F–4E, F–15, C–130, Shrike, Sidewinder, and M–16? What are the per unit

costs, including AGE and tech data and spares, when appropriate, for each of the preceding items?

General FISH. The following table provides illustrative lead times and unit costs. It must be emphasized that specific lead times and unit costs can only be established as a result of negotiations associated with an actual request for a particular quantity and configuration.

Item	Lead time (months)	Unit cost (dollars)
F–16	42	6,000,000
A–4	30	5,900,000
F–4E	36	6,300,000
F–15	36	14,600,000
C–130	30	6,500,000
Shrike	30	100,000
Sidewinder:		
(AIM–9H)	30	56,000
(AIM–9L)	36	60,000
M–16	15	232

SECURITY ASSISTANCE FOR LEBANON

Mr. PASSMAN. Have deliveries of previously contracted for items to Lebanon continued throughout the current disruption? If so, with no MAAG present, how do we know to what use these items have been put? If the situation in Lebanon is the same in October as it is now, will the proposed training of 47 students in the United States be carried out? Who selects these students?

General FISH. Since the fall of 1975, shipments of FMS items to Lebanon have been approved on a case-by-case basis in coordination with Department of State; only nonlethal items have been shipped. While there is no MAGG in Lebanon, we do have a defense attaché charged with the additional responsibility for military assistance. Since the volume of shipments has been quite small and no lethal or complex items have been included, monitorship has been within the capability of our defense attaché and his staff. As to continuing the training programed under the fiscal year 1977 military assistance program, we would like to sustain the mutually beneficial relationships and ultimate influence built up over the years by continuing the training as planned in the United States. The situation is being continually evaluated and we would, of course, not pursue the training program under conditions where our national interests would not be clearly served. Foreign students are chosen by their armed forces using selective criteria (technical and English language capabilities) established by the DOD.

MOROCCO TRAINING PROGRAM

Mr. PASSMAN. Why such a large student training program with Morocco—150 students? Why is the cost of training a Moroccan or a Jordanian student some $3,000 less than training a student from say Afghanistan or India?

General FISH. The proposed training level for Morocco of $900,000 supports a general force modernization program and provides an effective means for maintaining professional contact with members of the Moroccan Armed Forces. Training courses are offered at the same tuition rate to all foreign countries; however, tuition rates vary

greatly between courses based on such factors as the duration of the course, supplies and equipment used, location and type of instruction. The training programed for Morocco involves mostly technical courses. Technical courses generally have a lower overall tuition cost than professional courses which are longer and more costly. Therefore, the number of Moroccan students trained at a given funding level may be proportionately greater than the number trained by a country like India, where the programed training for only a few individual students is professional in nature.

U.S. MILITARY PERSONNEL ON SRI LANKA

Mr. PASSMAN. Are there any U.S. military personnel on Sri Lanka? If so, since there is no MAAG, what is their function? With no obvious external threat to Sri Lanka, why get ourselves involved in even a minimal training program here? Isn't this paramount to training a force whose only function could be to counter internal conflict.

General FISH. One naval officer, who is the Defense Attaché, and two enlisted assistants are assigned to the U.S. Ambassador's staff. They advise the Ambassador on military matters, assist in arranging and coordinating U.S. naval ship visits to Sri Lanka, and maintain a friendly and informative liaison with other military attaches from other governments there and with the military officials of Sri Lanka. Sri Lanka has not utilized the small amount of grant aid training funds available ($15,000/year) for several years, but funds are retained in the program for use if training is desired. Training anticipated would be in logistics, equipment maintenance, or management areas. Such a presence and possible training assists us in countering Soviet and Chinese military influence with an influential government power group and assists Sri Lanka in maintaining its nonalined stance. There is also the normal embassy complement of U.S. Marine guards, nine in number.

PLACE OF MAP

Mr. PASSMAN. Many of your justifications for smaller programs center around perceived threats to U.S. interests and real host country insurgency. Is there any place for our military assistance program in the internal politics of a sovereign nation?

General FISH. No, sir; there is no place for our military assistance program in the internal politics of a sovereign nation.

SOVIET MILITARY ASSISTANCE TO AUSTRIA, FINLAND, AND PERU

Mr. PASSMAN. Are any Soviet military equipment or services provided to Austria, Finland, or Peru? If so, what value and what type?

General FISH. During 1975, the U.S.S.R. provided military equipment to only Finland and Peru valued at $6 million and $54 million respectively. Finland received large guided missile boats, armored vehicles and artillery pieces. Also, there were some Soviet military technicians in country to help maintain Finland's Mig–21 aircraft. Soviet materiel delivered to Peru included artillery pieces, medium tanks, truck mounted rocket launchers, bridging equipment, artillery transporters, motor vehicles, and helicopters. Some Soviet military technicians were in country instructing the Peruvians on the opera-

tion of the Soviet equipment received and Peruvians were receiving training in the U.S.S.R. on the same equipment.

SUMMARY OF THE SINAI PACKAGE

Mr. PASSMAN. If I may I want to summarize very briefly. I want it accurate because we have to take up the conference report, and I am going to have to explain a lot of things, and I want to explain it completely and accurately.

I think several different times today you have answered in the affirmative that it was your understanding the $1.5 billion military aid for Israel for fiscal year 1976 was intended to take care of 15 months, the full 12 plus the transitional period.

I think at this point I am correct, am I not?

General FISH. Yes, sir.

Mr. PASSMAN. I wish we could have this verified this afternoon, if the head of the National Security Agency, General Scowcroft made certain statements regarding assistance to Israel in fiscal year 1977.

General FISH. Gen. Brent Scowcroft.

Mr. PASSMAN. And ascertain if I have the following facts correct regarding aid to Israel in fiscal year 1977. That all of the experts who dealt with these funds and all of the evaluations indicated that the need was $500 million and the Defense Department and the State Department insisted that the figure was incorrect, it should be $750 million, and the President himself said it's going to be $1 billion.

Will you have that verified and give me an affirmative record?

General FISH. Sir, we will check it for you.

Mr. PASSMANN. Check it for us, you mean.

Mr. PASSMAN. It isn't just for me.

General FISH. For the committee.

Mr. PASSMAN. We want to be sure we can go out with the facts as they are.

Dr. Long, do you wish to take over for a while?

Mr. LONG. Thank you, Mr. Chairman.

STATEMENT OF PRIME MINISTER RABIN

Prime Minister Rabin was quoted yesterday in the Baltimore Sun, April 5, 1976, that:

> The $550 million U.S. aid package is vital to tide Israel's faltering economy over the 3 months during which the U.S. plans to shift the start of its fiscal year.

Did you see that statement?

General FISH. No, sir, I did not.

Mr. LONG. Do you have the exact quote on that? Prime Minister Rabin said on April 5 that:

> The $550 million U.S. aid package is vital to tide Israel's faltering economy over the 3 months during which the U.S. plans to shift the start of its financial year.

Now, it seems clear that when the administration set up its budget request, there was not a clear meeting of minds over what Israel needed, in view of this statement.

Mr. PASSMAN. You didn't think that was our responsibility to try to satisfy all their appetites?

Mr. LONG. Well, we have——

Mr. PASSMAN. If you will yield, you are putting what they need against what they want.

Mr. LONG. Mr. Chairman?

Mr. PASSMAN. I will yield to you and let you make your case.

Mr. LONG. On the face of it wouldn't you say there is some misunderstanding then?

General FISH. I think it's clear from the press report that you cite, that there is a difference of views between the two governments; yes, sir.

Mr. LONG. The State Department, Israel desk, wouldn't you call it?

Mr. WINSHIP. That is correct.

Mr. LONG. Stated to my office, and stated it for attribution, that:

Israel has more than enough in outstanding orders to enable her to immediately obligate sales credits received for the transitional quarter, as well as for the 12 months fiscal year 1976.

General FISH. Sir, that is a nontechnician talking about technical terms, the term "obligate" is most inappropriate in this sense.

The sales credit has to do with the necessity to pay for cash flows, and Israel has got orders and requirements for cash flows that come up to the total of the moneys that are being asked for.

Mr. LONG. You are saying then Israel does not have the orders?

General FISH. No, I am saying they have them and more.

Mr. LONG. Right. That is the point we are making, because it has been said that Israel couldn't possibly spend this money.

General FISH. I would not agree with that.

Mr. LONG. Those statements are not true? The Israelis could spend the money?

General FISH. Absolutely.

Mr. LONG. And, of course, Israel feels that when up against Arab confrontation states, which outnumber it about 30 to 1 in population, from 2 to 1 up to 10 to 1 on various types of equipment, but average about 3 to 1 on equipment, Israel feels itself in a precarious situation, is that not so?

General FISH. I don't know just exactly what Israel's financial position is as far as the balance goes. I know that Israel does believe it needs to continue to equip and modernize its forces and we have been willing to assist in that regard.

Mr. LONG. The idea that Israel can defeat the confrontation states, the Arab states, is based on a theory, is it not, that Israel's qualitative military strength more than make up for the fact that it is outweighed 3 to 1 on military equipments of various kinds?

General FISH. It is our net assessment that Israel is in a favorable balance of power situation.

Mr. LONG. Just based on the quality?

General FISH. Partially quality of equipment, all factors considered.

Mr. LONG. The qualitative factors by their very nature are difficult to quantify, isn't that so?

General FISH. No, sir.

Mr. LONG. Do you know any way of measuring qualitative factors?

General FISH. Yes, sir, we do it all of the time. You know, you can determine it by such things as, for instance, in commission rates of aircrafts, sortie rates, particularly sortie readiness, ability to and how fast forces can deploy.

Mr. LONG. I can see that, right. But I am talking now about the fighting qualities of the people, bravery, skill, and that type of thing. These are not easy to measure.

General FISH. In our assessments we do put in——

Mr. LONG. Is what I just said true? Now, for example, it was generally conceded that Israel had such overwhelming superiority over the Arabs, having defeated them so decisively in the Six-Day War, that essentially everything was on Israel's side. Then came the supplies of the Yom Kippur War in which, is it not true, Egypt, and Syria, too, manifested remarkable improvement in the quality of their armed forces?

General FISH. They showed remarkable improvement.

Mr. LONG. Isn't it possible that that could happen again?

General FISH. Yes, sir; the Arabs can improve the quality of their forces by training and by——

Mr. LONG. Is there any presumption to suppose that whatever the ratios stood at the Yom Kippur War they should stay the same?

General FISH. No, I don't think they will necessarily stay the same, that is right.

Mr. LONG. And if you were, in fact, to extrapolate the rate of qualitative improvement of the Egyptian Armed Forces that took place between the Six Day and the Yom Kippur Wars, wouldn't Israel have reason to be apprehensive about the outcome of another war?

General FISH. Sir, our net assessment is that Israel has the necessary military capability to——

Mr. LONG. Can you answer the question I just asked?

General FISH. That is a very iffy question.

Mr. LONG. Don't we have to answer it? Aren't we dealing with unmeasurable categories really?

General FISH. No, sir; I would not agree that they are unmeasurable. Some of the factors have a greater degree of uncertainty than others, and our net assessment is that Israel does have the capabilities to meet the threat in the area and we are dedicated to the proposition that we will continue to provide——

CASUALTIES IN THE 1973 WAR

Mr. LONG. What casualties, General?

General FISH. In the 1973 war there was a very high casualty rate, especially for a small country like Israel. There is a real concern.

Mr. LONG. The casualty rates in another war—by that I mean kills—have been estimated to run anywhere from 10,000 to 40,000. Isn't that so?

General FISH. I don't remember the exact figures but the point you make is very valid, that they were high and it hit all elements of the society the way the Israelis mobilized, into every family practically, at least every extended family, very high casualty rate.

Mr. LONG. In fact, if you multiplied them by the ratio of the population of Israel to the United States is it not true that these casualties

would be way beyond casualties that we have suffered in any war in our history?

General FISH. I don't know about that last. I know they would be very large but I have not made that comparison. There is no question when you take it and bring it to the size of the United States population that they were very large.

Mr. LONG. If you took the 40,000 figure and multiplied it by 70—the ratio of U.S. to Israel population—the comparable figure for the United States would be nearly 3 million deaths. We haven't suffered that, I believe, in all the wars of our history.

General FISH. I defer to you.

Mr. LONG. Including the Civil War, which is the most bloody war we ever took part in. So how can you take account of the morale of a country under circumstances like that?

Can you measure that?

General FISH. No, sir, I don't think we can——

Mr. LONG. You could say the morale is high but you can't really measure it.

General FISH. Every indication is that the Israelis are extraordinarily dedicated in the ability to——

Mr. LONG. Let me ask you this, General.

PURPOSE OF HELPING ISRAEL

Is the purpose of our helping Israel to enable it to win the next war, or to enable us to deter the next war?

General FISH. Both.

Mr. LONG. Preferably we would want to deter it.

General FISH. Absolutely.

Mr. LONG. Because is it not true that the cost of another war to Israel would be probably very much greater than the total destruction in the Yom Kippur war, which was approximately a year's Gross National Product destroyed in 12 days. That was a fantastic consumption rate. But, in another war, we have the problem of more destructive weapons, oil wells set afire, and the possible use of nuclear weapons.

Aren't you placing too big a burden on your estimation that Israel outweighs the Arab confrontation states on quality? Isn't this an awfully heavy burden for the quality factor to carry?

General FISH. No, sir, we don't think so. I think overall that I have never known in my experience in working in the Pentagon in war plans or in my present capacity, any issue that has been more carefully studied and I think our total Middle East policy is to deter war not only in our support of Israel but our operations within the area in relationship with other countries.

I think these factors have been given the most careful considerations, Dr. Long.

Mr. LONG. Does that always yield very good results? Isn't it true that Yom Kippur War caught us totally by surprise?

General FISH. The surprise factor was certainly there and in my own discussions with the Israeli leadership, and especially the leadership of their armed forces, and I was just out there within the last three

weeks, I think that they learned a lot and I don't think they will be taken by surprise again.

Mr. LONG. Don't you think the Egyptians learned a lot, too?

General FISH. Unquestionably both learned, but I mean addressing the surprise factor, sir, I doubt that the Israelis would allow that to happen again. That was, of course, the most controlling factor in the——

Mr. LONG. Don't you have the added factor of trying to cut this too thin and of putting Israel in a position of possibly having to overreact to prevent from being surprised?

General FISH. There is that danger and we are sensitive to it.

Mr. LONG. We certainly don't want that.

General FISH. No, and I don't think anybody is trying to cut too thin. I think that the sense is that we make sure that Israel has everything she needs to not only deter war but to feel confident she can make peace.

TAXATION RATE IN ISRAEL

Mr. LONG. Did you dispute the figures that have been given about two-thirds of Israel's income goes to taxes, that the average person out of a $2,100 a year income pays about $1,400 in taxes so he lives on about $700?

General FISH. Israel is one of the most highly taxed states in the world. I don't have the figures readily available. I defer to the State Department.

Mr. WINSHIP. I don't have figures in that form. I don't question Dr. Long's statement.

ISRAELI EMIGRATION RATE

Mr. LONG. Isn't it true that many people have elected to leave Israel, that the emigration has been very substantial?

General FISH. Sir, I think their emigration has about been equal to their immigration. Their inflow and outflow have been about equal, which is unusual because in the past there were more coming in.

Mr. LONG. Isn't it to our interest to have Israel survive, to keep it in good, healthy economic and good morale condition?

Is that to our benefit?

General FISH. Yes, sir, it is and I think that is what our policy is.

Mr. LONG. Is it to our interest to cut the margin too thin in order to accomplish——

Mr. CONTE. Would you yield?

Mr. LONG. Glad to yield.

Mr. CONTE. I am going to ask two questions after you take a little rest. I have sat here since 2 o'clock and asked 4 minutes of questions.

Mr. LONG. You haven't had your time yet?

Mr. CONTE. Four minutes. I listened to Mr. Passman for 1½ hours, and listened to you for about 1½ hours. I haven't heard a word about any other country except by Mr. Koch, and my good friend from Indiana asked a question.

Mr. LONG. I think the gentleman is very generous in his figures. I have consumed less than half an hour. I am sorry I have strained the patience of the gentleman from Massachusetts.

Mr. CONTE. No, no; I have a lot of patience but I would like to ask a few questions.

Mr. LONG. I shall be glad to yield to the gentleman in a minute.

Let me say that Mr. Tyler of the Defense Department has acknowledged for attribution that Israel would have no trouble obligating the money. The Israeli desk of the State Department has said that Israel has more than enough outstanding orders to enable her to immediately obligate sales credits received for the transition quarter.

Prime Minister Rabin has said on April 5 that they need the money; without this their economy will be in very bad shape.

Mr. LONG. The gentleman from Massachusetts.

Mr. CONTE. I will be very brief because my good friend from Indiana is waiting patiently, too.

OTHER SUPPLIERS OF MILITARY EQUIPMENT TO EGYPT

What sources, General, of foreign military supply does Egypt presently employ other than the United States and the Soviet Union and to what extent?

General FISH. Sir, there have been reports of military equipment from other Western sources, France, and England. I don't have any real good details on that immediately available. I will be happy to check our sources and provide for the record.

[The information follows:]

MILITARY ASSISTANCE TO EGYPT

During 1974 and 1975, twelve Communist and free world countries (excluding the United States and U.S.S.R.) agreed to provide military assistance to Egypt. The supplier countries and value of the agreements during the time frame are as follows:

Supplier:	*Value*
Czechoslovakia	———
Hungary	———
Czechoslovakia	———
Hungary	———
Poland	———
Peoples Republic of China	———
Yugoslavia	———
France	———
Germany, F.R.	———
Iraq	———
Japan	———
Morocco	———
Syria	———
United Kingdom	———

Mr. CONTE. Is there anything left in the pipeline, military aid, from the Soviet Union?

General FISH. Our information is that essentially the Soviet Union has stopped supplying military equipment to Egypt, including spare parts.

CUBA THREAT TO LATIN AMERICA

Mr. CONTE. So the pipeline has dried up. Throughout the justifications in the American Republic section, Latin America, you mention that several nations have a suspicion of attack by Cuba. How serious are you? Is there a distinct possibility of such a move by Cuba toward Haiti, Dominican Republic, or any other country?

General FISH. I will ask Mr. Williams from the State Department.

Mr. WILLIAMS. I think it is undeniable that the Cuban military activities in Africa has had a significant impact on Latin American countries, particularly the smaller countries and particularly those located in the Caribbean and Central America. They have expressed to us privately their concern about the possibility of Cuban adventurism. They have asked for assurances of increased military assistance, defensive assistance.

Our response has been it is not our assessment that the Cuban adventurism in Africa will be repeated in this hemisphere. Indeed, Castro's posture in the last 5 to 7 years in this hemisphere has been to cultivate Latin American governments.

He has been relatively successful in establishing diplomatic and commercial ties with Latin American governments. He has downplayed his assistance to leftist organizations, that is, terrorist organizations, guerrilla organizations, in the hemisphere.

There is no reason to expect at this time that he would jeopardize, his expanding political relationships in the hemisphere by resorting to military activities in the Caribbean and/or Central America, but, nonetheless, yes, this is a fear and I say particularly among the smaller countries in the Caribbean.

Mr. CONTE. So you don't thing it is a well-founded fear?

General FISH. No, sir.

Our best assessment is that it is not well founded but, nonetheless, real as perceived by small, weak countries being particularly in the general vicinity, such as Haiti and the Dominican Republic.

INDONESIAN MODERNIZATION

Mr. CONTE. On page 42 of the justifications you indicate Indonesia feels a need to accelerate the modernization of its forces due to the Communist control of the north. How serious is the situation in the north? Is that an infiltration problem from outside, or is this Communist control coming from the Indonesians themselves? Is this another Vietnam situation?

Mr. WINSHIP. My understanding is that the Indonesians have not spent money on their military forces to any great extent over the past 10 years, in part because of the U.S. commitment in Indochina to contain the Communist movement in the area.

The Communist success in Indochina has caused very serious reconsideration by the Indonesian Government leadership who are concerned particularly with the problems of surveillance of a possible infiltration and the prevention of infiltration of agents or military equipment.

Indonesia is an extended Archipelago of an island over which it is very difficult to maintain tight control.

Mr. CONTE. So it is not from without then?

Mr. WINSHIP. Yes; they are concerned primarily with the possibility of infiltration of agents or spies from Indochina, with externally inspired difficulties, not internal problems.

Unfortunately, they are continuing to keep a number of the former Communist Party supporters locked up in Indonesia and that is a serious problem which we have discussed also.

Mr. CONTE. Indonesian are they?

Mr. WINSHIP. Yes.

Mr. CONTE. What are they asking for military assistance?

Mr. WINSHIP. The program this year for Indonesia that we have proposed is a matter of $19.4 million in military assistance, a small military education and training program of $3 million, and we anticipate that they will get credit for some $15 million in foreign military sales purchases.

Mr. CONTE. Your book shows $23 million; $23.1 million.

Mr. WINSHIP. $23.1 million.

Mr. CONTE. Yes; foreign military sales credits. You have a total of $46.1 million.

Mr. WINSHIP. $23.1 million. That is correct. I see that figure. I was looking at another figure that showed the estimate of how much of that would actually be used during the year; $23.1 million.

Mr. CONTE. Of course, that is a real difficult loan to sell Indonesia with the tremendous amount of oil that they have there and the revenue that they are picking up in oil. Why the heck should we be giving any grants to Indonesia?

Mr. WINSHIP. This is a country which is getting a substantial amount of oil income. It is a country which still has, according to the latest figure I have in front of me, a per capita gross national product of only $119 a year. They have, as I noted, not been spending their available resources primarily for economic development programs and their military expenditures, for instance in 1974, the last figure that I have, were only 3⅓ percent of their gross national product, a very low figure relative to most developing nations.

They are now seeking to make some improvements in their military forces, rather moderate improvements, but General Soeharto visited Washington last year, met with the President, and explained his problems, and——

Mr. CONTE. Last year I met informally with somebody from the State Department. I don't now who it was. It is high time that we smarten up on this program. Here is Indonesia. They discovered oil. They have oil coming out of their ears. One of our big problems is oil; right? We are paying $13, $14 a barrel for oil. Why don't we barter with them? Why don't we make a deal that could break the Arab cartel and make a deal with them. I will go along with you on this $46 million and say; "We will give you $46 million worth of military equipment. You, in turn, give us oil at $6 a barrel."

And the difference between the $6 a barrel and the $13 will offset the $46 million. Why isn't that a smart thing to do?

Mr. WINSHIP. It is an interesting proposition. However, the U.S. Government has not been entering into oil marketing arrangements of that sort.

Mr. CONTE. It is high time that they do. It is over a year since I gave them that idea. How can I go back with unemployment running in my district all the way from 7 to 20 percent, and I was called out here this afternoon. The construction workers haven't worked in a year. They don't have any jobs. How can I go back and tell them that I am going to appropriate $48 million for Indonesia when they have oil gushing out and they have all kinds of minerals and the State Department is not willing to try to negotiate a barter deal?

Mr. WINSHIP. It is contrary to our policy to try to barter commodities for arms. However, I am sure that your proposal has received serious consideration.

Mr. CONTE. We should on this bill somehow get that barter deal going. They have tin. They have bauxite. They have all kinds of minerals in Indonesia. We are depleting all of our minerals here in the United States. It isn't just oil. We are depleting all of our minerals.

One of these days we are going to wind up as a third-rate power, not a second-rate power, unless we smarten up. Why couldn't we stockpile a lot of these minerals?

I guess we have a quorum call. May I come back?

Mr. ROUSH. Yes.

I want to ask some questions, too. So let us go.

[Brief recess.]

OUTSTANDING ISRAELI FMS ORDERS

Mr. LONG. If the gentleman would like to clarify some figures you may proceed.

General FISH. It would probably help make the record.

I know the committee is trying to make it.

Our calculations show that based on outstanding FMS orders Israel has about $1.9 billion in round numbers, and I will check these for the record to be sure, but I know you want to have the figures at the hearing if you can. There is also $323.5 million that is uncollected on direct commercial purchases that we finance through FMS credits, for a total of about $2.224 billion. Of this amount, $1.343 billion, in other words, $1,343,000,000, will become due on outstanding sales cases between now and the end of September.

Mr. LONG. I think a more useful presentation would be to provide a complete breakdown of the $4.5 billion in outstanding orders by Israel for U.S. equipment.

If you will do that for the record it would be helpful.

General FISH. Yes, we will do that.

[The information follows:]

Amounts owed by Israel pursuant to foreign military sales and related Department of Defense direct and guaranteed credit programs as of Mar. 24, 1976

	(*Millions*)
Uncollected balance of outstanding FMS cases with the military departments	[1] $1,918.7
Uncollected balance of outstanding commercial sales cases	[1] 323.5
Principal to be repaid on Department of Defense direct and guaranteed FMS credit programs	[2] 2,480.6
Less: Unexpended balance of U.S. provided credit funds available to apply against outstanding orders	−235.4
Total	4,487.4

[1] Israel will be required to pay the uncollected balance of outstanding FMS and commercial sales cases ($1,918,700,000 and $323,500,000) over a period of 4 years. During fiscal year 76 and the transition quarter, Israel will need $1.5 billion in new credit (in addition to the unexpended balance of prior-year credits) to make the payments that will come due on existing sales cases plus new sales cases that are expected to be implemented during this time frame.

[2] The principal repayment that Israel will have to make on Department of Defense direct and guaranteed loans will fall due, for the most part, over the next 10 years. U.S. provided credit cannot be used by Israel to make principal repayments—these repayments must be paid from Israel's internal economic resources.

Mr. LONG. The gentleman from Massachusetts?

INDONESIA

Mr. CONTE. Back to Indonesia. Did you want me to yield on that point?

Mr. ROUSH. OK.

Mr. CONTE. From the type of equipment requested——

Mr. ROUSH. I just want to say I concur with what the gentleman says; yes, I think you made an excellent point, and I wondered why we don't do it. I think Mr. Miller, who previously served on the subcommittee, made a point of this very thing and I think what the gentleman proposes makes sense.

Mr. CONTE. Before you get on, I used to tell Mr. Miller that.

I started on that barter business back in 1959. I used to take out the record and show him 1959, 1960, 1961 but now then, I dropped it, because I never got anywhere; at that time it was with Peru, but at this time here with Indonesia, discovering all of this oil and all of these minerals, and they talk about per capita income of Indonesia. I think if they had money trees out there the per capita income of those people is never going to change.

If you have ever been to Indonesia, they aren't going to change a lot, it's never going to be our type of civilization or living, affluent society like the United States.

They are going to be plugging coconuts out there, and eating papaya for the next 2,000 years.

Go ahead. Who wanted to say something?

BARTER AUTHORITY IN FMS

Mr. FORMAN. I just wanted to comment in the context of foreign military sales that the barter authority, which was enacted into law as a result of Congressman Miller's amendment, really does not give us the necessary authority.

His amendment says that if you have a barter arrangement, let's say the DOD would require some petroleum from Indonesia, and then sell that petroleum on the economy, that the funds received from that sale go into miscellaneous reecipts. Ergo, there would be no money available to the Department of Defense to pay the contractors to provide the equipment to sell to Indonesia.

There just wouldn't be any cash. We pointed this out to Congressman Miller at the time.

Mr. CONTE. Wait a minute now. You don't need that. You don't need that. You don't need his amendment. You can go in there right now, and I know that when I talked to the State Department, whoever I spoke to last year, felt that they could do it.

You could go right in there now with the Indonesian Government and make a deal with them and say all right, we are going to give you $46.1 million in military sales credit, military assistance program and grants. International military education and training program and you are going to knock off $46.1 million in the sale of oil in the form of $7 a barrel. You can't do that now?

Mr. FORMAN. I was not addressing your suggestion, sir. All I was addressing was the comment made earlier about an amendment having been made by Mr. Miller.

Mr. CONTE. Well, I don't care. Can't you do that?

Let's make sure the record is clear. That is what usually happens here, you get off on a tangent.

Mr. Secretary?

Mr. WINSHIP. Mr. Conte, I am not aware whether we have such authority. I would point out that half of this amount we are talking about will be repaid to the U.S. Government in dollars. Half the $46.1 million is a credit which will be repayable by the Indonesian Government in dollars, it is a recognition of the fact that their long-term prospects we think are very good.

But right now they do have oil income, their oil production is nothing like the Middle Eastern countries, nor do they have the reserves, at least proven as yet, that would indicate that they can compete over the long haul with Saudi Arabia, Iran, and other major sources of oil.

But, this is a program where we are giving them some help in the military field. Following the Communist success in Indonesia, recognizing perception of an increased threat.

Mr. CONTE. Well, we will put in the record how much we have given Indonesia in the past, and it has been considerable, $2.1 billion. You know, we are talking big deals here, $2.1 billion. You see, if I hadn't gotten that in it would have looked good on the record, only $23 million.

Well, my people think $23 million is a lot of money. You are talking about $23 million in grants now. Forgive me, that is a give-away program, and all I am saying is here the situation is good, it may not compare with Saudi Arabia, but it is good. Their mineral situation is good, and I think it behooves the State Department to make a deal with them, and if anything could break that OPEC cartel it would be this. I think if I were sitting down there with those striped pants and those hard stove-pipe hats, I would say, boy, this guy has got something, and I am going to seize on it. He's our friend and we are going to try to do something about this situation.

Mr. ROUSH. And bow ties.

Mr. WINSHIP. I plead guilty to the boutonniere.

MILITARY EQUIPMENT FOR INDONESIA

Mr. CONTE. Getting back to the military equipment from the type of equipment requested on page 44, it would seem that Indonesia is preparing for an amphibious and ground insurgency combat. Now, is this the type of threat they perceive as opposed to a direct conflict with their neighbor?

General FISH. Sir, while they look up some detail for me, I would state that these equipments are estimates of our own, and of course, Indonesia is an island country. Even to get from one part of the country to another, especially the back areas, would require primary seaborne capability.

We don't think that there is a significant external threat to Indonesia.

Of course, as the State Department representatives have indicated, they do perceive, the Indonesians do, the possibility of infiltration from other Communist states in the area, and they are concerned. But

these are amphibious type and ship-borne, naval, sea-borne equipment, because they are an island state.

MILITARY AID FOR MOROCCO

Mr. CONTE. All right. In regard to Morocco now, you are providing military aid there. Will that create an imbalance in the conflicts around the former Spanish Sahara?

Mr. WINSHIP. Well, Morocco has very much less military capability than Algeria, its immediate neighbor, and this is an ongoing program with Morocco which we have entered into in an attempt to assist them to a moderate degree in modernizing their forces.

We do not consider, and this was one of the considerations, that our assistance will in any way significantly affect the distribution of power between Morocco and Algeria, when Mauritania is not a significant military power. It is not one with which we have had any security assistance relationship.

We understand that the military ground units from Morocco, which have been in and near the Sahara area, used Soviet and other equipment, French equipment and so on, that they have not used U.S. equipment.

TREATY WITH SPAIN

Mr. CONTE. You mentioned in answer to Governor Shriver's question that the request for Spain was a result of the agreement signed on January 24, 1976.

The question is: Do our bases at Rota and Torrejon and Zaragoza depend on full appropriation here?

Mr. WINSHIP. The agreement is for 5 years. The first term of the treaty would be a 5-year term, and our use of the bases and the security assistance program are both integral parts of the single agreement. Although, as the General has pointed out earlier, there is not a base rental agreement.

They are encompassed within the treaty, and we believe that the Spanish Government would consider we were failing to fulfill the terms of the treaty if we were not able to fulfill the security assistance commitment.

Mr. CONTE. So it has got to be an integral part of the agreement.

Mr. WINSHIP. That is correct.

Mr. CONTE. And will our expanded relation with Spain end up with long-term commitment to resupply and update their military?

Mr. WINSHIP. The Secretary has, of course, spoken to this subject. It is our hope that through this next 5 year period, during the life of the treaty, that the Spanish Government will be able to reestablish defense links and other links with the other Western European nations and that it would, therefore, become part of a Western European military partnership.

Mr. CONTE. Rather than United States?

Mr. WINSHIP. Including the United States in our North Atlantic Treaty relationships with Western Europe, but the form for timing of any such reconciliation.

Mr. CONTE. Mr. Chairman, thank you.

Mr. LONG. The gentleman from Indiana?

Mr. ROUSH. Thank you, Mr. Chairman.

I note it's 12 minutes after 5 and I will try to be as brief as I can.

Mr. Winship and General Fish, I have voted against various programs, and there is always a question, you know, as to whether or not you are right or wrong, but you don't have many choices when you go to cast your vote here.

PROVIDING MILITARY ASSISTANCE FOR BOTH SIDES

I get disturbed particularly with our military assistance program. Here we are supplying aid to Morocco and Algeria, and they have been at each others' throats, and, of course, we are supplying aid to Greece and Turkey, and they have been at each other's throats, and have used our own military equipment threatening each other with our military equipment.

We are supplying a small amount of assistance to El Salvador and Honduras, and they fought a war not too long ago, not a big war, but a small war, and we have done the same with Pakistan and India in the past and I don't know for sure which side this country is on when it comes to the conflict in the Middle East, whether we are really on Israel's side or on the Arab side, because we are supplying assistance to both.

It puts me in a state of confusion.

Mr. LONG. Would the gentleman yield?

Mr. ROUSH. Yes, sir, I have to yield to the Chair.

Mr. LONG. We are actually selling more to the Arabs than we have sold to the Israelis. The gentleman is absolutely right.

Mr. ROUSH. I have made that point. I have been of the opinion we should select our friends and stick by our friends. I find myself in a very uncomfortable position insofar as Israel is concerned.

The one place I have supported some military assistance has, in the past, when I have had the chance to vote separately, has been on aid to Israel, and this year when I look at the facts, looking at some of our own facts and looking at other facts that have come to my attention, I have had to make a couple of hard decisions which labels me as being anti-Israel, and the fact is, I am not.

REQUEST FOR FISCAL YEAR 1976 AND TRANSITION QUARTER

You stated, in agreement with Mr. Long, that there was a difference of view between the two governments referring to Israel and the United States. Now, this difference of opinion relates to their needs, does it not?

General FISH. Sir, my comment was that based upon the news reports that Mr. Long, the chairman quoted, that I would have to conclude that. I know of no difference of my own knowledge. I just said in response to his question that the news reports he quoted, you know, are at variance with our perception.

Mr. ROUSH. All right, but insofar as our commitments and promises to Israel, and the aid to Israel for fiscal year 1976, General Fish, Israel has understood those commitments and those commitments are consistent with the House bill for the appropriations bill for 1976, is that not correct?

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General FISH. Yes, sir, and the $1.5 billion is also consistent with our Congressional Presentation Document.

Mr. ROUSH. Yes, I understand that. That is consistent.

Now, Israel has been aware, as have the other Arab countries, because they are also involved here as far as this transition period is concerned, Israel and the other Arab countries have been conscious that the administration was including in its request money for fiscal year 1976, and the transition period, is that not correct?

General FISH. Yes, sir.

Mr. ROUSH. Now, referring now to Mr. Nooter's testimony, Mr. Winship and General Fish, have you both read the transcript which includes the testimony of Robert H. Nooter, Assistant Administrator, Bureau for Near East Agencies?

General FISH. Sir, I appeared with Mr. Nooter on two occasions within the last 10 days. Which day was this?

Mr. ROUSH. This was in testimony before this subcommittee, and I think you were not present at that time.

General FISH. No, sir, I was not.

Mr. ROUSH. You are, however, aware of his various statements which have been made on this matter?

General FISH. Yes, sir.

Mr. ROUSH. I would like to just quote on the question. I asked the question:

> Mr. Nooter, I would like to go back to the question asked by Mr. Shriver a moment ago concerning the funding for Middle East countries for the transition quarter to an interim quarter. As I understood your answer, you said the interim funds that we find in the Senate bill are not necessary, is that correct?
>
> Mr. NOOTER. That is our opinion, yes, sir.

Do you differ with that answer?

General FISH. No, sir.

Mr. ROUSH. Do you, Mr. Winship?

Mr. WINSHIP. No; I do not.

Mr. ROUSH. This is then elaborated on in the course of the testimony, and although Mr. Nooter concedes that Israel may be asking for more, that he does state, however, that in the opinion of the administration that they have budgeted and provided for what they think to be very substantial funds, and funds which meet the needs as our country views it.

I would hope that you would review that testimony as well as the testimony you have heard him give previously.

I can appreciate the fact that Israel would want more, and I am sure you can, too, and would be demanding more, but it seems to me that our first interest has to be the interest of this country.

I want to hurry here because I want to conclude my questions.

LATIN AMERICA

Going to the countries Mr. Koch and Mr. Conte asked about, Latin American countries, I was fascinated by their questions and I was dismayed by some of your answers in that regard.

Going to page 15 of your testimony, General Fish, you make a reference therein which you state at the top of the page, by lifting this restriction Congress has permitted us to be 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 we refer to our "friends."

Who are our enemies? The inference is we have friends and we have enemies.

General FISH. Well, no, I think that we have potential adversaries. I hope that we haven't any active enemies. But, I don't accept the notion that because we have friends that we necessarily have to have enemies.

Mr. ROUSH. In that case, why are we supplying military assistance to Latin America, if we don't have enemies there?

General FISH. Sir, because of the many reasons we have documented in detail in my statement, in the Congressional Presentation Documents, in the Security Assistance Review classified document. We give for each country the reasons for security assistance programs and the reasons are not just because of internal threats, although that is one reason.

We document, in detail, for every country the reasons for the security assistance program. We think that when we have a community of interest with these countries we want to maintain friendly relationships with them, and we want to respond to their legitimate needs. They cannot afford to have separate armaments industries, each one of them themselves.

Mr. ROUSH. If you want to elaborate for the record, fine, but I am going to catch that vote.

But I want to finish here. I do have a couple of more questions now.

General FISH. Thank you, sir.

CREDIT PROGRAM FOR ISRAEL

Mr. ROUSH. Now, I note here that the repayment of the $1 billion, I mean the credit program for Israel deals for fiscal year 1977, $1 billion, repayment of $500 million of that project is to be forgiven.

General FISH. Yes, sir.

Mr. ROUSH. That is just out and out military assistance, isn't it?

General FISH. Yes, sir.

Mr. ROUSH. Are we doing that same thing for anybody else?

General FISH. No. We have grant aid programs in other countries, but we use the procedure in the case of Israel, as was originally authorized by the Congress in the Special Act in 1973, in the aftermath of the 1973 war.

The procedure of forgiving some of the credits to assist Israel was authorized and appropriated at that time, and that procedure has been followed in subsequent foreign military sales.

SOVIET THREAT

Mr. ROUSH. Throughout your statement you refer, of course, to the threat of the Soviet Union which we all would agree is real.

I suppose, however, there is no country in the world to which it is more real than Red China.

General FISH. Sir, my point is not the threat of the Soviet Union, but the point that the Soviet Union does stand ready and has provided

significant military assistance worldwide, and they do stand ready to provide this to countries that believe they need to provide for their own security, and every nation has that right.

Mr. ROUSH. Well, I am just coming to a very, very simple question, General Fish, and that was do we have any plans to supply military assistance of any sort to Red China?

General FISH. No, sir.

Mr. ROUSH. You know of no negotiations for the supply of such?

General FISH. No, sir.

Mr. ROUSH. Are we planning in any way to supply military technical assistance to Red China?

General FISH. No, sir.

Mr. ROUSH. OK. Could you list for the record the countries the Soviet Union has supplied aid to and list those the Soviet Union is now extending military assistance to?

General FISH. Yes, sir. The classified record does show that.

[The classified information was provided.]

Mr. ROUSH. I don't want you to put anything classified in the record, but that which is not classified.

General FISH. I will provide it to the extent we can, and in the detail that is permissible, sir.

Mr. ROUSH. OK. Well, I may have other questions for the record, but the time is short.

TRANSITION QUARTER REQUEST

Mr. LONG. I would like a further explanation on transition quarter funding.

General FISH. Sir, do I understand your question to go to what we are proposing, the $1.5 billion?

Mr. LONG. There is the question of need on one hand. Also, can the funds be obligated in that time?

General FISH. Sir——

Mr. LONG. Now, the question of need is one thing, right?

General FISH. Yes, sir.

Mr. LONG. The question of can it be spent in that time is quite another.

General FISH. It has been our testimony, and it is consistent with the total administration position, and my own personal belief that it would be difficult for Israel to spend all of what is being proposed in the transition quarter.

I wouldn't say that they couldn't spend any of it. That is our testimoney, and our belief.

Mr. LONG. The Israel Desk is incorrect, then?

General FISH. Well, I don't know what Mr. Steinberg said.

Mr. LONG. "Israel has more than enough in outstanding orders to enable her to immediately obligate sales credits received for the transitional quarter."

General FISH. Sir, the word obligation is the problem. Obligation is not what they do. We obligate the money. The credit is for what they can spend, pay. How much they need to pay the cash.

You know, I think the question was asked wrong to the desk, sir. and that is why the confusion is arising.

You see, Israel does not have to have credit available to place the order.

Mr. LONG. I understand, of course.

General FISH. Yes, sir.

Mr. LONG. There is no dispute on that. The question is can they obligate that amount of money? Can they put out orders for that amount of money between now and September 30?

Answer yes or no.

General FISH. Well——

Mr. LONG. We will go on to the question whether they need it or when they have to pay for it some other time. Right now I want to know can they obligate it between now and September 30?

General FISH. I don't know. I don't know.

Mr. LONG. You would make it a lot easier for us if you didn't just fence around on all of these things and came to the point where we could agree or disagree.

I think the whole problem arose because you didn't lay the budget out the way it should have been laid out. You should have laid it out as you have all of the other appropriation budget requests, a certain amount of money for each of the four quarters and then a budget request for the fifth quarter. You left it wide open, and you created trouble for Congress.

The Committee is adjourned.

STATEMENTS BY INDEPENDENT PUBLIC WITNESSES

Mr. PASSMAN. A number of individuals and representatives of nongovernmental 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 1977.

[The information follows:]

STATEMENT BY PHILANDER P. CLAXTON, JR.

I appreciate this opportunity to submit a statement in support of the request for an appropriation of $154.1 million for population planning in the foreign aid appropriations bill. I regret, however, that the subcommittee is not having oral testimony of public witnesses on this bill.

My interest in presenting this statement arises from nearly 10 years of full-time experience with the facts and problems of rapid population growth and measures to bring it under control. Nearly nine of these years, 1966 to 1974, were as special assistant to the Secretary of State for Population Matters, responsible for policy and coordination of U.S. interests and activities in population matters abroad.

My concern with population is, however, much wider. Like members of this subcommittee, I have spent many years dealing with the general subject of foreign aid from the earliest days of the Marshall Plan and President Truman's point four program of technical assistance.

My interest in population developed in the 1960's for the very reason that it became apparent then that our aid programs were not succeeding with the magnitude and speed we had anticipated because in most countries a half to three-fourths, and in some countries all, of the economic improvement gained by internal efforts and outside aid was being absorbed by population growth. Increases in food production were—and are—literally eaten up by increasing numbers leaving little, if any, for improved nutrition.

In the mid-1960's, the Congress pressed the executive branch and AID to provide technical, material, and financial assistance to population and family planning programs of countries willing to take measures to reduce their high birth rates and population growth. Congress enacted title X to the foreign aid legislation and then authorized and the House and Senate Appropriations Committee appropriated rapidly increasing funds to aid population programs of developing countries through bilateral assistance and through U.N. and private international agencies.

The Congress and especially the committees charged with handling aid legislation and appropriations can and should take great pride in what this vision and action has made possible. In 1966 national population growth control programs in a half dozen or so developing countries were reaching a very few million couples. Only three donor countries provided aid of any consequence to the programs. No U.N. agencies were significantly involved. Today, over 30 developing countries have major population growth control programs and some 20 more provide family planning services as part of their national health service. These programs make family planning available to hundreds of millions of couples. Nearly all aid donor countries provide assistance to such programs. The U.N. has a special fund for population activities and every relevant U.N. agency is helping. The United Nations held a World Population Conference in 1974 at which 136 nations agreed on a world population plan of action which, if carried out, will have an enormous effect on bringing the world population explosion under control.

In short, there has been brought about in only 10 years one of the most massive social revolutions in history—a revolution in which centuries-old attitudes of nations and peoples favoring many births have been substantially reversed and wide-spread, effective efforts are being made to reduce births.

This historic change has been assisted and to a large degree made possible by the foresight and funding of the Congress of the United States.

It is a tragedy of national and world proportions that 3 years ago leadership by the Congress faltered and has not yet been resumed. The legislative committees have provided the increasing authorizations needed to accelerate the tremendous momentum of change already obtained. Unfortunately, the appropriating committees cut back the $125 million earmarked for population programs in fiscal year 1973 to an effective figure for programs of about $100 million in fiscal years 1974, 1975, and 1976.

These appropriations fell far short of the sums that could be used effectively to expand the going programs for birth reduction in many developing countries. They are tragically shortsighted and false economies because failure to provide the full amounts that can be used effectively to reduce births simply perpetuates the immense losses to our aid that result from rapid population growth. For example, the appropriations bill agreed upon last month for fiscal year 1976 appropriated $863 million for bilateral economic assistance of which $530 million was for food and nutrition. In addition, $1.1 billion was provided for Public Law 489 food. In short, of $1,963 billion of bilateral economic and food aid combined, $1.630 billion or 83 percent is for food and assistance to agriculture just to feed increasing populations. In the bill now before the subcommittee for fiscal year 1977, out of a total of about $2.295 billion requested for bilateral economic assistance and Public Law 480 food, $1.834 billion or 80 percent will be for food or food production. Since a large part of U.S. contributions to international financial institutions is also used for aid to food production, it is probable that 75 percent to 80 percent of all U.S. aid is absorbed by population growth and only 20 percent or so is available for economic assistance generally. In most developing countries, half or more of the gains made with this remaining fraction of our aid is also absorbed by population growth.

This shockingly wasteful situation will continue and worsen until more vigorous and effective measures extend birth reduction programs with maximum effectiveness to all of the fertile couples of at least the most populous countries.

Even more important than the loss of money and material, delay in bringing too rapid population growth under control will impair the social and political stability of countries we wish to help. More serious, the internal pressures and frustrations generated by rapid expansion of populations in situations of unrelieved poverty can result in threats to international peace that will directly injure the United States.

Even with maximum effort, bringing the world population explosion under control will require persistent work over years. There is substantial evidence that progress is being made and that if population and general programs of development are designed together, success is possible. It is essential to understand, however, that failure on our part to support the maximum effective effort developing countries are willing to make will directly and materially harm the interests of the United States as well as of the developing countries. The full $154.1 million requested for population programs for fiscal year 1977 is needed for bilateral aid, for contributions to the U.N. Fund for Population Activities which has requests far beyond the resources available to it, and for contributions to the International Planned Parenthood Federation which works with considerable success through private channels.

The Congress can of course appropriate less than the amount requested, but it should do so with the clear recognition that it will delay the difficult process of slowing excessive population growth and will be a very costly and false economy for the United States.

I believe the American people will understand and welcome a return by this subcommittee to the leadership it exercised until recently in attacking one of the most fundamental and costly of all the world's many problems.

Thank you again for permitting this statement.

STATEMENT BY GEORGE A. CHAUNCEY, INTERRELIGIOUS TASK FORCE ON U.S. FOOD POLICY

The Interreligious Taskforce on U.S. Food Policy, a joint effort of more than 25 religious bodies which monitors public policy in the fields of development and food, wishes to make several brief comments to the subcommittee as it reviews the Administration's request for fiscal year 1977 appropriations for development assistance. In doing so, the Task force speaks for itself.

In the first place, we urge the subcommittee to report separate fiscal year 1977 appropriations bills for development assistance and for military and security

supporting aid. While this would create a certain amount of additional work for the committee and the Congress, it would give Members a much-needed chance to vote on two fundamentally different kinds of aid, each on its own merits. Had this course been followed for fiscal year 1976, development assistance programs could have been funded by Congress much earlier.

Second, we urge that the subcommittee report out a bill providing full funding for development assistance at the levels authorized in Public Law 94–161. We regret that while the Administration has requested full funding for population planning and health (sec. 104) and education and human resources development (sec. 105), its request is substantially reduced for food production and nutrition (sec. 103), technical assistance and the private and voluntary agencies (sec. 106), and intermediate technology (sec. 107).

These latter areas are priority concerns of the authorizing legislation in meeting the needs of poor people at the village level in developing countries for increased food production and greater use of appropriate technology. U.S. private and voluntary organizations are one effective way of making such help available. Also appropriate would be full funding for the Peace Corps rather than the $14 million reduction requested by the Administration. We also urge full funding for international organizations, another item for which reduced sums were requested by the Administration.

We have not been in touch with the Committee since the publication of its report (94–857) on the Foreign Assistance and Related Programs Appropriation Bill, 1976. Like various Members of Congress, we regretted the inclusion at pages 6–8 of an endorsement of a policy of "selective reductions (in bilateral foreign assistance levels) to demonstrate that foreign nations cannot with impunity and without consequences attack the United States in international forums." Believing that both the thrust of the atuhorizing legislation and the primary purpose of development assistance are humanitarian rather than political, we were pleased that in colloquy on the floor you modified the views expressed at pp. 6–8. We continue to be concerned at the lack of adequate funding for helping to enable India to meet her massive needs in the areas of food production, population and health, and other key sectors.

We are pleased that the committtee is acting with such dispatch on the fiscal year 1977 appropriation, avoiding thereby the hardships created in this and earlier years by delays in funding until late in the fiscal year.

STATEMENT OF DONALD S. DAWSON, COUNSEL, SEA OIL & GENERAL CORP.

Mr. Chairman and members of the committee, my name is Donald Dawson. I am a partner of the firm of Dawson, Riddell, Taylor, Davis & Holroyd, attorneys, Washington Building, Washington, D.C., and represent the Sea Oil & General Corp. as counsel.

It is an honor to be privileged to appear before you, for I know from my own knowledge of the dedication with which you shoulder your responsibilities, and I am deeply appreciative.

I am submitting a written statement setting forth in detail the factual background supporting my brief remarks as I know how pressed you are for time.

I am here to provide the committee with information I believe is essential to you in giving consideration to further economic assistance to the Government of Indonesia.

The Foreign Assistance Act of 1961 (sec. 620(e)(1), known as the Hickenlooper-Adair amendment, states that assistance shall be suspended to any country under any Act of Congress when the government of that country has seized ownership of property owned by U.S. citizens unless provision is made for speedy compensation in convertible foreign exchange equivalent to the full value.

In addition, the Foreign Assistance Act of 1973 contained the so-called Gonzales amendments, (P.L. 89–369, sec. 18 as added P.L. 92–245, sec. 1) which extended this principle and provided that the U.S. Executive Directors of the various international banks shall vote against any loan or other utilization of the funds of their organizations for the benefit of any country which has seized ownership of property owned by any U.S. citizen unless arrangement has been made to provide prompt, adequate, and effective compensation.

These two statutes clearly set forth the policy established by the Congress and forcefully declared the intent of Congress that U.S. citizens should be treated fairly by foreign governments which seized their property and, if not, that those governments should not profit by further economic assistance as far as the United States is concerned.

Reinforcing this action by the Congress, the President of the United States in January 1972 declared it to be the policy of the United States that:

"Thus, when a country expropriated 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 . . ."

Thus, the congressional policy has been established and the intent of Congress to protect the rights of U.S. citizens has been made clear.

The President of the United States has just as emphatically and just as clearly stated the same policy and intent to insist on observance of the rights of the citizens of this country by foreign governments who receive economic assistance from the United States and loans or other aid from financial institutions in which it participates.

Sea Oil & General Corp. is incorporated under the laws of the State of New York. It is a wholly owned subsidiary of Pan American Development Corp. of Delaware. More than 75 percent of the stock of Pan American Development Corp. is benefically owned by U.S. citizens.

Sea Oil & General Corp. owned five tea and rubber estates totaling approximately 31,659 acres in Java, Indonesia, with substantial improvements, and maintained inventories, stock, bank accounts, accounts receivable, et cetera, valued at approximately $12 million. The basis for this valuation is largely that used by agencies of the Government of Indonesia.

All of these assets were expropriated by the Republic of Indonesia beginning in the year 1958 and continuing through 1964 during the Sukarno regime—without any form of compensation being paid therefore.

Due and timely protests were made to the government of Indonesia and appropriate claims were likewise made in accordance with the procedures established therefore.

The various agencies of the U.S. Government, including the Department of State and the various Ambassadors to Indonesia, have been continuously and currently informed about efforts of the corporation to achieve compensation.

Shortly after assuming power in 1966, General Suharto as President of Indonesia pledged that all expropriated properties would be returned to their owners or compensation paid. This pledge, which was affirmed by the Indonesian Parliament, was given as a part of the financial reorganization required during international discussions on the rescheduling of Indonesian debts. It was also a prerequisite for the organization of the Intergovernmental Group on Indonesia following the economic and financial chaos existing in that country following the Sukarno regime.

During all the intervening period to date the corporation has made continuous good faith efforts to negotiate and to arrive at an acceptable figure for compensation in line with values existing at the time of expropriation plus interest, which is in accordance with United States and international policy. It has met with no success.

By letter of January 28, 1975, the Indonesian Government made an offer of $450,000 in full settlement. The offer was described as "final" without any opportunity to discuss or negotiate the matter further.

This offer was rejected by the corporation with the request that there be good faith negotiations in view of the obvious disparity in values and the fact that there had never been such negotiations by the Indonesian Government. The corporation's request was supported by factual and economic analysis of the claim and a legal memorandum provided by counsel of international reputation.

The requests for an opportunity to lay the facts on the table and negotiate in good faith were rejected and another offer of $450,000 was made by letter dated August 28, 1975, without any additional supporting reasons. That letter contained the statement: "Therefore we see no reason for further negotiations as you suggested." This offer was rejected.

There is no legal remedy available to the corporation through the Indonesian judicial system.

Further negotiation with the Indonesian Government has been denied.

Full compensation has not been paid, nor arrangements made therefore.

The action of the government of Indonesia is, therefore, completely in defiance of the policy established by the Congress and the President of the United States, which provides that economic assistance and support of international loans shall be denied by the United States in such circumstances.

I therefore respectfully request that this committee consider the application of American policy to this case.

TESTIMONY OF DONALD S. DAWSON, COUNSEL, SEA OIL & GENERAL CORP.

Mr. Chairman and members of the subcommittee, my name is Donald S. Dawson, and I appear before you as counsel of Sea Oil & General Corp., which is incorporated in the State of New York, and which is owned 82 percent by citizens of the United States.

The subject of my appeal is the estates and other property of Sea Oil on the island of Java, Indonesia. This property was seized by the Government of Indonesia in the years 1958–64, and in spite of unrelenting efforts by the corporation, no compensation has yet been paid by that Government to this American corporation.

The properties consisted of five tea and rubber estates, totaling 30,659 acres, together with the associated factories, houses, transport, offices, et cetera.

To this present day, not 1 cent of profit or capital repatriation has been permitted by the various Governments of Indonesia, and, since 1964 the whole operation has been in the hands of that Government. These once great estates, placed on the fertile soil of West Java, could still have been producing vast amounts of tea and rubber, coffee, palm oil and tropical hard woods to the mutual profit and benefit of all. Instead, they lie waste, while the Government which seized them continues to be the recipient of seemingly endless amounts of aid—most of it naturally from the tax dollars of Americans. Even today, when Indonesia, who is a major oil producer and member of OPEC, still continues to deny justice to an American corporation, she also still continues to receive massive aid of all kinds. And this is in direct contradiction to the declared policy of the Congress of the United States and the President of these United States.

By the Hickenlooper amendment and by the Gonzalez amendment, Congress laid down its collective will on cases of expropriation without adequate, prompt, and effective compensation. That policy was again emphasized by the President in 1972, when he stated that in such cases, all forms of aid to the offending State would be ended until proper compensation was made. That was, and is, the policy of the United States. I appear before you today to plead that it be applied.

Sea Oil is claiming compensation for its seized properties in the amount of $22,745,436. The value of the estates has been determined in each and every case by utilizing figures produced by the Indonesians themselves for their own purposes, or alternatively by utilizing figures for strictly comparable land purchased by Indonesian authorities from the corporation before the acts of seizure, and the total claim contains an interest component of a modest 6 percent per annum compounded.

During the many years of attempts by Sea Oil to reach a satisfactory conclusion to this claim, only two official communications have been received from Indonesian authorities. The second of these, in January of this year, offered the corporation the sum of $450,000 in full settlement. This offer, which is less than 2 percent of the Sea Oil claim, was described as an act of leniency, and was couched as an ultimatum. This so-called offer was naturally rejected by the corporation, and since then no further communication has been received. In the meantime, in May of this year, another $900 million of development assistance and semiconcessional loans has been allocated to Indonesia for the next 6 months, much of it, of course, from the United States. This in a year during which Indonesia, as a loyal member of OPEC, will have an oil income alone of $5.5 billion at present prices.

It is not my intention to relate in detail the history of the Sea Oil claim. I have previously submitted to the committee the details of the Sea Oil claim. However, with your permission I shall briefly relate the circumstances of the seizure of this American property and the continued and continuing efforts to obtain compensation.

As major estate owners, Sea Oil could not operate effectively during the period of nationalist revolution between 1945 and 1949, but immediately peace 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 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, punitive taxes imposed. All of these things happened, and more, and Congress was indeed right in dubbing them creeping nationalization.

Sea Oil was unique amongst American estate enterprises in Indonesia in two particulars. First was that our estates were in heavily populated West Java, and second, our two major estates were freehold land. In 1958, the Indonesian Government declared the abolition of freehold land, and, by that stroke of its Communist-inspired pen, seized to itself perhaps 50 percent of the assets of Sea Oil. Over 15,000 acres of our freehold land was placed immediately into Government hands. By the very terms of the Government regulations, 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. After the cumulative pinpricks of creeping nationalization came the outright aggression of dispossession and total nationalization.

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 official agricultural bodies in Indonesia 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 relationships, and much else.

Six weeks after that, the blow fell, and every inch of land, every rubber tree and tea bush, every factory and truck, every last cent in the bank accounts and every scrap of paper in the archives was arbitrarily seized. This on the order of the Minister of Agriculture, whose guideline to all action was the basic agricultural law which he fathered, and of which the declared aim was the establishment of Indonesian socialism.

About 2 years later that left-wing Government fell, and was replaced by the Government which still holds office, and which is still headed by General Suharto.

One of the first acts of that new Government was to promise that all foreign property seized by its predecessor would be returned to its rightful owners or those owners compensated. It was in the light of this promise that the Western nations banded together in the Inter-Governmental Group on Indonesia—IGGI—to provide financial support. Since then the United States alone has contributed more than $1.5 billion to that country.

And yet that country still refuses to pay compensation for those properties seized by it 11 years ago.

Early in 1968 the corporation initiated formal action for the return of its seized properties. That action has continued, unremittingly, to the present day, so far without result.

During all of these years, corporation officers or attorneys have been almost constantly in Jakarta, seeking to even initiate negotiations on the claim. They have not succeeded. Even repeated intervention by the U.S. Ambassador in Jakarta has not succeeded in persuading the relevant Minister to receive those corporation officers. During these years, only two official communications have been received from the responsible Minister. The second of these, 6 months ago, contained the contemptuously worded, take-it-or-leave-it offer of $450,000 in settlement of the corporation's full documented claim for $22,745,436.

Since then, Sea Oil has had counsel undertake a total analysis of its claim and the history of its claim. The conclusion of that analysis is clear. The action of the Indonesian Government is in direct conflict with international law. That Government has broken the norms of conduct which must govern relations between all States wishing to be members of the community of nations. Sea Oil and General Corp. has exhausted every other reasonable channel of redress, and now there is no course of action open to the corporation other than to seek the application of U.S. Government policy. That policy is explicit, and has been reiterated by Congress and the President of the United States. That policy calls for the termination of all forms of aid to any Government which fails to give prompt, adequate and effective compensation for American property expropriated by that Government. That policy is set forth in the Presidential directive of February 1972 and in the Gonzalez and Hickenlooper amendments.

The Sea Oil claim is the last major American claim outstanding against the Government of Indonesia: It is time, and past time that it was settled. One of the oldest legal aphorisms is that "Justice delayed is justice denied." Justice in this case has been delayed for 8 years, therefore justice has been denied for 8 years. It is time that an intolerable situation be resolved, and that is the purpose of my appearing before you today.

It cannot be denied that the policy of the United States is an effective policy. When it was first enunciated, this was done over the protests of the State De-

partment. One year later Secretary of State Dean Rusk acknowledged to Congress that it had proven its effectiveness. It has continued to do so, and will so continue into the future. It protects American property and interests and helps to create an international climate of confidence and stability. With respect I request that this committee consider the application of American policy to this case, and thus right a continued and intolerable wrong done to citizens of this Nation.

STATEMENT OF T. BYRON COLLINS, S.J., AND WILLIAM L. GEORGE, S.J., GEORGETOWN UNIVERSITY

Georgetown University requests this committee to support a program in Latin America and the Near East. This program would have as its objective the addressing of itself to the problems of rural communities, especially in Latin America. The program would be to encourage and assist the universities in those countries to augment educational programs in their countries, especially by developing radio programs for teaching rural community leaders how to increase access to credit markets and techniques for land development for small farms and to increase health services.

Georgetown University in association with the D.C. Consortium of Universities would make available and encourage universities in Latin America and Near East countries to adopt the U.S. educational media techniques with a view to changing the attitude of central governments toward helping rural communities.

Georgetown University has active association with many universities in these countries. These universities have indicated an interest in developing Indigenous Technical Assistance Corps (ITAC).

To this purpose Georgetown University requests report language to indicate support of $500,000 to enable this program to get underway.

BUDGET

Latin America, Near East Center $500,000

GEORGETOWN UNIVERSITY RESOURCE CENTER FOR LATIN AMERICAN AND NEAR EASTERN AFFAIRS

Taking advantage of its own resources and it old and well established relations with a score of Latin American and Near Eastern universities, Georgetown would create and develop Latin American and Near Eastern "Indigenous Technical Assistance Corps" (ITAC). The foreign universities would work with Georgetown for the purpose of having members of their faculty and other personnel trained in the development of models that could be used to render assistance to the mass of the population in their various countries. The type of assistance that would be rendered would be similar to that which gave rise to the Peace Corps. But, with the aid of the technology available in the United States, and the careful development of models based on the use of this technology, the reach of ITAC would be far greater than that of the Peace Corps. Furthermore, the assistance would be rendered by the nationals of the countries concerned. Since the governments themselves would be involved in the program through a university to university relationship, it is to be expected that it will become a stable and profitable way of helping the people of Latin America and the Near East.

The following is a list of institutions with which we have or have had cooperative agreements:

Egypt:
- Ain Shams University, Cairo.
- University of Alexandria, Alexandria.
- American University in Cairo.

Iran:
- University of Ferdowsi, Mashed.
- Pahlavi University, Shiraz.

Saudi Arabia: Ministry of Foreign Affairs.

Turkey: University of Bogazici, Istambul.

Brazil:
- Universidade Catolica de Campinas, Sao Paulo.
- Universidade Catolica de Goias, Goiania.
- Universidade Catolica de Minas Gerais, Belo Horizonte.
- Pontificia Universidade Catolica de Rio de Janeiro, Rio de Janeiro.

Venezuela : Universidad Catolica Andres Bello, Caracas.
Panama : Universidad Santa Maria la Antigua.
Peru :
Pontificia Universidad Catolica del Peru, Lima.
Universidad del Pacifico, Lima.
Ecuador :
Pontificia Universidad Catolica del Ecuador, Quito.
Universidad Catolica de Santiago de Guayaquil, Guayaquil.
Colombia :
Pontificia Universidad Javeriana, Bogota.
Colegio Mayor de Nuestra Senora del Rosario, Bogota.

STATEMENT BY MORRIS J. AMITAY, EXECUTIVE DIRECTOR, 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.

As in the past, 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 $785 million in security supporting assistance and $1 billion in military credits in substantially less than last year's figures. They should be considered minimum amounts needed to preserve the peace in the Middle East and move to an overall settlement.

Unfortunately, movement toward genuine accommodation between Israel and its neighbors has not been sufficiently forthcoming. Israel cannot base its security on vague statements of future good intentions designed for American audiences. Israel remembers the lessons of the past—particularly the calculated Egyptian deception before the Yom Kippur War. Israel cannot afford to risk unreadiness or unpreparedness again. And the United States cannot risk having another Arab attack on Israel because Israel is weakened economically and militarily.

Egypt is currently following a pro-Western 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 may 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 travels in pursuit of the latest weapons of war.

The radical Arab States remain opposed to Israel's very existence. By now the tragedy of Lebanon has proven conclusively that the "democratic secular state" called for in place of Israel actually means the destruction of Israel.

Israel today still confronts an Arab alinement which by its refusal to negotiate directly seeks Israel's dismantling in stages—first back to the 1967 armistice lines, then back to the 1947 partition lines. A return to the vulnerable 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 are geared 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 confronta-

tion states—an Arab-coined term, denoting Egypt, Syria, and Jordan—and the anticipated contributions of other Arab States. It is crucial to factor in these other contributions in assessing the true military balance.

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 scores of 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 been estimated at $15 billion. (Listed at appendix B.)

Most of these sales have been financed by Arab oil-producing States. 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, such as Mirage jets to Egypt. Because of reports of training on U.S. equipment by third country nationals, the operable provisions of the law curbing third country benefits from U.S. provided weapons should be strictly implemented. 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 in appendix C 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.

President Sadat of Egypt continues to complain that his principal arms supplier, the Soviet Union let him down since 1973. He has 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) and the London Economist, 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. Attached in appendix D is a listing of Soviet military supplies to Egypt since the Yom Kippur war.

This incredible buildup endangers Israel's security. According to the IISS, Israel today is facing 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 include men in their fifties who have fought in four wars.

The continuing coordination of political and military affairs between Syria and Jordan is also ominous because the new arrangements are 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 has purchased here 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 supplies, Israel can only look to the United States for assistance. It has no alternatives. The $1 billion in military credits requested by the administration is the bare minimum for Israel to maintain its defenses and deter another war.

Economic aid

Israel's 3½-half million people have borne the major burden of their own defense. They are already the highest-taxed people in the world, with 70 percent

of all income taxed by the government. As a result of this, Israel's economy is strained to the limit.

In evaluating the $785 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—56 percent in 1974, 23 percent in 1975 and close to 30 percent so far in 1976. 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 more than 70 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 1975 GNP declined by 1.8 percent from 1974 and the GNP is not expected to increase this year. This year it is expected that reserves on hand will only be capable of covering 6 weeks of imports. Given Israel's tenuous and exposed geopolitical position, which may require large outlays on short notice, Israel should maintain foreign reserves at least double the present level.

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 in 1975 totalled $7.6 billion and is expected to reach $9 billion in 1976—$2,500 per capita, 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.

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 1976 alone, Israel will repay the United States $750 million in interest and principal on previous years' military and nonmilitary loans.

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. This balance is especially favorable toward the United States, with American exports far exceeding imports.

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 2½ years. The foreign aid levels being requested will enable Israel to continue to work toward peace. There is no fat in these requests—any reductions will be cutting into bone. The $785 million administration request for economic supporting assistance will not help Israel raise its standard of living.

A breakdown of the fiscal year 1977 requests in supporting assistance shows that $635 million is programed for commodity imports, of which $375 million will be a grant and $260 million will be a loan. As a cash grant, $150 million is to be provided in consideration of the continuing readjustment costs resulting from the Sinai agreement.

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 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. As the committee knows, these earmarkings and repayment terms were approved as part of the fiscal year 1976 aid bill.

Israel's foreign exchange needs

It has been claimed that even if Israel does not receive transition quarter funding this year, it will enjoy a foreign exchange surplus in 1976 and 1977. However, a careful study of Israel's foreign exchange situation refutes this contention. It is reliably estimated that even with the new austerity measures planned this year,

Israel's total financing requirements will be $4.45 billion in calendar year 1976. With anticipated capital imports, including investments and borrowing, plus the amount appropriated by the Congress for fiscal year 1976 ($2.2 billion), Israel will be left with an uncovered foreign exchange deficit of $610 million without transition quarter aid.

In 1977 total financing requirements for Israel is expected to amount to $4.26 billion with total sources of financing of only $3.969 billion (including $1.785 billion administration request for Israel for fiscal year 1977). This leaves an uncovered deficit in 1977 of $291 million.

It has also been alleged that the military assistance requested by the administration for Israel in fiscal years 1976 and 1977 without transition quarter funding will provide for a sufficient cash flow to allow Israel to make payments due on military purchases already contracted for and advance payments due on contracts signed this year. The actual figures, however, show that Israel will owe both the Defense Department and American commercial sources a total of $2.18 billion in fiscal year 1976, $553 million during the transition quarter and $2.06 billion in fiscal year 1977 for a total of $4.8 billion. The total resources that Israel can expect to receive for military credits available from prior year carryovers and the administration's request for fiscal years 1976 and 1977 will total only $3.05 billion leaving a total shortfall for military payments due by the end of fiscal year 1977 of $1.3 billion. The Department of Defense has acknowledged that without transition quarter funding Israel will face a significnat payment problem at the end of fiscal year 1977. It has been suggested that in order to alleviate this foreign exchange shortfall, that Israel delay requests for certain military items. However, due to the long lead time required in production of most weapons systems, a delay in placing orders for such items would cause serious delays in supplies and consequently in Israel's overall defense position. If Israel is unable to place orders of many major weapons systems in 1976 because of lack of financing, such items would not be available until the 1980's.

Conclusion

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 become the sole party trusted to mediate the Arab-Israel dispute.

We fully realize that as in the past, foreign aid is generally unpopular with the American public. But thanks to its own sacrifices, Israel's needs are considerably less than last year. But, public opinion polls continue to demonstrate understanding and suport for Israel's needs.

Aid for Israel remain an integral part of U.S. Middle East policy. It 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

	1976		1980 (assuming full funding of $1,000,000,000 requested in fiscal year 1977)	
	Confrontation States [1]	Confrontation States plus anticipated contribution by States outside confrontation area [2]	Confrontation States	Confrontation States plus anticipated contribution by States outside confrontation area
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 [3] (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] Egypt, Syria, Jordan, Iraq, Saudi Arabia, Kuwait, Libya, Algeria, Morocco, Sudan and Tunisia.
[3] This ratio includes all of Israel's reserves, not its much smaller standing Army.

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WHAT THE ARAB STATES ARE EXPECTED TO CONTRIBUTE IN A FUTURE WAR WITH ISRAEL (1980)

Eastern Front—(Syria, Jordan, Iraq, Saudi Arabia, Kuwait	*Western Front—(Egypt, Libya, Algeria, Morocco, Sudan, Tunisia)*
20 Divisions	15 Divisions
1,000 Combat Aircraft	1,150 Combat Aircraft
5,400 Tanks	3,500 Tanks
5,000 Armored Personnel Carriers	3,850 Armored Personnel Carriers
3,000 Artillery Pieces	2,800 Artillery Pieces
150 SAM Batteries	250 SAM Batteries

NOTE.—These projections include realistic assessments of the percentages of forces the nonconfrontation Arab states will be able to supply—they do *not* include all available resources and are based on past contribution and logistical improvements going on.

APPENDIX B

Major arms acquisitions by the Arab States since 1973 (delivered or on order)

Country and military items	*Amount in millions*
Egypt: Mirage R–1 and III fighter/bombers; Mig–23 fighter bombers; T–62 tanks; Westland helicopters; SA–3 and SA–6 missile systems; C–130 Transports; Artillery; APC	+$2,000
Syria: Mig–23 fighter/bombers; Su–7 and Su–20 fighter/bombers; T–62 tanks; BTR–60 armored personnel carriers; SCUD missiles; SA–3 and SA–6 missile systems; Mig–21 fighter/bombers; Mi–8 helicopters	+2,000
Saudi Arabia: F–5E & F fighters; Mirage IIIE fighter/bombers; AMX–10, AMX–30 and M–60 tanks; Armored personnel carriers; Aerospatiale Alouette III, Westland, and Bell Sea Cobra helicopters; destroyers, missile boats, and coastal patrol craft; airbases and military construction; Rapier and Hawk SAM missile sysems	+6,000
Jordan: F–5E fighters/Hawk SAM missile system	+1,000
Libya: Mig–23 fighter/bombers; T–62 tanks; SA–3 and SA–6 missile systems; Tu–22 bombers; Mi–8 helicopters	+2,000
Iraq: Mig–23 and Mig–21 fighter/bombers; Alouette III helicopters; SA–3 and SA–6 missile systems; Su–20 fighter/bombers	+1,000
Kuwait: A4 Skyhawk fighter bombers; Mirage F–1 fighter/bombers; Hawk SAM missile system; Aerospatiale SA–330 and SA–341 helicopters	+1,000
United Arab Emirates: Mirage V, V D and III fighter/bombers; Rapier SAM missile system; C–130 transports; PGMs (antitank and antiradar missiles)	+500
Oman: Jaguar fighter/bombers; Rapier SAM missile system; patrol boats	300
Total	+15,800

Sources: International Institute for Strategic Studies; "The Military Balance 1975–76" (London). Stockholm International Peace Research Institute (SIPRI) "Yearbook 1975."

Appendix C

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 helicopters.

Jordan:
- 24 F–5A fighter, 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 U.K. at $63 million.

Libya:
- 40 Mirage F–1's.
- 12 Tu–22 bombers.
- 60 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.
- 38 Mirage III's, paid for by Saudi Arabia. In addition, plans have been announced to purchase another 60 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.
- 42 SA–342 Aerospatiale Gazelle Helicopters with MBB Hot Anti-Tank Missiles.
- 44 Mirage F–1 Fighter Bombers.

Soviet Transfers of Weapons to Egypt

Despite claims to the contrary, Egypt has received large quantities of Soviet arms since the 1973 Yom Kippur War. Much of this has been replacement equipment for materiel lost in the fighting. New weapons systems not previously seen in Egypt have also been delivered.

The following figures are based upon the intelligence estimates of the authoritative International Institute of Strategic Studies, London, U.K. Known battlefield losses have also been taken into account.

In the last 32 months, Egypt has received approximately:
- 600 T–62 main battle tanks.
- 400 T–54/55 medium battle tanks.
- 1,200 BTR–40, –50P, –60P and –152 armored personnel carriers.
- 75 SU–100 and JSU–152 self-propelled guns.
- 670 76 mm, 100mm, 122mm, 130mm, 152mm, and 180mm guns and howitzers.
- 24 SCUD ballistic missiles and launchers.
- 100 Mig–21 fighter/bombers.

Atoll air-to-air missiles.
25 Mig–23 fighter/bombers (some yet to be delivered).
30 SA–6 surface-to-air missile batteries—
Anti-aircraft guns.
Gun radars.
Early warning radars.
Anti-tank missiles.
Infantry equipment.

Egypt continues to receive spare parts from the U.S.S.R., although at a reduced rate. Egypt is believed to have sufficient spare parts stockpiled to meet its needs for about the next 2 years. Syria, Libya, and Iraq are all supplied by the U.S.S.R. Given past military cooperation between these states, many analysts believe that Egypt may be able to acquire necessary spare parts from these countries, plus Eastern Europe or other nations which use Soviet weapons (e.g. China). Instances of extensive covert military cooperation have occurred even during times of public disagreement between the Arab governments involved.

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