

GOVERNMENT

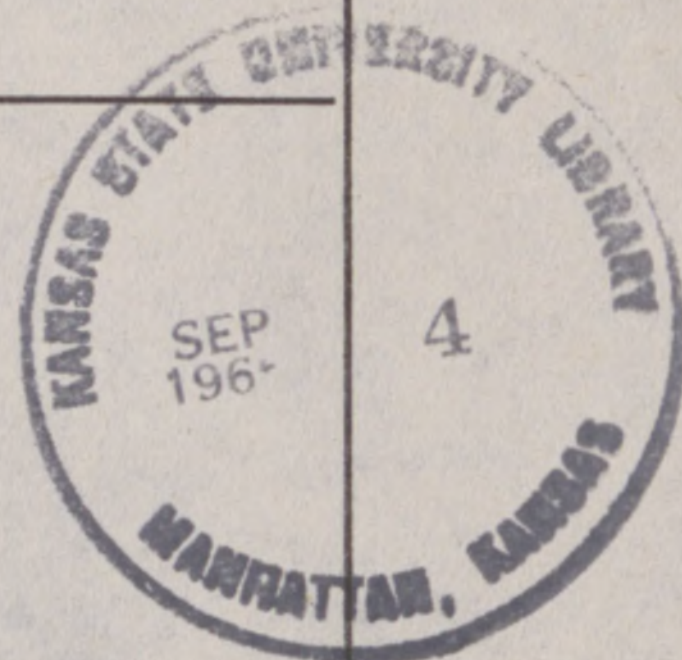
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REPORT

ON

POLAND, CZECHOSLOVAKIA, AUSTRIA,
AND ITALY

BY

Hon. CLEMENT J. ZABLOCKI, Wisconsin

OF THE

COMMITTEE ON FOREIGN AFFAIRS

PURSUANT TO H. RES. 84, 89TH CONGRESS, A RESOLUTION
AUTHORIZING THE COMMITTEE ON FOREIGN AFFAIRS TO
CONDUCT THOROUGH STUDIES AND INVESTIGATIONS OF
ALL MATTERS COMING WITHIN THE JURISDICTION OF
SUCH COMMITTEE

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1st Session



REPORT

POLAND, CZECHOSLOVAKIA, AUSTRIA,
AND ITALY

HON. CLAYTON L. KAPLAN, WISCONSIN

COMMITTEE ON FOREIGN AFFAIRS

PRESENTED TO THE SENATE OF THE UNITED STATES A RESOLUTION
AUTHORIZING THE COMMITTEE ON FOREIGN AFFAIRS TO
CONDUCT THE ABOVE STUDY AND INVESTIGATION OF
ALL MATTERS CONCERNING THE UNITED STATES
IN CONNECTION WITH THE

JUNE 1957

Printed in the Senate of the United States

U.S. GOVERNMENT PRINTING OFFICE

LETTER OF TRANSMITTAL

JULY 20, 1965.

Hon. THOMAS E. MORGAN,
Chairman, Committee on Foreign Affairs,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: As you know, I recently traveled to Poland as a personal representative of the President, to open the American pavilion at the Poznan International Trade Fair. I took this opportunity to pursue a number of inquiries, directly related to this committee's legislative work, in Poland, Czechoslovakia, Austria, and Italy. In the course of my trip, I met with American diplomatic representatives and with the representatives of foreign governments. My findings and conclusions are outlined in the attached report.

I appreciate your cooperation in assigning Mr. Marian Czarnecki, Staff Consultant to the Committee on Foreign Affairs, to accompany me on this study mission. He was of considerable help to me with the work which is outlined in my report.

With kindest regards, I am,
Sincerely yours,

CLEMENT J. ZABLOCKI,
Member of Congress.

LETTER OF TRANSMITTAL

JAN 29 1881

Hon. Thomas B. Aldrich,
U. S. Senate, Washington, D. C.
Dear Sir:—I have the honor to acknowledge the receipt of your letter of the 17th inst., in relation to the proposed bill for the relief of the estate of the late John D. Rockefeller, and in reply to inform you that the same has been forwarded to the proper authorities for their consideration. I am, Sir, very respectfully,
Yours truly,
J. D. Rockefeller

JOHN D. ROCKEFELLER,
President of the Board of Directors,
Standard Oil Company,
Cleveland, Ohio.

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REPORT ON POLAND, CZECHOSLOVAKIA, AUSTRIA, AND ITALY

POLAND

My first and only prior visit to Poland took place in 1961.

Four and a half years earlier, in the course of the upheaval of October 1956, Wladyslaw Gomulka came to power in Poland. Alarmed by the Poznan riots, the Hungarian rebellion and other developments, Khrushchev agreed to give Gomulka a considerable degree of autonomy in Poland's internal affairs. Shortly thereafter, the overt repression of the people diminished, forced collectivization of agriculture was suspended, relations between the regime and the Catholic Church (Poland is a predominantly Catholic country) took a turn for the better, and the people—as evidenced in the works of Polish writers, artists, film and theater directors, and others—were permitted more freedom of expression. Aided by Export-Import Bank loans and Public Law 480 agricultural surplus sales, the Poles began to tackle some of the tremendous economic problems confronting their country. Within a couple of years, Poland led the bloc in the degree of internal liberalization available to her people, in the expansion of contacts with the United States and the West, and in the spirit of progress and of anticipation of better days to come.

All of these changes were in evidence during my 1961 visit to that country. It is against this background that I would like to outline the impressions which I received while traveling in Poland last month.

GENERAL CONDITIONS

Poland still enjoys a substantial degree of autonomy in internal affairs, while adhering closely to the Soviet line in international relations. Khrushchev's efforts to integrate the economies of the East European countries through the Council for Economic Mutual Assistance (CEMA)—the bloc's version of a common market—have produced meager results to date. Each of the East European countries appears to pursue its own national economic objectives. Cooperation with other "socialist" countries is largely limited to instances and projects which advance individual national goals.

After almost 9 years in power, the Gomulka government is still firmly entrenched. The control which it exercises over the national life is limited to some extent by three factors: passive resistance on the part of substantial segments of the population, active opposition of the church to certain Government policies, and the general inefficiency of a cumbersome, overly centralized bureaucracy. Insofar as the Government itself is concerned, its complexion continues to change slightly. At present, the influence of the older, hardline partisans seems to be on the rise—at the expense of the younger elements and the technocrats.

Although some progress has been achieved since 1961, the economy is in poor shape. The rates of growth of the industrial production and of farm output have slowed down. The housing shortage is acute. We were told, for example, that less than one-fifth of the young people getting married can find housing. Consumer goods—including food—are in short supply a good part of the time, partly because of a poor distribution system. The most efficient way to obtain many consumer goods, we heard, is to have a “contact” in the governmental bureaucracy or some extra cash for “ex gratia” payments.

One of the big problems confronting Poland springs from underemployment on the farms—and growing unemployment in the cities. The latter can be expected to become worse in 2 or 3 years, when the peak of the postwar “baby boom” reaches the labor market. Recent loosening of controls on various forms of self-employment, particularly among the artisans and in the field of consumer services, and other measures, attest to the Government’s concern about these developments. I cannot see how Poland’s economic problems can be solved without considerable investment in new production facilities, decentralization of authority, and basic reforms which would allow market forces to play a significant role in Government planning, allocation of resources, production and distribution—and provide needed economic rewards for individual initiative and effort.

The mood of the people now is anything but cheerful. There is quite a bit of disillusionment—even despondency. One still hears about “the promise of October” (October 1956, when Gomulka came to power and liberalization began), but the hopes generated on that occasion seem to be fading in the distance. There have been material improvements in Poland since 1961—but the wheels of progress seem to have slowed down considerably.

TIGHTENING GOVERNMENTAL CONTROLS

During the past year or two, the Government has been bearing down on those elements of the society which, encouraged by the post-1956 thaw, have been taking advantage of it and pressing for more liberalization: students, writers, artists, filmmakers, various “entrepreneurs,” and small farmers. These actions, while reasserting governmental control over every aspect of the national life, have not helped to relieve the country’s economic condition.

The tempo of the Government’s struggle with the Church has accelerated. Mr. Gomulka and his associates appear convinced that the existence of a viable religious establishment is incompatible with the attainment of Communist goals in a “socialist” country. The outward appearances of religious tolerance—many open churches and people attending services—impress Western visitors. Under the surface, however, a determined campaign appears to be waged to alienate the clergy and the religious from the mass of the people, to make it virtually impossible for new clerics to be trained, and to effect the closing of various religious institutions.

To this end, parochial schools and minor seminaries have been closed. The same fate has met most of the nurseries, private schools, nursing schools, and other institutions operated by religious orders. Religious-sponsored institutions of higher learning are subjected to confiscatory taxation, unreasonable limitations on the enrollment of students, inter-

ference with their curricula and other forms of harassment. Employees of religious institutions are being dropped from social security rolls—thereby being deprived of medical and hospital benefits, retirement and disability pensions, and related privileges. Seminararians are being drafted and assigned to special military detachments. Often efforts are exerted to turn them away from their religious calling. Clergy and members of religious orders are being denied permission to enroll in technical and professional schools—and those who have worked or instructed in nursing schools, hospitals, and other community facilities are being dismissed from their jobs. The exceptions are those who work in institutions for the mentally retarded and for the physically handicapped—or those whose services are urgently demanded by the doctors or other personnel administering given state institutions.

While the Catholic Church still possesses sufficient following to be reckoned with, the Government is obviously endeavoring to change that situation.

VIETNAM

The Gomulka government's reaction to U.S. activities in Vietnam is both vehement and vociferous. U.S. actions in Vietnam are daily condemned in the Polish press and in other communications media. Government spokesmen have accused the United States of genocide in the bombing of North Vietnam. During the past 3 months, the Poles also canceled or postponed a number of previously scheduled United States-Polish cultural, scientific, and related exchanges. In my discussions with the Foreign Ministry officials, repeated efforts were made to convince me that whatever "bridges" we have managed to build in the past few years are being jeopardized by the events in Vietnam.

It seems to me that this attitude on the part of the Polish Government springs from two factors: First, Poland's attempt to play the role of a mediator between the Red Chinese and Moscow; and, second, their concern that the situation in Vietnam may escalate into a sizable war, in which case the Soviets may be forced to back the Viet-Minh either directly or with the Chinese, the Poles to back the Soviets, etc. *Some Poles seem genuinely concerned that the war in Vietnam may also result in attempts to restore the unity of the Soviet bloc, and deprive the countries of Eastern Europe of their freedom from Moscow's interference in their internal affairs.* Needless to say, any settlement in Vietnam—brought about through negotiations or through decisive U.S. military advances—could remove the grounds for these current attitudes.

I would like to stress I have seen no evidence that the people of Poland share their Government's view of U.S. activities in Vietnam. Most of those that I saw and talked to couldn't be less concerned about what is going on in southeast Asia. A few indicated that they thoroughly approve of our Government's actions in that area.

THE GERMAN QUESTION

The issue which seems of equal concern to the Polish Government and to the Polish people is the question of Germany. The Poles are fearful that some future "accommodation" in the West with Germany may result in the loss of their "western territories." Such

a development, of course, would leave Poland badly crippled. It should be remembered that Poland lost almost one-half of her lands (the eastern part of Poland) to the Soviet Union at the conclusion of World War II. If she were now to lose the western and northern territories which were placed under Poland's administration pursuant to the Potsdam Agreement, Poland would be reduced to roughly one-half of her pre-World War II size and deprived of vital mineral and economic resources. *The fear of such a development causes the Poles to depend on the Soviet Union, whom—for the lack of any other champion—they are compelled to consider as the only guarantor of Poland's territorial integrity.* The U.S. Government's official position to the effect that the Oder-Niesse border is a temporary demarcation line, only strengthens the Poles' apprehension on this score.

AMERICAN RESEARCH HOSPITAL FOR CHILDREN IN KRAKOW

While in Poland, I visited the hospital which we are building in Krakow with section 214 funds. The project is almost completed. The building which houses the clinics was expected to be ready for occupancy by the staff by the middle of July. The remaining buildings should be ready before the end of the summer. The actual admission of patients will have to await the completion of the training of the staff in the use of the hospital and of the modern equipment contained in it. This should occur sometime this fall.

The hospital is indeed one of the most modern and impressive buildings in Poland. It can compare with the best small hospitals in the United States or in Western Europe. And in spite of the fact that the Polish press has not given it too much publicity, the hospital seems to be known in every area of Poland that I have visited.

Anyone who has been in Poland, and has seen Polish construction projects, cannot help but marvel that a hospital of this caliber could be completed there with our help in a reasonably brief period of time. One must really visit that country, see its hospitals, apartment buildings, and other projects to appreciate the comparison. The American hospital should bring lasting credit to the United States.

A mention should be made of the arrangements for the staffing of the hospital. The entire staff of three separate clinics attached to the Medical Academy of Krakow will be transferred to the American hospital. A number of hospital administrators and supervisory personnel have been—or are being—trained in the United States for their new duties. It appeared from these arrangements that the Poles are just as anxious as we are to see the hospital fully and competently staffed.

In order for the American hospital to operate at peak efficiency from the start it may be advisable to establish a small nurses' training facility at the hospital, and to enlarge the hospital's laboratory space. I believe that this subject should receive careful study by our Embassy in Warsaw, and the departmental authorities.

As to the dedication of the hospital, the original agreement provides that the dedication will take place at a time agreed to by both governments. While in Poland, I urged strongly that the dedication be scheduled for the early part of October. Polish Government spokesmen would not commit themselves to any date, saying repeatedly that everything will depend on the developments in Vietnam. They

are aware of the congressional interest in this project, and realize that the dedication will probably involve the visit to Poland of a sizable U.S. delegation.

Apparently, the Polish officials are apprehensive that such a visit may provoke some demonstrations. In its role as mediator between Moscow and Red China, the Polish Government seems anxious to avoid any incident—including possible pro-American demonstrations on Polish soil—which could prove embarrassing. I believe that these apprehensions are not a valid reason for delaying the dedication of the hospital in Krakow. The existence of that hospital and its American sponsorship are already widely known in Poland. The dedication can be accomplished without any disruption of public order, in an atmosphere of propriety and restraint. On the other hand, a refusal to dedicate the hospital once it becomes ready for occupancy by patients is bound to produce an adverse reaction in Poland as well as in the United States. For this reason, I hope that the Polish Government will appreciate the desirability of proceeding with the dedication sometime this fall.

MAJOR ISSUES IN UNITED STATES-POLISH RELATIONS

Judging from my discussions in Poland, two issues are of particular interest to Polish officials at the present time: the possibility of expanding their trade with the United States and the related question of Polish payments to the United States. The latter subject requires elaboration.

The Poles have been meticulous in paying their obligations to the U.S. Government. These obligations arise from the settlement of our immediate post-World War II aid to Poland; Export-Import Bank loans extended during the late 1950's; settlement of claims of American nationals whose property in Poland was nationalized; and payments for Public Law 480 sales. Currently, the Poles are paying us, in U.S. dollars, \$13 to \$14 million annually under these various agreements. By 1967, however, these payments will double.

In the meantime, Poland has been put in a double squeeze by the action of the Congress last year (1) in making Poland ineligible for further sales under title I of Public Law 480 (sales for Polish zlotys), and (2) in providing that sales under title IV of Public Law 480 (sales for U.S. dollars) would have to be paid for in 5 years—as against 20 years for other countries. Their difficulty is compounded by the fact that under the terms of the last Public Law 480 sales agreement, the Poles consented to purchase \$30 million worth of U.S. farm commodities on straight commercial terms, and another \$30 million worth on terms involving payment in U.S. dollars, in three annual installments.

Poland's purchases of U.S. surplus farm commodities under title I have averaged approximately \$50 million a year. By not being able to make additional purchases under title I, Poland is now forced to lay out increased amounts of very scarce hard currency earnings in order to meet its food and fiber needs. At the same time, as I already pointed out, her payments to the United States, in U.S. dollars, are about to double.

In order to meet both her commitments to the United States and the basic requirements for food of her people, Poland has to increase her hard currency earnings, obtain credits, or solve her problem through a combination of both.

Polish exports to the United States—approximately \$54 million last year—cannot increase fast enough to meet Poland's hard currency needs. It would seem to me, therefore, that the one area where some compromise may be possible involves the terms of trade under title IV sales (sales for U.S. dollars). In my view, the United States should be prepared to negotiate these terms in return for some specific concessions. Lack of forward planning in this field may lead to some undesirable consequences.

I was distressed to discover that apparently insufficient thought has been given by our people to the mountain of Polish zlotys remaining to our credit in Warsaw. Admittedly, the utilization of these zlotys presents certain problems. This alone, however, does not justify what struck me as a lackadaisical attitude with respect to this subject. I hope that the Subcommittee on Europe will pursue this matter.

VOICE OF AMERICA

An American visitor to Poland is apt to come home with the distinct impression that the Voice of America is a very weak and dull voice at best. Apart from its news broadcasts, it seems to attract only a limited following. In contrast, people in Poland have gone out of their way to indicate that they listen to Radio Free Europe. Wherever we traveled in that country, the people seemed to know about our presence mostly through Radio Free Europe.

I believe that Voice of America programs beamed to Poland and Czechoslovakia (we encountered similar reactions in Prague) are in need of careful review. Admittedly, the Voice and RFE are not comparable either in terms of their sponsorship or of their objectives. Still, there is no sense in spending money on Voice of America broadcasts—other than straight news summaries—unless people listen to them. We had little evidence that they do so in Poland.

AMERICAN PERSONNEL

Ambassador Cabot was in the United States during my visit to Poland. I met, however, with the deputy chief of mission, Albert Sherer, and with most of the Embassy staff—including those assigned to Poznan. I came away pleased with the quality of our representation in that country. While many of our officers in Poland are young, they appear knowledgeable and possessed of good sense. I was also favorably impressed by the fact that most—if not all—of our staff people can get along rather well in the Polish language. This makes a positive impression in Poland—as it would, for that matter, in any other country.

I was disappointed, however, by the apparent shortcomings in departmental personnel planning for Poland. Apart from Ambassador Cabot, most of our senior officers in Poland have either left recently or are about to leave. This large turnover of experienced personnel does not speak well for the performance of those who are in charge of personnel assignments for Eastern Europe. It suggests to me an astounding lack of forward planning with respect to an area of the world which is of considerable interest to our Government. I am convinced that the Department's policy and practice with respect to the assignment of personnel warrants a more thorough examination than our subcommittee has been able to accord it to date.

CZECHOSLOVAKIA

After leaving Poland, I stopped for 2 days in Prague. Much that I have said about the general conditions in Poland applies to Czechoslovakia as well. There are, however, some notable differences:

First, the period of "thaw" in Czechoslovakia is of rather recent origin. It began less than 2 years ago. As in Poland, however, the impetus for change may be attributed in part to economic stagnation and consequent buildup of popular pressures. By 1962, the per capita growth of the Czech national output was actually beginning to decline. When the same happened in 1963, the leaders saw the writing on the wall: either they would attempt to change the system or the lid may blow off. They opted for change.

As pointed out in the recent report of the Special Study Mission to the Soviet Union and Eastern Europe (Monagan study mission, H. Rept. 15, January 1965), the oppressive rule of the Novotny regime has undergone considerable revision in the past year or two. Travel in Czechoslovakia is virtually unrestricted. Travel to and from Western Europe is fairly free. Writers and artists are experimenting with new forms. There is a considerable public discussion of economic and social problems. Economic reforms being implemented are more "revisionist" in some respects than those accomplished in Yugoslavia. Contacts with the West are expanding rapidly. The feeling of change is in the air.

This does not mean, of course, that any basic change has taken place in the Communist system of government in Czechoslovakia. The same people are still in the saddle. Their ties with Moscow continue very strong for obvious reasons: among them, the instinct for self-preservation. The Novotny government's control over the population appears very effective. Czechoslovakia is still under the domination of communism—but communism which is changing, adapting and, in a sense, becoming somewhat "humanized."

Second, Czechoslovakia is economically more advanced than Poland. Its agriculture is more productive—even though most of the arable land is in the hands of collectives, cooperatives, and state farms. Its industrial base is broader, more diversified, technologically more advanced. If the burdensome shackles of the overcentralized bureaucracy are removed—a change which the Government is trying to bring about—Czechoslovakia may move much faster than Poland in the direction of an improved level of living for its people.

Third, on such issues as Vietnam, the Czechs are more restrained than their Polish colleagues. They repeat the line handed down by Moscow. But they do not overdo it.

TRADE WITH THE UNITED STATES

Of primary interest to the Czechs at the present time is the question of expanding their trade with the United States. Their current exports to the United States (\$12.8 million in 1964) account for less than one-half of 1 percent of their exports. The prospects of increasing their trade with the United States are small, unless the Czechs can obtain "most favored treatment" for their goods. Poland and Yugoslavia currently enjoy such treatment. The Czechs would like to be included in that company. In return, they are willing to discuss imports from the United States, cultural and other exchanges,

and various other matters. *The time appears ripe for "building bridges."*

CLAIMS SETTLEMENT

One of the troublesome issues outstanding between the United States and Czechoslovakia is the settlement of claims of American nationals. The agreement on this subject was negotiated over a period of some 6 years. Finally, an understanding was arrived at and apparently initialed by both sides. The terms, admittedly, were not the most favorable to the private interests in the United States: between 10 and 20 percent of the purported (not verified or adjudicated) value of claims. Still, the executive branch was ready to sign and then, because of complaints from certain U.S. firms, it backed off. The matter has been in suspension ever since, and has obstructed progress in the settlement of other outstanding questions. The Czechs are inclined to consider the United States guilty of bad faith, while the State Department continues to sit on its hands. This matter, in my opinion, should be brought to some conclusion without much more delay.

THE BRNO FAIR

For the past 3 years, the United States has participated in the annual international trade fair held at Brno in Czechoslovakia. This year, in spite of the strong recommendations of our Ambassador to Prague and his staff, our participation in that fair has not been approved to date "for budgetary reasons."

Having observed the conditions in Poland and Czechoslovakia, I believe that decision to be wrong—penny wise but pound foolish.

The United States is participating this year in the Poznan Fair in Poland, and in the International Fair in Budapest. Either of those exhibits—or parts of both of them—could be adapted for use in Brno. The Department of Commerce, the USIA, and the State Department should give this matter further consideration.

AUSTRIA

During our very brief stay in Austria, I pursued three lines of inquiry: a followup on the counterpart fund "phaseout" agreement of 1962; the question of Title IV, Public Law 480, diversions to the Soviet bloc; and the status of the oil pipeline.

COUNTERPART FUND

Unlike the Soviet Union, which demanded heavy reparations for withdrawing from the occupation of Austria, the United States provided that country with considerable economic assistance. One of the offshoots of this assistance program was the counterpart fund which, at its peak, contained the equivalent of some \$450 million. Beginning in 1957, the United States negotiated a "phaseout"—or the relinquishing of administrative authority over this fund. The final agreement was signed in 1962. One of the provisions of this agreement—and the one which was of particular interest to me as the author of the Zablocki amendment relating to counterpart funds—was a provision in which Austria agreed, in return for obtaining complete control of the fund, to "substantially" increase her foreign aid to the developing nations of the free world.

The report submitted by the Kelly mission in 1963 (H. Rept. 32, 88th Cong., 1st sess.) expressed concern over Austria's apparent reluctance to use any substantial portion of the counterpart fund to provide economic aid to the needy nations of the free world. This report provided the jumping-off point for my followup inquiry.

I regret to report that Austria has made very little progress in the last 2 years in living up to its part of the counterpart fund "phaseout" agreement. According to the information which I received in Vienna, Austria's principal foreign aid outlay which can be directly attributed to the counterpart fund, consists of approximately \$8 to \$10 million a year. This is the equivalent of the interest generated annually by various investments of counterpart funds in Austria's domestic economy. In addition, Austria counts as "foreign aid" various other overseas outlays and investments, many of them apparently associated with private trade ventures, which bring the total to about \$30 million annually.

I tried to impress upon our Embassy staff my conviction that the U.S. Congress—and the American people—would hardly consider \$8 million a "substantial" outlay on foreign aid when compared with the total counterpart fund of some \$450 million. While the gentlemen present at the meeting appeared to appreciate my viewpoint, I have the distinct impression that the question of bringing about an increase in Austria's outlay for foreign aid is receiving perfunctory attention. I hope, therefore, that this subject will receive further consideration from the appropriate subcommittee when the next study mission visits Vienna.

PUBLIC LAW 480 BARTER SALES

Under title IV of Public Law 480, the United States has traded quantities of agricultural commodities to Austrian brokers in exchange for strategic materials. These "barter" deals are not as frequent as outright sales under title I and they seem to cause certain difficulties. In the Austrian case, it was discovered that some of the U.S. farm commodities were transshipped to other countries—including *East Germany*—in violation of the terms of the agreements. The U.S. Government subsequently initiated action against the brokers, trying to recover penalties specified in the agreements. These actions, as I understand the matter, are still in process.

It was my impression, after our discussions in Vienna, that our Embassy maintains only a loose oversight over these types of transactions. There is no systematic procedure for assuring that the commodities involved in barter arrangements actually reach and are consumed at their declared destinations.

I also learned that U.S. Government inspectors were in Vienna during the time of my visit, checking up on the strategic materials that were supposed to be delivered to our Government in exchange for the Public Law 480 farm commodities. It may be informative for the committee to have the staff check with the appropriate executive agency to ascertain their findings in this matter.

OIL PIPELINE

For the last 2 or 3 years, there has been considerable speculation about the construction of an oil pipeline from the Adriatic to a location near Vienna. Since the Western terminal of the Soviet "friendship pipeline" is located in Bratislava, less than 100 miles away from

Vienna, it occurred to some that the Adriatic-Vienna pipeline, if carried through to Bratislava, could provide the means for the transportation of Soviet crude oil to a warm-water port on the Adriatic. This possibility, alluded to in the Kelly mission report of 1963, was of interest to those concerned about the Soviet oil offensive in Western Europe.

While in Vienna, I was given to understand that the plans for the Adriatic-Vienna pipeline have been dropped in favor of the trans-Alpine pipeline from Trieste to Ingolstadt in southern Bavaria. The latter line appears to be in an advanced stage of development. A number of American oil companies, together with several West European petroleum firms and some German financial establishments, have reportedly reached agreement on the financing of this project.

The present planned participation by individual companies in the Trieste-Ingolstadt line is reported to be as follows:

	Percent
Esso AG	20.4
Deutsche Shell AG	15.4
BP Bensin und Petroleum AG	14.4
Mobil Oil AG in Deutschland	11.4
Agip AG	10.4
Deutsche Marathon Petroleum GmbH	7.0
Gelsenkirchener Bergwerke AG	6.0
Deutsche Erdoel AG (DEA)	3.0
Scholven Chemie AG	3.0
Sopi Mineralprodukte GmbH	3.0
Texaco Raffinerie GmbH	3.0
Wintershall AG	3.0
Total	100.0

The total cost of the project is estimated at about \$160 million. In view of our current position on balance of payments, financing of the American participation will largely be done through loans from European banks and from resources these companies presently have available in Europe.

The pipeline will follow the following route: Trieste-Ploekenpass (through a 6-kilometer-long tunnel) to Lienz (in the Austrian Province of Osttirol), to Felber Tauern (here the line reaches an altitude of 1,550 meters), to Kitzbuehel (under the Hahnenkamm mountain, a 4.5-kilometer-long tunnel), to Kufstein (on the Austrian-Bavarian border), to Ingolstadt.

A question has been raised about the possibility of constructing a spur from the Trieste-Ingolstadt line, which would terminate near Vienna. I could not obtain any firm reports on this proposal. I was given to understand, however, that such a spur would not be designed to accommodate Soviet oil moving westward.

ITALY

While in Rome, I attended three separate meetings at our Embassy. During those discussions, I endeavored to ascertain Italy's current attitude toward NATO, her possible reaction to the multilateral nuclear force (MLF) project, and the chances for governmental stability and progress within the framework of the "Opening to the Left." Because of the sensitive nature of these subjects and the manner in which the briefings were presented, I expect to report my findings to the full Committee on Foreign Affairs at the earliest opportunity.