of will to continue the struggle. I am not going to deny this. I do want to point out that the majority of my fellow countrymen were brave and honest. Thousands gave their lives to prevent the current situation. A few, however, should be condemned for lacking the will to be true patriots. I think that they did not fully understand the barbaric nature of the enemy they were fighting. Even so, it is also true that if some Khmers failed to understand the brutal, murderous and genocial nature of the enemy and lost the will to continue the struggle, some of our allies were guilty of the same mistake.

Debate over the past serves little purpose now. The Khmer Republic is today illegally occupied by a band of thugs—international terrorists. They kill children. They kill women. They kill the old. They kill the educated. They kill each other. They kill anyone who raises an objection; who refuses to be a slave to them. The beautiful Khmer Republic drips with the blood of 3,000,000 dead Cambodians. These bandit highjackers think that Khmers residing in free countries are also dead, well we want them to know that we are alive! We have continued the struggle and we shall continue it for five years, one hundred, one thousand years or for however long it may be necessary to restore our civilization.

Last Monday, September 18, 1978, the Khmer Republic sent a delegation to the United Nations. This delegation is made up of new and honest young leaders. This delegation is in the process of contesting the seat illegally occupied by the monstrous and bloody Pol Pot Government. I call upon all nations, in the name of God, and every group who has also been a victim of genocide—the Jews, the Armenians, the Irish—and our brothers and sisters in the Third World to help us. Help us show to the world that the UN charter and the UN Covenant on Human Rights are not meaningless words. We ask the members of the United Nations to have the courage to seat our delegation. I call upon every nation, every organization, every individual to do something, to take some action to end this senseless carnage of our people. I call upon Khmer people to join together, put aside their differences for common purpose and to rise up and to become active for the cause of freedom and justice in your homeland. I call upon you to resist with all your strength, colonial domination of our country from any clique, any state, any nation and any neighbor. For 3½ years the Khmer Republic has not received assistance from any source. I ask, in the name of the Khmer people, for support from freedom loving nations and organizations everywhere. Let us show you how we can fight. Help us free our country from international terrorism. Help us to once again reestablish our free, democratic and nonaligned nation. Help us save ourselves.

For the last 3½ years I have been living in the beautiful State of Hawaii. Even though I am surrounded by the beauty of that wonderful place, I have not been able to enjoy it. How can I eat when I know my countrymen are starving? How can I enjoy that beautiful place when I read in the paper every day that my country has become a hell on earth? I step forward today out of obligation not out of the desire for power, influence or position. This responsibility has been thrust upon me. And if I do not step forward, who will? I swear to you here today that I will step aside as soon as any strong and capable Khmer leader emerges. I know that among the free Khmers that somewhere there is a leader. I have a vision. A vision that this leader will come forward soon. He will be a brave and honest Khmer, a man who will lead the Cambodian people to freedom, justice and independence in this terrible hour. Let him not hesitate. Let him come forward and assist me now. Let him speak, let him lead and let him assume my responsibility at the proper time.

I ask all the people of the world who value human dignity and freedom to avoid the Khmer Rouge killers like a pariah; to avoid all negotiations, all diplomatic contact, all trade and all relations of any kind. History judges everyone by their actions. Do not stain your own hands with the blood of the Cambodian people through any type of association with these barbarians.

Finally, I wish to thank the press and media for bringing the Cambodian holocaust to the attention of the world. Please do not let the world forget us. I want to thank the many courageous political leaders, like Congressman Dornan who is with us here today, citizens and organizations who have stepped forward to condemn the Khmer Rouge for what they are: International terrorists, murderers, barbarians and savage animals who do not deserve to be members of the human race. I especially thank, on behalf of the Khmer people, the many countries and the United Nations which have provided comfort and assistance to the many Cambodian refugees. I ask that you continue to help them. I ask that you provide them a home. Do not forget us. Do not let our great civilization be ended by barbarians.

Long live the freedom loving spirit of the Khmer people.

Long live our struggle against slavery, tyranny, and domination.

Long live the Khmer civilization.

Long live the Khmer people.

Long live Cambodia.●

SENATE—*Friday, September 22, 1978*

(Legislative day of Wednesday, August 16, 1978)

The Senate met at 9 a.m., on the expiration of the recess, and was called to order by Hon. DENNIS DECONCINI, a Senator from the State of Arizona.

PRAYER

The Chaplain, the Reverend Edward L. R. Elson, D.D., offered the following prayer:

Let us pray:

Most gracious God, may we go forth into the hours of this new day with clean hands and pure hearts, restored in body and renewed in spirit. Through all the toiling hours help us to walk humbly with Thee and to work helpfully with one another. Overrule our mistakes, allay our anxieties, dispel our fears, and strengthen our faith in the things that matter. Let Thy presence live in our hearts that our coming in and our going out may be in the way of Thy holy will, ministering to the welfare of our country, meeting the needs of the people, and lifting all mankind upward.

Help us to live as the apostle taught us:

Be kindly affectioned one to another with brotherly love; in honor preferring one another;

Not slothful in business; fervent in spirit, serving the Lord.—Romans 12: 10, 11.

We pray in the name of the great Redeemer. Amen.

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. EASTLAND).

The assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, D.C., September 22, 1978.

To the Senate:

Under the provisions of rule I, section 3, of the Standing Rules of the Senate, I hereby appoint the Honorable DENNIS DECONCINI, a Senator from the State of Arizona, to perform the duties of the Chair.

JAMES O. EASTLAND,
President pro tempore.

Mr. DECONCINI thereupon assumed the chair as Acting President pro tempore.

CALL OF THE ROLL

The ACTING PRESIDENT pro tempore. The Senate having recessed in the absence of a quorum, the clerk will call the roll to ascertain the presence of a quorum.

The second assistant legislative clerk called the roll and the following Senators answered to their names:

[Quorum No. 11 Leg.]

Bayh	Hansen	Melcher
Burdick	Hart	Metzenbaum
Byrd, Harry F., Jr.	Hatch	Moynihan
Byrd, Robert C.	Hollings	Randolph
DeConcini	Humphrey	Schweiker
Garn	Inouye	Talmadge
	Jackson	

The ACTING PRESIDENT pro tempore. A quorum is not present. The clerk will call the names of the absentees.

Mr. ROBERT C. BYRD. Mr. President, I move that the Sergeant at Arms be instructed to request the attendance of absent Senators.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from West Virginia.

The motion was agreed to.

The ACTING PRESIDENT pro tempore. The Sergeant at Arms is so instructed.

After some delay, the following Senators entered the Chamber and answered to their names:

[Quorum No. 11 Leg.]

Cranston	Leahy	Morgan
Culver	Long	Weicker
Hayakawa	McGovern	Zorinsky

Mr. ROBERT C. BYRD. Mr. President, I move that the Sergeant at Arms be in-

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structed to compel the attendance of absent Senators.

I ask for the yeas and nays.

The ACTING PRESIDENT pro tempore. Is there a sufficient second? There is a sufficient second.

The question is on agreeing to the motion of the Senator from West Virginia. The yeas and nays have been ordered. The clerk will call the roll.

The second assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Alabama (Mrs. ALLEN), the Senator from Minnesota (Mr. ANDERSON), the Senator from Arkansas (Mr. BUMPERS), the Senator from Mississippi (Mr. EASTLAND), the Senator from Colorado (Mr. HASKELL), the Senator from Maine (Mr. HATHAWAY), the Senator from Arkansas (Mr. HODGES), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Washington (Mr. MAGNUSON), the Senator from New Hampshire (Mr. MCINTYRE), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), the Senator from New Jersey (Mr. WILLIAMS), and the Senator from Hawaii (Mr. MATSUNAGA), are necessarily absent.

I further announce that the Senator from Connecticut (Mr. RIBICOFF), is absent on official business.

Mr. HANSEN. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Oklahoma (Mr. BELLMON), the Senator from Massachusetts (Mr. BROOKE), the Senator from New Jersey (Mr. CASE), the Senator from Nebraska (Mr. CURTIS), the Senator from New Mexico (Mr. DOMENICI), the Senator from Arizona (Mr. GOLDWATER), the Senator from Michigan (Mr. GRIFFIN), the Senator from North Carolina (Mr. HELMS), the Senator from Maryland (Mr. MATHIAS), the Senator from Idaho (Mr. MCCLURE), the Senator from Illinois (Mr. PERCY), the Senator from Delaware (Mr. ROTH), the Senator from Virginia (Mr. SCOTT), the Senator from Vermont (Mr. STAFFORD), the Senator from Alaska (Mr. STEVENS), the Senator from South Carolina (Mr. THURMOND), the Senator from Texas (Mr. TOWER), the Senator from Wyoming (Mr. WALLOP), and the Senator from North Dakota (Mr. YOUNG), are necessarily absent.

The result was announced—yeas 63, nays 1, as follows:

[Rollcall Vote No. 387 Leg.]

YEAS—63

Bartlett	Glenn	McGovern
Bayh	Gravel	Melcher
Bentsen	Hansen	Metzenbaum
Biden	Hart	Morgan
Burdick	Hatch	Moynihan
Byrd, Harry F., Jr.	Hatfield, Mark O.	Muskie
Byrd, Robert C.	Hatfield, Paul G.	Nelson
Cannon	Hayakawa	Nunn
Chafee	Heinz	Packwood
Chiles	Hollings	Pearson
Church	Humphrey	Pell
Clark	Inouye	Proxmire
Cranston	Jackson	Randolph
Culver	Javits	Riegle
Danforth	Johnston	Sarbanes
DeConcini	Kennedy	Schmitt
Dole	Laxalt	Schweiker
Durkin	Leahy	Stennis
Eagleton	Long	Stevenson
Ford	Lugar	Stone
Garn		Talmadge
		Zorinsky

NAYS—1

Weicker

NOT VOTING—36

Abourezk	Griffin	Ribicoff
Allen	Haskell	Roth
Anderson	Hathaway	Sasser
Baker	Helms	Scott
Bellmon	Hodges	Sparkman
Brooke	Huddleston	Stafford
Bumpers	Magnuson	Stevens
Case	Mathias	Thurmond
Curtis	Matsunaga	Tower
Domenici	McClure	Wallop
Eastland	McIntyre	Williams
Goldwater	Percy	Young

So the motion was agreed to.

The ACTING PRESIDENT pro tempore. With the addition of Senators voting, who did not answer the quorum call, a quorum is now present.

RECOGNITION OF LEADERSHIP

The ACTING PRESIDENT pro tempore. Under the previous order, the majority leader, the Senator from West Virginia, is recognized.

THE JOURNAL

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Journal of the proceedings be approved to date.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I yield to the Senator from Montana.

PRIVILEGE OF THE FLOOR

Mr. MELCHER. Mr. President, I ask unainimous consent that the following staff members have the privilege of the floor during the debate on this bill and all votes thereon: Wayne Mehl, Benton Stong, Jim Rock, and Jeannie Volsky.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I yield back the remainder of my time.

The ACTING PRESIDENT pro tempore. The acting minority leader is recognized.

Mr. SCHWEIKER. Mr. President, I yield back the time.

FOREIGN ASSISTANCE APPROPRIATIONS, 1979

The ACTING PRESIDENT pro tempore. The Senate will now resume consideration of H.R. 12931, which will be stated by title.

The assistant legislative clerk read as follows:

A bill (H.R. 12931) making appropriations for foreign assistance and related programs for the fiscal year ending September 30, 1979, and for other purposes.

The pending question is on the motion to table the committee amendment.

Mr. HATCH addressed the Chair.

The ACTING PRESIDENT pro tempore. The Senator from Utah.

Mr. HATCH. Mr. President, I ask unanimous consent that the request for the yeas and nays on the motion to table be vacated.

Mr. BIDEN. I object.

Mr. ROBERT C. BYRD. Mr. President, Mr. HATCH last night at a very late hour asked for the yeas and nays on this motion to table. The Senate had to go out because of lack of a quorum. Now he wants to call off the yeas and nays.

Mr. HATCH. That is right.

Mr. ROBERT C. BYRD. I object.

The ACTING PRESIDENT pro tempore. Objection is heard.

Mr. HATCH. That is fine.

The ACTING PRESIDENT pro tempore. Objection is heard.

The pending question is on the motion to table the committee amendment.

The yeas and nays are automatic.

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Several Senators addressed the Chair.

The ACTING PRESIDENT pro tempore. The question is on the motion to table the committee amendment.

The clerk will continue to call the roll.

The assistant legislative clerk resumed the call of the roll.

Mr. NELSON. Mr. President, may we have order in the Senate. Members cannot hear the roll.

The ACTING PRESIDENT pro tempore. The Senator from Wisconsin is correct. The Senate is not in order. The Senators will clear the well, take their seats, and cease conversation before continuation of the rollcall, and the Sergeant at Arms will assist. The Senate is not in order.

The clerk will resume the roll.

The assistant legislative clerk resumed and concluded the call of the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Alabama (Mrs. ALLEN), the Senator from Minnesota (Mr. ANDERSON), the Senator from Arkansas (Mr. BUMPERS), the Senator from Mississippi (Mr. EASTLAND), the Senator from Colorado (Mr. HASKELL), the Senator from Maine (Mr. HATHAWAY), the Senator from Arkansas (Mr. HODGES), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Washington (Mr. MAGNUSON), the Senator from New Hampshire (Mr. MCINTYRE), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), the Senator from New Jersey (Mr. WILLIAMS), and the Senator from Hawaii (Mr. MATSUNAGA) are necessarily absent.

I further announce that the Senator from Connecticut (Mr. RIBICOFF) is absent on official business.

I further announce that, if present and voting, the Senator from Connecticut (Mr. RIBICOFF) would vote "nay."

Mr. HANSEN. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Oklahoma (Mr. BELLMON), the Senator from Massachusetts (Mr. BROOKE), the Senator from New Jersey (Mr. CASE), the Senator from Nebraska (Mr. CURTIS), the Senator from New Mexico (Mr. DOMENICI), the Senator from Michigan (Mr. GRIFFIN), the Senator from North Carolina (Mr. HELMS), the Senator from Maryland (Mr. MATHIAS), the Senator from Idaho (Mr. MCCLURE), the Senator from Illinois (Mr. PERCY), the Senator from Delaware (Mr. ROTH), the Senator from Virginia (Mr. SCOTT), the Senator from Vermont (Mr. STAFFORD), the Senator from Alaska (Mr. STEVENS), the Senator

from South Carolina (Mr. THURMOND), the Senator from Texas (Mr. TOWER), the Senator from Wyoming (Mr. WALLOP), and the Senator from North Dakota (Mr. YOUNG) are necessarily absent.

I further announce that, if present and voting, the Senator from South Carolina (Mr. THURMOND) would vote "yea."

The result was announced—yeas 7, nays 58, as follows:

[Rollcall Vote No. 388 Leg.]

YEAS—7

Burdick	Long
Hatch	Proxmire
Hatfield, Mark O.	Randolph
	Talmadge

NAYS—58

Bartlett	Garn	McGovern
Bayh	Glenn	Melcher
Bentsen	Goldwater	Metzenbaum
Biden	Gravel	Morgan
Byrd, Harry F., Jr.	Hansen	Moynihan
Byrd, Robert C.	Hart	Muskie
Cannon	Hatfield, Paul G.	Nelson
Chafee	Hayakawa	Nunn
Chiles	Heinz	Packwood
Church	Hollings	Pearson
Clark	Humphrey	Pell
Cranston	Inouye	Riegle
Culver	Jackson	Sarbanes
Danforth	Javits	Schmitt
DeConcini	Johnston	Schweiker
Dole	Kennedy	Stennis
Durkin	Laxalt	Stevenson
Eagleton	Leahy	Stone
Ford	Lugar	Weicker
		Zorinsky

NOT VOTING—35

Abourezk	Haskell	Roth
Allen	Hathaway	Sasser
Anderson	Helms	Scott
Baker	Hodges	Sparkman
Bellmon	Huddleston	Stafford
Brooke	Magnuson	Stevens
Bumpers	Mathias	Thurmond
Case	Matsunaga	Tower
Curtis	McClure	Wallop
Domenici	McIntyre	Williams
Eastland	Percy	Young
Griffin	Ribicoff	

So the motion to lay on the table the committee amendment was rejected.

The ACTING PRESIDENT pro tempore. The question now recurs on agreeing to the committee amendment.

The amendment (page 11, line 10) was agreed to.

The ACTING PRESIDENT pro tempore. The clerk will report the next committee amendment.

The assistant legislative clerk read as follows:

On page 12, line 9, strike the colon and "Provided,";

Mr. HATCH. I have no objection to that.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

The amendment was agreed to.

The ACTING PRESIDENT pro tempore. The clerk will report the next committee amendment.

The assistant legislative clerk read as follows:

On page 12, line 9, strike "in this paragraph" and insert "under this heading";

Mr. HATCH. I have no objection to that.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

The amendment was agreed to.

The ACTING PRESIDENT pro tempore. The clerk will state the next committee amendment.

The assistant legislative clerk read as follows:

On page 12, line 16, strike "$25,700,000" and insert in lieu thereof the following: "$30,210,000, in addition to which amount the unobligated balance as of September 30, 1978, in the basic account symbol assigned by the Treasury for the appropriation made available under this heading for the fiscal year 1977 and the unobligated balance as of September 30, 1978, in the basic account symbol assigned by the Treasury for the appropriation made available under this heading for the fiscal year 1978 are continued available for the fiscal year 1979 and, further, amounts obligated as of September 30, 1978, in the basic account symbol assigned by the Treasury for the appropriation made available under this heading for the fiscal year 1978 are, if deobligated, continued available for the fiscal year 1979, the total of all such funds made available not to exceed $30,915,000. The unobligated and obligated balances as of September 30, 1978, shall be merged with and accounted for under the same basic account symbol assigned by the Treasury for the appropriation made under this heading: Provided, That the Appropriations Committees of both Houses of the Congress are notified fifteen days in advance of the obligation of such deobligated funds for activities, programs, projects, type of materiel assistance, countries or other operations not justified or in excess of the amount justified for the fiscal year 1979".

Mr. HATCH. Mr. President, I do have some questions on this particular section.

I notice the increase is from $25,700,000 to $30,210,000, a difference of about $5 million, or a little less than that. As I understand this amendment, there is some money in here—let me begin by asking the distinguished floor manager of the bill the reason for the increase of better than $4 million over the House version or the reasons.

Mr. INOUYE. The House has made several cuts for so-called human rights reasons. We restored these cuts and then made an overall reduction of about 5 percent, establishing this $30,210,000.

Mr. HATCH. Could the Senator list the countries that were cut as a result of human rights allegations or violations?

Mr. INOUYE. The House bill does not make any specific designations by countries.

Mr. HATCH. Has the Senate committee, in its deliberations, considered any countries that it has reduced as a result of its examination of human rights violations or human rights allegations?

Mr. INOUYE. There are two countries that have evoked some interest on the part of Members of the Senate. In this act, there is the sum of $150,000 for a military training and education program for Nicaragua.

Mr. HATCH. I see. That is knocked out by this provision?

Mr. INOUYE. It is not. It is still here.

Mr. HATCH. Still here?

Mr. INOUYE. It would take an amendment to knock that out.

There is also in this act the total sum of $600,000 for a military education, training, and administrative support program for Afghanistan.

Mr. HATCH. For Afghanistan?

Mr. INOUYE. Yes.

Mr. HATCH. Could the distinguished Senator tell me why this country, under the circumstances, would be supporting military assistance in Afghanistan, or at least give me the rationale behind that? Because I personally feel that is a very dangerous and wrong thing to do under the present circumstances. I would be pleased to be enlightened by the distinguished Senator from Hawaii.

Mr. INOUYE. Afghanistan, as the Senator is well aware, has a long mutual border with the Soviet Union. It also serves as the buffer between the Soviet Union and Iran and Pakistan. At the present time, the Soviet Union is spending large sums of money to provide assistance to Afghanistan, militarily and economically. This, frankly, is an attempt on the part of the U.S. Government to make policy inroads into that country. So far, for the amounts spent, it is felt that the contributions or the investments have paid off.

Mr. HARRY F. BYRD, JR. Mr. President, will the Senator yield?

Mr. HATCH. I am happy to yield to the Senator.

Mr. HARRY F. BYRD, JR. Will the Senator from Hawaii enlighten me? As I recall, there was a takeover of the Government of Afghanistan recently, and the present regime is a Communist dominated regime; is that not correct?

Mr. INOUYE. The present regime, as described by the State Department and others, would be called socialistic.

Mr. HARRY F. BYRD, JR. I might say that those high officials of our Government who have come to see me have expressed grave concern from the point of view of the United States and from the point of view of the Middle East over what has happened in Afghanistan. Yet here we are, as I understand it, preparing to spend U.S. tax funds to help this Soviet-Marxist dominated government in Afghanistan. I just cannot quite understand that.

Mr. INOUYE. If I may spend a few minutes—will the Senator yield?

Mr. HATCH. I am delighted to yield.

Mr. INOUYE. Throughout the years, my colleagues have expressed great concern when the Soviet Union began to make inroads in countries where our influence appeared to be at a maximum. We are concerned when we see the presence of Cuban advisors and Cuban diplomats, Chinese advisors and Chinese diplomats, or Cuban troops and Soviet troops.

This is an opportunity to do exactly what the Communists have been doing to us. There is no question but that the government in Afghanistan, as of this day, is inclined to lean favorably to the Soviets.

Mr. HARRY F. BYRD, JR. Is inclined to lean favorably? It is a Marxist-dominated government, is it not?

Mr. INOUYE. You can call it that if you wish to.

Mr. HARRY F. BYRD, JR. Well, that is what I have understood.

Mr. INOUYE. We have this alternative: we can decide to completely cross out assistance to Afghanistan, and put them on the other side, and make them an adversary of ours. But please bear in mind that Afghanistan has one of the longest mutual borders with the Soviet Union, and it also serves as an important buffer between the Soviet Union and Iran and between the Soviet Union and Pakistan.

We are hoping that by our presence

there—when you consider the total foreign policy of the United States—by our $600,000 presence there, we may be able to temper the rhetoric and we may be able to temper some of the decisions there, and we may be able to frustrate the endeavors of the Soviets.

Mr. SCOTT. Mr. President, will the Senator yield?

Mr. INOUYE. Yes, sir.

Mr. SCOTT. Is it not true that the present government of Afghanistan murdered the President, the past President of Afghanistan and all of his official family, that they had a military coup and that they did have Soviet tanks and Soviet weaponry, and actually took over by killing all of the leadership in the country of Afghanistan?

Mr. INOUYE. I have no reason to question your statement, sir.

Mr. SCOTT. I know this to be a fact, because I believe I was the last Senator in Afghanistan. I talked with the President of Afghanistan, and he told me, being a Moslem, that he would like to be a friend of the United States, but that in the border to the north the Soviet Union has tunnels through those high mountains that they can bring their tanks in any time they want to.

I believe the government of Afghanistan is completely under the domination of the Soviet Union, and it seems a very foolish thing, in my own personal judgment, for us to be giving money to Afghanistan with a group of murderers there in charge of the government of that country. We might as well use plain words, because they did murder the legitimate government, all of the officials in charge of Afghanistan.

Mr. HATCH. Will the Senator yield?

Mr. INOUYE. Mr. President, may I suggest the absence of a quorum?

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. INOUYE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. LEAHY). Without objection, it is so ordered.

Mr. HATCH. Mr. President, I would just say this: I have no doubt in my mind that when Mr. Daoud was killed, he was thrown out pursuant to, I think, a new Soviet strategy. These countries accept from the Soviet Union and they utilize what they can until they get their stomachs full from the Soviet Union and then they tend to throw them out. That is what Daoud was going to do. In the process, they came in and overthrew him so they could have a Marxist regime there.

I do have some difficulty with this $600,000. I have some difficulty with the $150,000 to Nicaragua, under the present circumstances. On the other hand, they do seem like miniscule amounts compared to the billions we are talking about in this foreign aid bill.

Let me ask the distinguished majority floor manager of the bill a few other questions.

It seems to me that it is wrong for us to put these funds into the international military education and training part of this bill. I realize that the committee has chosen to do so. I am not against giving these funds perhaps in other forms. I am certainly not against giving foreign aid to the extent that we can do it.

Keep in mind, one of the things that worries me more than anything else with regard to foreign aid is that approximately $600 billion of our money, including Eurodollars, is in the hands of foreign nations—$600 billion. It is part of the reason why the dollar is presently in difficulty. I contend that if any one of those nations controlling 10 percent of that or more, or $60 billion, would drop that or discount it in the world monetary system, this country would be very, very hard pressed today.

That is why I am a little bit concerned about a $9 billion foreign aid assistance bill.

It seems to me that it does not take into consideration the needs of our country, and in the process may be giving funds, albeit however small they seem to be, to countries under the guise of international military education and training.

I have deep respect for the distinguished Senator from Hawaii and the position he is in right now in managing this bill, but I do question this, and I do have grave difficulties with this particular section.

My further questions are these:

Are there any other Asian countries under this particular amendment, this $30,210,000 amendment, which have also been considered one way or the other as a result of human rights? Or are there any other countries other than Afghanistan and Nicaragua—maybe I should put it that way—that are in addition to those two where human rights considerations have played a part either in deleting funds, preventing funds, or in giving funds?

Mr. INOUYE. Mr. President, in response to my dear friend's question, I would like to point out first that most of these funds will be spent in the United States. I am certain the Senator has noticed oftentimes when looking up in the gallery officers from foreign countries.

Mr. HATCH. That is correct.

Mr. INOUYE. This is part of the program.

From the standpoint of the State Department and the Defense Department, this program has been an extremely successful program. It has brought in officers from abroad, exposed them to the United States, exposed them to our culture, exposed them to our lifestyle, and exposed them to our democracy.

Mr. HATCH. And we reciprocate by sending some American citizens to their countries.

Mr. INOUYE. And we have reciprocated by sending some of our officers there to look into their training programs and maybe make a few suggestions.

From that standpoint, from the money spent, the State Department looks upon this as a most successful program.

Second, as to human rights, there are several countries listed here, and I am certain each could be cited as a violator of human rights. I have yet to see one country with clean hands.

We oftentimes portray ourselves as the country with the cleanest hands, the defender of human rights, the defender of civil rights. But when one considers the history of these United States, the progress we have made, the level of education, the level of our resources, we must not overlook less favorable events in our past. We should recall that it was not too long ago, by a decision of the President of the United States, that all members of an ethnic group, because they seemed to look like the enemy, were placed in concentration camps. This was done at a time when the courts were in operation, without due process of law, it caused these people to lose millions upon millions of dollars in property, but, worst of all it robbed them of their human dignity.

If the Senator will recall, it was only 4 years ago that, by an action of this Congress, we wiped out, legally, the existence of concentration camps in the United States.

This is a country which prides itself in due process, in the judicial system. But now we are picking out countries that are, in comparison to the United States, 50 years behind us, 100 years behind us. They do not have the resources we have. They do not have the educational level we have. They do not have a middle class. And yet we expect these countries to live up to the standards of the United States.

One of the countries listed here is the Philippines. I have heard so many of my colleagues exclaim, "Why can't the Filipinos be like us? After all these decades of American tutorship, after all these decades of being exposed to American democracy, why can't they be like us?"

Mr. President, I should like to suggest that during those decades of American tutorship, we were not teaching the Filipinos democracy. I think, if we are candid about it, we would recognize that it was, pure and simple colonialism. We had a military high commissioner there who sat above the civilian government. When the war was over, because of the geopolitical situation of that time, we decided that the best interests of the United States and the Western World would be served by building up Japan. So, while we were spending billions in Japan, our friends in the Philippines those who sacrified themselves, were waiting on the sidelines. Manila had been destroyed. Luzon had been destroyed. And we gave them a pittance.

We speak of human rights. In the treaty that we agreed upon with the Philippines, we told our Filipino brothers, "Since you have lived with us for a long time under our flag, we would like you to have the opportunity of serving in our Armed Forces, provided you serve as a waiter in the Navy."

That is what the treaty called for, that Filipinos may serve only as stewards. That is the tutorship of American democracy.

What I am trying to suggest is that when we look at these countries, these countries that are threatened by external forces or internal forces, countries whose resources are limited, whose educational level is low, I do not think we can be so demanding as to insist that their standards equal ours.

If we want to just write off the Philippines, let us do it. But do not expect any friendship from them. We can do the same with any other country. I am certain my friend from Utah will agree that if we wanted to be precise, there would not be a single country in this world with clean hands, when it comes to human rights.

Mr. HATCH. I think that the distinguished Senator from Hawaii has done a remarkably good job of pointing out some of the difficulties of using human rights as a major criterion for determination of whether or not we should grant foreign aid, particularly in this section, international military education and training.

On the other hand, one of the things that really bothers me about some of the approaches we take, at least in Congress, and I think we have taken for many of the last 30 to 40 years, is that we seem to shove human rights aside when it comes to nations that we want to help, regardless of whether or not they are pro-American or whether or not they really care for this country or whether or not they are cooperative with this country or whether or not they really thank us for the foreign aid we give them whether or not they are working for a better order in the world, or whether or not they are trying to straighten out some of the difficulties in their particular geopolitical area. Yet we turn around and, against other little nations that have the same problems, where we have friends, characteristic friends, who also violate human rights, as every country in the world does—and I have to admit that this country is still doing it in some ways, although probably less than any—we kick them in the teeth. I have seen, with particularity, the way that we have really mistreated Rhodesia over the last number of years, a country that characteristically has always been pro-American.

Even though I personally detest apartheid and detest a number of the racial problems down in South Africa, I do not think we would find it too far from the truth to examine the voting record in the United Nations and find that South Africa has probably been the most pro-United States country in the world. Yet we go down there and dictate to them what they have to do and tell them we are not going to help them while we turn around and help others, who have no care for this country whatsoever; in fact, who laugh at us for what is done on occasion.

Mr. SCHWEIKER. Will the Senator yield?

Mr. HATCH. I am happy to yield to the distinguished Senator from Pennsylvania, my dear friend (Mr. SCHWEIKER).

Mr. SCHWEIKER. I think the Senator is making an important point and I think it is important to know what the Senate Appropriations Committee position on it is. The House cut some money out on the basis of human rights, but the Senate committee did not.

In fact, we restored some money, treating most countries evenhandedly. I think it is most important to see that there is some difference between what the House did and what the Senate did.

One other point, if the Senator will permit me. These countries change and what one country's attitude toward us is today is something else tomorrow. The best illustration that I should like to point out, as to how this program can be constructive, involves President Sadat.

When President Nasser was head of Egypt, a lot of us were very critical, including me, of Nasser's attitude. And certainly, at some points, he leaned very strongly toward Russia. While he was president, he was sending a young colonel over here, named Sadat. Sadat came to this country under this very program. So, while we were all critical of Nasser, Sadat was being trained in this country under this very section.

Look at what has happened. Even though we had an unfavorable leader of the Government at the time, this program brought a leader that at least was receiptive and open-minded about their relationship with this country. I do not know the background or know all that made up President Sadat's career, but certainly this program had a very significant impact at the very time that a number of us would have been standing up and criticizing programs that dealt with Egypt when President Nasser was in charge. I think we have to take the broader view of how these things come back and help us at times.

I think President Sadat's participation in the program at a time when anybody could point to Nasser and say he is against Americans, he is for the Soviets, is a pretty valid example of how these things can spin off and help us. The Senator has made some good points, and in the human rights area, we have been responsive to what he said.

So we also have to look at how this program has helped us, even though we have worked, sometimes, with countries who were opposed to us, but later turned out to be for us.

Mr. HATCH. I thank the distinguished Senator from Pennsylvania for his comments. I commend him and the distinguished floor manager of this bill for what I consider to be enlightened approaches to this subject and for their work in perhaps recognizing that we can be too rigid on these human rights requisites and, in the process, perhaps hurt our opportunities to be friends with many countries which may not be characteristically U.S. supporters.

On the other hand, I might mention that I agree with the illustration of the distinguished Senator from Pennsylvania in President Sadat, who has become, in my opinion, one of the true heroes in the world today, I think under intense, tremendous pressure that very few people have undergone. He has gone through the fire and I think he has done a lot of very, very courageous things, not the least of which is this recent Camp David agreement.

I think it is a perfect illustration.

I think Siad Barre, of Somalia, is another illustration of a person who, just a few years back was supposedly anti-United States and pro-Russian, and today is perhaps, if not pro-United States, at lest anti-Russian.

Of course, another converse illustration would be Ethiopia, where I guess the military leader's name is Mengistu. It is now pro-Russian and we do not give them any money in Ethiopia today, to my knowledge.

That may be wrong, but it is my understanding we are not giving them any help.

All I am trying to say is that the other day I had the privilege of speaking to the War College. At the end of my speech a number of questions were asked. A very intelligent and articulate black staff officer stood up. I had complained about our foreign policy attitudes toward countries that in the past have stood for the United States, have been friendly to us although directed by dictators, and how we seem to just kick those countries in the teeth—like Rhodesia, South Africa, Chile, Bolivia, and Brazil, which will be one of the most powerful countries in the world, and in this hemisphere is without peer on untapped natural resources—yet turn around and continually try—not to use the term "buy friends" as was used yesterday—but turn around and continually strive for friendship with countries that kick us in the face.

All I am saying is that I can see the wisdom in the distinguished Senator from Hawaii's position that $600,000 is not very much money to keep an open door with Afghanistan, even though it is Marxist dominated.

I can see the wisdom in $150,000 to try to have influence for the benefit of the people in the country in Nicaragua.

I cannot say I disagree very much with the distinguished Senator from Hawaii on those points.

But, on the other hand, I do not understand why we had to have the proposal of the Byrd amendment in 1977 allowing us to purchase Rhodesian chrome directly from the Rhodesians and why this country, through its present regime, continues to support the radical blacks in Rhodesia against the moderate blacks and moderate whites who would have, literally, brought about majority rule, I think, long before now had we just been supportive of that movement.

I will give another illustration of how hypocritical I think some of the things are that the State Department does. The illustration is that last year three black African chiefs, Jacob Chirau among others, moderate chieftains, highly respected, very pro-United States, and I think very influential in their countries, wanted to come to this country to explain their side of the controversy over here. They were barred, and they are presently barred from getting their visas by the State Department, while we allow Robert Mugabe to come over here and get on network TV and talk about their particular viewpoints.

I am not necessarily criticizing that we should hear their viewpoints. But I find it particularly offensive that we prevent three moderate black African chieftains from coming over here and shortly thereafter allow the British punk rock group to come over and participate in America. We all saw what a bust that was. That is the hypocrisy that bothers me.

What I am concerned with is that hypocrisy evidenced in this foreign aid assistance bill we are discussing right now, and I say that maybe it is.

So again I ask the distinguished floor manager of the bill this question, would he list the countries that have been excluded from this type of assistance, that have been discussed and excluded.

I am sure there are countries that have not even been considered for it. I am not asking that. I just want to know which ones have been excluded and why. I would like to have the names of them. If I may, as I basically have indicated, agree with the distinguished Senator from Hawaii that perhaps some of these payments should be made and that we should not be rigid either way. But, on the one hand, while I am willing to be unrigid with regard to some of these countries that clearly, at least under the present regimes, are against our country and seem to be rigidly on the other side with regard to countries pro-United States, but have some demeaning aspects in the U.S. press today, I think that if we are going to be kind to those Marxist-dominated countries and anti-American countries because of our fond hopes we might be able to spread the good word, to spread the gospel over there, then why should we not likewise keep our efforts strong in countries that are friendly?

Let me just make one more point because I brought it up and did not tie it in.

When this very articulate and intelligent staff officer asked me why I would make these comments about Rhodesia and South Africa, among others, when there are repressions of human rights, I said it was because we want to stop those repressions and the best way is not to kick them in the face. The best way is to get over there, work within the framework of their present government and to continually encourage and have that open door and our foot in it so we can get them to, maybe, change some of their ways and bring about some of these very important enhancements of human rights all of us would like to see.

I agree with the distinguished Senator from Hawaii that there are violations of human rights in every country, to a more or less degree.

I think we could put the United States in the least of all degrees, and perhaps Cambodia in the most of all degrees, and perhaps the Soviet Union belongs there, also, as we have seen some of the violations that occur almost in defiance of the whole world.

But all I am trying to do is perhaps have us consider our friends and keep the doors open with our friends so we can use our influence to mollify and clean up and work against some of the things that are hurting people in the countries that are dominated by our friends, albeit dictators, or dictatorships.

Now, if my friend from Hawaii, for whom I have inestimable regard and who I think, for the most part, has been answering my questions and objections to this bill with persuasive articulateness, if he would list the countries that have been considered and those that have been acceptable to us for this particular aid and those which have not, the countries we have cut out, I would be very interested if we have cut out countries like Rhodesia, and if we have been aiding countries like Namibia and some other countries throughout this world.

I would not expect him to list all countries we are cutting out because I am sure some have not even been considered for this aid.

Mr. INOUYE. The Senate committee did not cut out any country.

Mr. HATCH. So this particular provision literally allows the State Department to utilize any funds for any country it deems in its infinite wisdom.

Mr. INOUYE. The administration, in requesting these funds, listed in its justification documents the countries which would benefit under this program. The countries are listed on pages 41 and 42 of the committee report.

Mr. HATCH. Would the distinguished manager of this bill define for me what the committee considers to be the major use of these funds to the extent that he can on the floor?

Mr. INOUYE. The major use of these funds would be to provide some assistance to most of these countries in setting up their military administrative structures. Most of the funds are spent in the United States. Most of the funds are spent to transport promising officers and men to the United States to receive special training.

There is another place where special training is received. If the Senator will look at page 42, he will see the Canal Zone schools. This is where most of the Latin American officers——

Mr. HATCH. May I interrupt the Senator?

As I understand it, the military education training allowances are listed on pages 105, 106, and 107. Would those be the countries involved? I think the Senator from Hawaii gave me pages 41 and 42. That is the education and human resources development program.

Mr. INOUYE. No. Pages 41 and 42—I am looking at the House report.

Mr. HATCH. I am looking at the Senate report, and I think it begins at page 105. It would be helpful to me if we could use the Senate report.

Mr. INOUYE. It is the same table.

Mr. HATCH. Yes, it is the same.

Mr. INOUYE. The countries are the same.

Mr. ROBERT C. BYRD. Vote! Vote!

Mr. HATCH. With respect to the additional $4 million in this particular matter, I would appreciate it if the Senator would explain to me one more time. As I recall, he said that, actually, the Senate version was less than the House version, or what they had proposed, for some reason, unless I misunderstood. Could the Senator explain that to me one more time?

Mr. INOUYE. The Senate version is $1.890 million less than the request submitted by the administration.

Mr. HATCH. But a little more than $4 million over the House.

Mr. INOUYE. Because we restored those cuts made by the House for human rights.

Mr. HATCH. Is there anything in this military education and training program for Taiwan, in the Asian area, and Argentina, in the South American area?

Mr. INOUYE. This year, there is not, because Taiwan considers itself at the present time to be sufficiently wealthy and indicated that it does not need any specialized training.

Mr. HATCH. Do we do any foreign aid work with Taiwan? Do we consider them sufficiently independent?

Mr. INOUYE. Yes.

Mr. HATCH. Why not Argentina? Is there something in here for Argentina? I notice that in 1977, we had some moneys——

Mr. INOUYE. Argentina, on her own initiative, requested that they be taken out of this program.

The Senator from Utah will recall that early last year, statements were made by administration officials suggesting that if human rights conditions did not improve, certain countries would receive less in assistance. Argentina viewed this as a personal insult and said, "Take us out."

Mr. HATCH. I see. Is that the same with Brazil?

Mr. INOUYE. Yes.

Mr. HATCH. Do we give any foreign aid to Brazil at all?

Mr. INOUYE. Brazil receives indirectly through the Inter-American Bank.

Mr. HATCH. How about El Salvador and Guatemala? I notice that we gave them a little more than $1 million in fiscal 1977, but we have taken this out for fiscal years 1978 and 1979.

Mr. INOUYE. Are we talking about——

Mr. HATCH. The IMET program.

Mr. INOUYE. I think it is for the same reason. They did not desire to participate.

Mr. HATCH. So it was basically their decision.

Mr. INOUYE. Yes.

Mr. HATCH. Mr. President, I suggest the absence of a quorum.

Mr. ROBERT C. BYRD. Mr. President, will the Senator withdraw the request?

Mr. HATCH. I am happy to withdraw the request.

The PRESIDING OFFICER. Without objection, the request is withdrawn.

Mr. ROBERT C. BYRD. Mr. President, I hope the Senate can come to a conclusion on this committee amendment as soon as possible, so that it can get on with other amendments. I understand there are 37 remaining committee amendments.

I hope that upon the disposition of this amendment, the Senator from Utah would be willing to grant consent to adopt the remaining committee amendments en bloc, that they be considered as original text and all points of order not be waived by that request. If he would object to that, I hope he would agree to exclude from the en bloc request any particular amendments that he would like to discuss separately, and let the remaining committee amendments be adopted en bloc.

Mr. HATCH. Mr. President, I appreciate the distinguished majority leader's request. As he has noticed, I have gone by a number of committee amendments as quickly as I could, and I intend to do that in the future. On the other hand, I would not want to have them considered en bloc at this time. but I will endeavor to speed up this matter. I will

endeavor to cover these matters with as much dispatch as I can.

I understand that there are some amendments to this particular amendment, and that is why I suggested the absence of a quorum, in order to allow time for Senators to get to the floor.

So I again suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. MARK O. HATFIELD. Mr. President, I ask unanimaus consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 1884

(Purpose: To reduce funds for Nicaragua relating to military education and training)

Mr. MARK O. HATFIELD. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated

The legislative clerk read as follows:

The Senator from Oregon (Mr. MARK O. HATFIELD proposes an unprinted amendment numbered 1884.

On page 12 line 17, strike the figure $30,-210,000 and insert $30,060,000.

Mr. MARK O. HATFIELD. Mr. Presient, before I explain this amendment, I have been in contact this morning with the Senator from New York (Mr. JAVITS), who I understand, along with Senator CHURCH, is planning to offer an amendment to cut economic and other assistance from this budget as it relates to funds for Nicaragua.

I am associating myself with that general cause, but I want to be perhaps more specific. I address with respect to this particular committee amendment myself to a reduction of some $150,000 in the international military education and training program.

The moneys that are included in the Javits-Church proposal that we will consider later will, of course, have to come up under another committee amendment than the one we are now considering.

The purpose of this amendment is to recognize that since the committee's action there have been some very significant changes occurring within the country of Nicaragua.

I ask unanimous consent to include in the RECORD some articles which have been in the Washington Post and the Wall Street Journal concerning some of the mindless violence and atrocities that have been committed there in the recent days in connection with rebel movements and efforts by the military and National Guard to control the civilian population.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Wall Street Journal
Sept. 19, 1978]

HUMAN RIGHTS AND NICARAGUA

(By John Huey)

MANAGUA, NICARAGUA.—When the Carter administration first began leaning on President Anastasio "Tacho" Somoza to clean up his human rights act—which included reports of widespread murder and torture by his National Guard—skeptics noted that Nicaragua was an easy target because it lacked the strategic importance of other offenders, like South Korea.

But now that incipient civil war is sweeping the country, Gen. Somoza has conjured up some return blackmail of his own—playing loudly on one of the U.S.'s most visceral fears. He is turning his longstanding warnings that he can only be succeeded by a Communist takeover into a sort of self-fulfilling prophecy. As a result, the shrewd dictator knows the strategic value of his little fiefdom is on the rise.

The advent of a Marxist government in the increasingly unstable Central American region (neighboring Guatemala and El Salvador have their problems with radical guerrillas, too) would clearly be a major black eye for the U.S. But the longer Gen. Somoza holds on to power here, the stronger popular support for the radical Sandinist National Liberation Front guerrillas becomes, and the louder he can warn the U.S. that it has a choice between him and the Communists.

There is substantial sentiment among U.S. diplomats that it's a no-win situation and that the U.S. should keep hands off. So far, that's what the U.S. has done. But such calculated inaction isn't likely to win us any friends in Nicaragua no matter who wins—either among the rebels, who claim they believed the Carter administration meant what it said about human rights, or among the Somoza family and its backers, who have received U.S. aid and comfort for over 40 years.

"It's a test of nonintervention," a U.S. diplomat said last winter. "Can we help bring about change to a moderate government without intervening and sparking an anti-Yankee backlash . . . like we've always done in the past."

THE ROLE OF THE U.S.

Like it or not, the U.S. is unalterably intertwined with this remote land of earthquakes, volcanoes, gambling casinos and cockfights. We established the National Guard, trained it and gave it guns. We educated Gen. Somoza at West Point and discouraged his political opponents because he offered stability. We launched the Bay of Pigs invasion of Cuba from here. The picture of a recent U.S. ambassador adorns Nicaraguan paper money. And there were even widespread rumors once that the late billionaire Howard Hughes—who lived atop the pyramid-shaped Hotel Intercontinental Managua for a spell—planned to buy the country from "Tacho," whose family has carefully groomed Nicaragua into a sort of family heirloom.

Most observers speculate that "Tacho" has become the wealthiest man in all Central America; his fortune is generally estimated in the hundreds of millions of dollars, including major interests in virtually every sector of his pitifully underdeveloped country's economy. The general scoffs at such estimates, saying his wealth probably doesn't exceed $100 million.

But the debate over such figures loses meaning upon examination of the plight faced by the bulk of Nicaragua's 2.5 million people.

A recent walk through a barrio in the colonial city of Leon—before it erupted into full-scale guerrilla warfare—reveals a degree of poverty and desperation that is startling, even by Latin American standards.

Inside a tumbledown, two-room hut, an old grandmother stands over a stone fireplace fueled by straw, frying plantain and scraps of fat for her family of 17. One baby sleeps in a hammock fashioned from a feed sack; another lies curled up in a pile of rubble with a dog. Outside, a naked infant—covered in ringworm—grips its distended belly and cries. Other naked children splash and drink from a fetid pool of water by the roadside. Rail-thin pigs share the same water. And down the road, a young father carefully tends a straw pigeon trap, his best means of putting meat onto the table.

The days of passive isolation appear over for this barrio. "Don't think we don't know we're poor," the pigeon trapper says. "This is why I am a revolutionary." The young men of this barrio spend their days at the university in town, where the walls are plastered with posters of their heroes: Cuban revolutionaries Fidel Castro and Che Guevara, and Augusto Cesar Sandino, the nationalist hero of Nicaragua, believed murdered by Gen. Somoza's father.

By night, they build barricades, toss homemade bombs, steal guns and remove street stones from the intersections to impede passage of Gen. Somoza's feared National Guard trucks. They hold political meetings and they listen to short-wave radios for words of encouragement from Radio Havana. They are preparing for war; it arrives a few nights later, and will certainly return again and again.

Back in Managua—at a spacious home equipped with swimimng pool, tennis courts, armed guards, watch dogs, live-in maid, imported beer and a giant stereo playing the latest disco records—the conversation is strikingly similar to that in the barrio. "Right now, our country has only a poor present and no future," says 32-year-old Reynaldo Hernandez, one of several affluent businessmen gathered here to discuss their role in the general strike aimed at toppling Gen. Somoza. "I've been in conflict with myself for years. We can't ignore the suffering of our people any longer. If we do, the Communists will have the country in a moment."

But moderate opposition leaders here—who have called two crippling national strikes in the last nine months—feel betrayed by the U.S. in their efforts to effect a moderate transition.

At first they were encouraged when the Carter administration pressured Gen. Somoza into making human rights concessions. Then, when the U.S. cut off most military aid to the regime, these moderates (who were privately encouraged by State Department officials) mistakenly thought open U.S. support of their cause was just around the corner.

Instead, the U.S. piously declared that it was no longer in the business of meddling in the affairs of other countries; Nicaragua was a good place to test "nonintervention," U.S. diplomats said.

Then in August, President Carter inexplicably sent Gen. Somoza a letter, openly praising him for agreeing to a human rights inspection. Opposition forces—who had been led to believe nonintervention was really supposed to favor them—were agog at this public pat on the back for their foe, whose popular support at home stands almost at zero.

To opposition leaders like Niguel D'Escoto—in their increasingly desperate situation—the whole idea of U.S. nonintervention is ridiculous. (Mr. D'Escoto is a U.S.-educated Catholic priest and one of "The 12," a group of prominent Nicaraguans who left the country last year, demanding the general's resignation; they have since returned to a heroes' welcome.)

"We have an awful mess here," he says, "and it's a mess we inherited from the United States. We are very aware that our people are being slaughtered by guns supplied by Americans and by soldiers trained by the U.S."

And as the passionate support for violent insurrection explodes night after night in the barrios, Gen. Somoza's "me or the Commies" scare tactics become increasingly effective.

The moderate opposition's change in attitude since last winter is ample evidence of the rapidly changing political picture here. In February, politicos in the business community talked of including the Marxist-leaning Sandinist guerrillas in a government controlled by moderates; now they

seem resigned to merely wanting a piece of the action in a "national government" that they realize could well be dominated by leftist forces.

THINGS ARE BAD

"Things have gotten so bad here now that many businessmen believe maybe Somoza is worse even than a Communist system," says Emilio Baltodano, a 62-year-old former executive who is also one of "The 12" and whose 25-year-old son is a Sandinist guerrilla. "I am a capitalist. I could have lived a nice life here without any danger. But I am also a Christian, and no good Christian could tolerate the conditions in this country without speaking out."

Which is exactly what moderate opposition leaders want the U.S. to do on their behalf. They sincerely believe Gen. Somoza can't survive the popular groundswell against him. If the U.S. severs diplomatic relations with him now and pushes him to leave, they say, maybe a reasonable coalition government can be established. But if the U.S. encourages the general to stay on by its continued silence or by open support, they say the Yankees' worst fear—a Marxist takeover—is going to come eventually anyway.

One U.S. diplomat, who personally favors taking some subtle actions, believes "the situation may already be to the point where any action we take would be meaningless. Everybody expects us to solve their problems and I'm not sure we can."

But next to Gen. Somoza, it is the paralysis of the U.S. here that rankles opposition leaders the most. To them, it's as if the U.S. drove the car to the edge of the cliff, announced to the passenger that it had no brakes, then jumped out, yelling over its shoulder, "You determine your own fate. I don't want anybody to say I interfered."

[From the Washington Post, Sept. 15, 1978]

SOMOZA'S FOES CLAIM UNITY

(By Karen DeYoung)

MANAGUA, NICARAGUA.—After weeks of disagreement and indecision, the disparate sectors of Nicaragua's political opposition, including spokesmen for guerrilla leaders, announced yesterday that they have consolidated and cleared the way for a democratic provisional government to replace President Anastasio Somoza.

While it is still unclear if and when Somoza will give in to its demands for his resignation, the opposition took the long-argued and delayed step of appointing a three-man commission with authority to speak for all its factions.

These range from traditionally conservative politicians and millionaire industrialists to the guerrilla Sandinista Liberation Front.

Somoza has derided their disparity, saying he could not negotiate with his opponents because he did not know who they were. At the same time, other governments that have privately and publicly supported the call for Somoza's departure had begun to despair of any cohesive democratic leadership to take his place.

The new commission is empowered to negotiate a cease-fire in the bloody nationwide fighting and to link the opposition to a mediation effort by an outside government.

Governments envisaged for such an effort, according to Sergio Ramirez, a 36-year-old attorney and author who is one of the three, include Venezuela, Cost Rica, Panama, Mexico, Colombia or the Dominican Republic. Some of those governments already have offered to mediate, Ramirez said, and cables are being sent to the others.

The United States will not be asked, Ramiraz said, because "we prefer Latin American countries." The Somoza government has not responded to outside calls for mediation thus far.

Other members of the three-man group are opposition leaders Rafael Cordova Rivas, 54, and Alfonso Robelo, a 38-year-old industrialist.

A cease-fire, Ramirez said, is the commission's most immediate task.

"Hundreds of people are being killed," he said, and "entire cities are being wiped off the map."

Some opposition leaders also see the three as probable members of a future provisional government.

While Ramirez said the opposition coalition is willing to negotiate a cease-fire with government representatives it will not deal directly with Somoza and any acceptable solution to the crisis must include his resignation.

The consolidation announcement came as fighting between civilian rebels and guerrillas and Somoza's National Guard escalated in cities throughout the country and the opposition's political leadership began to appear less and less in control of the situation.

While 15 leading civic and political opposition groups several months ago organized under the umbrella Broad Opposition Front, the front itself has had no clear leaders and has seemed primarily a forum for disagreement and indecision.

Among its membership are three factions of the traditional opposition Conservative Party; a recently formed liberal businessmen's party called the Nicaraguan Democratic Movement (MDN); a liberal splinter from the Conservative Party called UDEL; and a dozen more civic, political and business groups.

The Broad Opposition Front also includes the Group of 12, a collection of priests, prominent professionals and industrialists who joined last year to oppose Somoza and call for support for the guerrillas.

Each group has had its own plan for a post-Somoza government and its own idea of who the leaders of such a government should be.

Several weeks ago, the long-bickering Conservative Party factions reached an accord for unity. Their plan for a new government calls for the election of a new president from party members within the 100-member Congress in which they—as the only legal opposition party—are in the minority to Somoza's Liberty Party.

That president would serve until scheduled elections in 1980.

The Conservative Party has insisted that its plan falls within the provisions of the Nicaraguan constitution for replacement of the president, and would thus preserve the country's legal infrastructure. But other groups in the Broad Opposition Front have opposed the replacement provisions.

The others, including the Nicaraguan Democratic Movement and UDEL have argued that neither the people nor the Sandinistas will accept a new government drawn from the ranks of the old parties, even from members of the legal opposition.

"Our optimum solution," said one front member, "is the appointment of a provisional civilian council," ideally a combination of leaders from various front groups, "that would rewrite the constitution and hold elections within three years."

The provisional government council now seems the most viable option for a new government, with the three newly appointed commission members the most likely candidates.

Cordova Rivas is an attorney who heads UDEL. While some of the younger opposition leaders think he lacks polish, he is an expansive populist who is well known and respected in the countryside.

Robelo, an engineer and vegetable oil producer who began the Nicaraguan Democratic Movement last summer, is little known outside Managua business and political circles. But he is a likable and shrewd strategist who is highly thought of by the U.S. Embassy here and the State Department.

Ramirez is a member of the Group of 12. Of the potential future leaders, he is considered closest to the Sandinistas.

Other possibilities within the Conservative Party include Eduardo Chamorro Coronel and Rene Sandino Arguell, both anti-Somoza conservatives, and Julio Molina, a congressman who is a reformist renegade within the party.

Key to the popular acceptance of any new government is the support and participation of the Sandinista guerrillas.

"We can't deny that the sympathy of the people is now with the Sandinistas" said the congressman. "Not necessarily with a political philosophy, but with them as defenders of national sovereignty."

A flood of Sandinista communiques over the past week apparently has been intended to demonstrate the degree of unity within the guerrillas' own previously faction-ridden ranks and to calm fears that they plan a Marxist takeover.

Over the weekend, the guerrillas called on their supporters to organize in support of a provisional government and named the Group of 12 as their delegate in discussions with other opposition groups.

[From the Washington Post, Sept. 15, 1978]

"HE WAS CRYING, 'DON'T KILL ME, DON'T KILL ME!' "

(By Karen DeYoung)

LEON, NACARAGUA.—At least 14 young men were killed last Friday afternoon on a two-block stretch of Santiago Arguello Avenue here. All of them, according to family members and neighbors, were executed by submachine gun at point-blank range by the Nicaraguan National Guard and all of them begged for mercy, some on their knees.

The eyewitnesses' story of the executions is supported by physical evidence on the scene and by countless similar reports, primarily here in Leon, of National Guard atrocities during nearly four weeks of civil war.

The widespread stories, which include tales of indiscriminate and often apparently accidental close-range shooting of women and children, attest to the ferocity of a war that has made bitter enemies of civilians and those in uniform. The mutual hatred is unlikely to be forgotten soon.

For the National Guard, which ostensibly believes it is saving the country from an imminent guerrilla-led communist threat, every Nicaraguan youth has become a potential terrorist, and every closed door a potential hideout.

In the case of the 14 men gunned down on Santiago Arguello Avenue, the families insist they had not taken part in the fighting. But all were between the ages of 18 and 25, as were most of the rebels who held the town last week.

"They took the first three boys across the street, to that wall," said Adela Alvarez, 36, pointing out her living room door, "with their hands over their heads and shot them." As two other young men and her son, Carlos, 18, were walking out the door with their hands up, Alvarez said, soldiers in the street machine-gunned their faces and chests. "He was crying, 'Don't kill me, don't kill me!' "

Another son, 13, was hit in the leg as one of the women pulled him back inside the door, she said.

Alvarez is not the real family name. Although the woman insisted on using her true name, it and others here have been changed to protect against reprisals.

Alvarez pointed to the bullet holes in her walls and in the concrete front stoop.

"Right here, this is where they killed my son," she said. Across the street, where she and neighbors said the first three young men had been executed, a concrete block wall was pocked with bullet holes and spattered with blood that was beginning to wash away in the heavy rain.

While low-ranking soldiers on the scene

admitted that summary executions took place here last week, officers denied it.

President Anastasio Somoza, asked last night by NBC television about alleged indiscriminate killings, replied: "In any civil strife, in any country when lines are not drawn and you have to go after insurgents, some people get hurt without cause." Asked if he was satisfied with the National Guard performance, he said, "Yes."

Fighting in this second-largest Nicaraguan city began Sept. 11, when Sandinista Liberation Front guerrillas attacked police and National Guard posts.

According to residents, the ensuing week of occupation by guerrillas and young rebels alongside them was tense but relatively calm.

On Thursday afternoon the National Guard entered a barricaded slum on the northern edge of the city where, according to Red Cross officials and residents, they ordered the residents of a block to come out into the street. Women and children were reportedly marched north, on a nearby highway, toward Chinandega. Husbands and sons over the age of 15 were marched south, toward Managua.

After walking a mile, the 21 men reportedly were stopped beside the highway, ordered to scratch out a shallow grave in the road shoulder, and shot.

It was not until two days later that the Red Cross, informed by the families of the executed men, arrived to find arms and legs sticking up from the grave. They dug up the bodies, partially burned them, and reburied off the highway in a cotton field.

On Monday, NBC correspondent Fred Francis filed a videotape report from beside the mass grave.

Yesterday, as a heavy rain fell on Leon, the grave was exposed and packs of dogs nuzzling among flowers placed there by relatives, foraged among the carnage.

On the same Thursday that the 21 were killed, the National Guard began an air attack on Leon, supported by what sounded to those on the outside like artillery shelling from a military post to the west of the city. Yesterday, U.S.-made 105-mm howitzer shells were found in the rubble of Leon.

The bombardment ended Friday afternoon. It had been especially severe in the Hermita de Dolores neighborhood, near the center of the city, where rebel barricades had been strongest along Santiago Arguello Avenue, the main street.

The one-story tin-roofed houses on the street are made of adobe and connected like Washington town houses. In yesterday's downpour, women and children picked their way along the rubble-strewn avenue, many appealing to their neighbors for shelter and food.

At 4 p.m. Friday, Adela Alvarez, wife of a chauffeur and mother of four, said she was huddling with her own family and that of two neighbors whose homes had been destroyed. They were behind a concrete wall in her small living room when four soldiers kicked open the front door.

"They ordered the women and girls to one side of the room, and the men and boys to walk out to the street," Alvarez said. Outside, she said, an armored car was parked. The killing of her son followed.

As he lay on the front step, Alvarez said, one of the soldiers turned to her.

"He said, 'you are pretty. Maybe I'll come back and visit you.' Then he told me to go to the middle of the street, where they had dragged three of the bodies, and to take a watch off one. He told me to wash it and put it on him. I did it, because I was afraid."

Maria Castillo, 27, was also inside the Alvarez home with her 18-month-old daughter. The soldiers ordered her into the street, she said yesterday, and forced her to walk in front of them, carrying her daughter, for 10 blocks with a machine-gun barrel in her back while they went from door to door. When they let her go, Castillo said, she ran to take refuge in a church.

Several doors down, past a burned-out house and across an intersection piled with rubble, was the house where Christina Medrano was hiding that day with her family, including children aged 5 months, 20 months, and 5 years. When the soldiers came in, her husband, a 22-year-old Health Ministry worker, was ordered into a courtyard along with seven other men.

"They told the women and children to stay in the house, and took the men out onto the patio and told them to get down on their knees," Medrano said. "Then they shot them through the head."

Because the residents were afraid to go into the street, Alvarez said, the bodies of the first three men were left there and burned by the Red Cross after the battle was over Saturday morning. She said she took her own son to a local cemetery.

Four of the men killed in the courtyard were buried there by their families. Medrano said there was no room for her husband's body, so she hid it from the Red Cross burning Brigades until Monday, when she buried it herself in a nearby cemetery.

Mr. MARK O. HATFIELD. Mr. President, it seems to me that without making any final assessment or judgment on the situation we must at the very least make a clear moral statement on the indiscriminant violence now occurring against many innocent civilians at the hands of the National Guard. I believe that until we can obtain a clearer picture from this particular country under the terrible distress it is suffering, and that until some positive action is forthcoming from OAS deliberations, we should suspend any moneys that would otherwise be available through military programs of this kind.

Again I do not in any way attempt to make any final assessment or judgment on the causes, but I do not think this is an appropriate time to make moneys available to the existing government until we do have an opportunity to have a clearer understanding of the political turbulence and reported human rights violations occurring in Nicaragua.

I might say that we have contacted the Carter administration through the State Department, and they have indicated their support for this approach. In fact, I would like to quote from a part of this statement which they have communicated to us:

Because of the political turbulence and the charges of human rights violations, we do not wish to pursue our request for IMET.

Now that is the specific point which I am addressing at this time. There are some other comments they have to make concerning other programs of assistance to the country. I have been assured that FMS and other military assistance moneys in the pipeline have been put on hold by the administration.

I ask unanimous consent to have printed the entire statement we have received from the State Department concerning U.S. assistance to Nicaragua be placed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

U.S. ECONOMIC AND MILITARY ASSISTANCE TO NICARAGUA

ECONOMIC ASSISTANCE

The FY 77 A.I.D. program amounted to $1.4 million in grants supporting continuing projects in agriculture, health and population. Final consideration of loan projects for Rural Education Development ($7.5 million) and for Nutrition Improvement ($3.0 million) was deferred to FY 78 pending further assessment of the human rights situation in Nicaragua. The FY 78 program consists of the deferred $10.5 million plus approximately $2.3 million for on-going and new project costs. For FY 79 $5.46 million was requested in the FY 79 Submission to the Congress. This assistance would continue support for the integrated rural development strategy in Nicaragua and complement prior years efforts to improve the quality of life of the poor population.

MILITARY ASSISTANCE

The FY 77 Military Assistance Program consisted of $2.5 million in FMS credits and $597,000 for military training (IMET). Although we have signed the FMS Agreement with the GON, none of the funds have been obligated and, as was stated at the time of signing all requests for obligation will be considered in view of the current human rights situation. The funds for training have been expended. For FY 78, $2.5 million was appropriated for FMS credits but these funds have been reprogrammed and no agreement will be signed with the GON. $400,000 was appropriated and is being spent for training. In FY 79 no funds for FMS were requested while $150,000 for training was contained in the budget request. Congress has deleted that amount from the total IMET budget.

TALKING POINTS

As an expression of our concern about the GON's human rights record we have not authorized the shipment of any military supplies for the use of the Nicaraguan National Guard for the past year and a half, and have made numerous public and private statements of our concern about the highly polarized and increasingly violent political situation in Nicaragua.

Because of the political turbulence and the charges of human rights violations we do not wish to pursue our request for IMET.

U.S. economic assistance to Nicaragua, as elsewhere, seeks to fulfill one primary objective: to improve the productivity and welfare of the poor majority particularly those in rural areas and is not a sign of support for the government. We provide economic assistance for activities which address the basic human needs of the poor and which permit them to participate in the economic development of the country.

The U.S. Government is deeply concerned with the violent situation in Nicaragua. We want to maintain the funds for economic assistance in the appropriation so that they can be available for urgent use should the conditions warrant.

Because of our awareness of the political sensitivity of any U.S. assistance to Nicaragua, we assure the Congress that if the requested funds are appropriated all ongoing and new activities would be carefully studied by A.I.D. as well as reviewed by the Inter-Agency Group on Human Rights and Foreign Assistance in light of the prevailing situation.

Mr. MARK O. HATFIELD. Mr. President, that basically is the purpose of this amendment. Our effort here is to strike this $150,000 from the IMET section of the bill.

Mr. INOUYE. Mr. President, I have had the privilege of discussing this amendment with the distinguished Senator from Oregon, and I am prepared to accept his amendment.

Mr. SCHWEIKER. Mr. President, I want to commend the distinguished Senator from Oregon for this amendment. I think it is a very reasonable, moderate approach during a very difficult time, and I think it solves the immediate problem and gives our Govern-

ment flexibility. So I do support the amendment.

Mr. MARK O. HATFIELD. I thank the Senator from Hawaii (Mr. INOUYE), the floor manager, and Mr. SCHWEIKER, the ranking minority member for their support.

I want to reiterate that there has been an attempt to communicate both with Senator CHURCH and Senator JAVITS. This amendment in no way prejudices the amendment I understand they may offer, at a later time. But because of the inability at this time to contact them, I moved independently on this particular issue of assistance under the military education and the training program.

Mr. President, I move the adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Oregon.

The amendment was agreed to.

Mr. MARK O. HATFIELD. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. INOUYE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HATCH. Mr. President, I have no further objection to the amendment. I think we have had a good discussion of the merits of this particular amendment. The comments of the distinguished Senator from Hawaii and the distinguished Senator from Pennsylvania certainly satisfy me.

The PRESIDING OFFICER. The question now recurs on agreeing to the committee amendment, as amended.

The amendment, as amended, was agreed to.

The PRESIDING OFFICER. The clerk will report the next committee amendment.

The legislative clerk read as follows:

On page 14, line 7, strike "20" and insert "15";

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

Mr. HATCH. Mr. President, I find no particular problem with that amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will report the next committee amendment.

The legislative clerk read as follows:

On page 15, line 23, strike "$16,000" and insert "$10,000";

Mr. HATCH. I have no objection to that.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will report the next committee amendment.

The legislative clerk read as follows:

On page 16, beginning with line 8, insert the following:

SEC. 111. None of the funds made available by this Act shall be available for lease or purchase of housing or office space for official United States Government use outside the United States except through the Office of Foreign Buildings, of the Department of State.

SEC. 112. None of the funds made available by this Act shall be available for the payment of amounts of compensation attributable to step increases and rate increases with respect to more than ninety percent of the full-time Civil Service and Foreign Service employees in permanent positions of the Agency for International Development who are otherwise eligible for such step increases or rate increases.

Mr. HATCH. Mr. President, as I understand it, is this amendment just section 111 or does it include section 112?

The PRESIDING OFFICER. It includes section 112.

Mr. HATCH. It includes both?

The PRESIDING OFFICER. That is correct.

Mr. HATCH. May I ask for just a second to read this?

May I ask the distinguished manager of the bill in section 112 can he give me the rationale for the restriction on 90 percent of the full-time civil service and Foreign Service personnel?

Mr. INOUYE. The effect of this amendment, section 112, is to limit the number of step increases and rate increases which can be provided to AID's full-time civil service and Foreign Service employees.

Mr. HATCH. I beg the Senator's pardon, I am sorry. I was interrupted. May I ask the Senator to repeat?

Mr. INOUYE. The effect of this section is to limit the number of step increases and rate increases which can be provided to AID's full-time civil service and Foreign Service employees.

Mr. HATCH. I have no objection to that amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. HATCH. Mr. President, I have no objection to the amendments down through section 114 en bloc.

The PRESIDING OFFICER. Without objection, the amendments are agreed to en bloc.

The amendments agreed to en bloc are as follows:

On page 16, line 20, strike "111" and insert "113";

On page 17, line 3, strike "112" and insert "114";

On page 17, line 9, strike "113" and insert "115";

On page 17, line 15, strike "114" and insert "116":

The PRESIDING OFFICER. The clerk will report the next committee amendment.

The assistant legislative clerk read as follows:

On page 17, line 17, strike "unless the Appropriations Committees of both Houses of the Congress are previously notified fifteen days in advance" and insert "without the written prior approval of the Appropriations Committees of both Houses of the Congress";

Mr. HATCH. I have no objection.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The committee amendment was agreed to.

The PRESIDING OFFICER. The clerk will report the next committee amendment.

The assistant legislative clerk read as follows:

On page 17, beginning with line 22, strike through and including page 18, line 5;

Mr. HATCH. Mr. President, I do have some objections to this.

As I understand, section 115 of the House language is restrictive. It would provide for "payments not required by law (other than the sums allocated to Israel, Egypt, Jordan, and Syria for the economic support fund), 2 per centum shall be withheld from obligation and expenditure. Of the amount provided in this title for each appropriation account, activity, and project, for payments not required by law, the amount withheld pursuant to this section shall not exceed 5 per centum."

It seems to me that that is a basically worthwhile provision, especially since this bill has risen so many billion dollars over last year's foreign assistance and related programs appropriations bill. I would like to ask the distinguished manager, why delete this particular section, since it seems to be a reasonable approach to trying to save the taxpayers of America some money without necessarily binding or tying the hands of those who have to administer the funds pursuant to this bill?

Mr. INOUYE. This amendment, which appeared in the House bill, attempts to reduce funding for certain accounts by 2 to 5 percent.

We in the Senate have made similar cuts, but we have given careful, informed consideration to each account. Instead of giving an across-the-line or across-the-board slash, we decided we should consider each account and make our decisions. Our decisions have been set forth in this bill, and incidentally, the final, grand total is approximately equal to that of the House.

I grant you that this measure is larger than that which we passed last year, but primarily because we have new programs which did not appear last time, most specifically the Witteveen Facility, which amounts to over $1.8 billion.

I would prefer that the Congress of the United States exercise its initiative and its considered judgment in making the cuts, instead of telling the administration, "Here, you have a knife; do your cutting by 2 percent."

Mr. HATCH. I thank the distinguished floor manager for his comments. I have to admit that I disagree with him. That is, I think, one of the few times we have disagreed as we have gone through this bill, or at least disagreed totally.

I yield to the distinguished Senator from Virginia.

Mr. HARRY F. BYRD, JR. Mr. President, the pending committee amendment would strike from the bill the following language:

Of the total budget authority provided in this title for payments not required by law (other than the sums allocated to Israel, Egypt, Jordan, and Syria for the Economic Support Fund), two per centum shall be withheld from obligation and expenditure. Of the amount provided in this title for each appropriation account, activity, and project, for payments not required by law, the

amount withheld pursuant to this section shall not exceed five per centum.

The language I have just read was the language approved by the House of Representatives. In other words, the House of Representatives said:

We want a 2 percent cut in this gigantic foreign aid bill.

I say it is a gigantic foreign aid bill. I refer to the committee report, the covering page, which shows that the amount of the bill as reported to the Senate is $9,202,456,072.

Mr. President, the House of Representatives, while I do not always agree with its decisions and many times disagree, nevertheless is closer to the public than is the Senate. It is closer for the very simple reason that every single Member of the House must face reelection every 2 years. Only one-third of the Senate faces reelection every 2 years.

I think that the proposal which the House of Representatives adopted is a reasonable one. It provides for a 2-percent reduction in these huge expenditures for foreign aid, but it specifies that no project shall be cut more than 5 percent. It also exempts sums allocated to Israel, Egypt, Jordan, and Syria from the 2-percent reduction.

So I think it is a reasonable one. I see no reason why the Appropriations Committee should have struck that section from the House-passed bill. So I shall vote against the committee amendment, and I ask for the yeas and nays on the committee amendment.

The PRESIDING OFFICER (Mr. ZORINSKY). Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. HARRY F. BYRD, JR. It is a clear-cut proposition: Do the Members of the Senate want to reduce by 2 percent the huge sums involved in this bill for foreign aid?

Mr. SCOTT. Mr. President, I concur with the remarks made by my distinguished senior colleague, and, of course, shall vote against the committee amendment that would strike the House language.

I look, however, Mr. President, to the overall amount of this bill, and I envision $9.202 billion; and then, in the committee report, at page 5, it is indicated that much of the confusion with regard to foreign aid arises from the fact that major components of U.S. foreign assistance are considered in several different authorization and appropriation bills.

So this nine-plus billion dollar bill certainly is not the sum total of foreign aid.

Then, when we look at page 9 of the committee report, we find what is called the "historical totals" of U.S. economic and military assistance. I ask unanimous consent, Mr. President, that this table showing the amount of foreign aid provided by our country to other nations of the world during the period from 1946 through 1977, totaling $240 billion, be printed in the RECORD at this point. That would include beginning with the words "historical totals" on page 9, through page 12.

There being no objection, the excerpt from the report (No. 95–1194) was ordered to be printed in the RECORD, as follows:

HISTORICAL TOTALS OF U.S. ECONOMIC AND MILITARY ASSISTANCE

The following table presents summary and detail information relating to the totality of U.S. foreign assistance (economic and military) furnished to other nations during the period fiscal year 1946–77. It has been extracted from information assembled and presented by the Agency for International Development in the current edition of its publication, U.S. Overseas Loans and Grants.

HISTORICAL UNITED STATES FOREIGN ASSISTANCE [1]

Summary for all countries

Total, Economic and Military Assistance, fiscal years 1946–77	$199,609,000,000
Total, Other U.S. Loans and Grants, fiscal years 1946–77	31,398,000,000
Total, fiscal year 1978 (estimated)	9,948,366,000
Grand total, U.S. Foreign Assistance, fiscal years 1946–77	[2] 240,955,366,000

DETAIL BY REGION AND COUNTRY (FISCAL YEARS 1946–77)

A. Near East and South Asia	49,001,599,000
Afghanistan	520,270,000
Bahrain	2,075,000
Bangladesh	1,119,104,000
Cyprus	102,691,000
Egypt	3,252,165,000
Greece	5,050,220,000
India	9,603,253,000
Iran	2,164,840,000
Iraq	95,584,000
Israel	10,121,793,000
Jordan	1,825,063,000
Lebanon	197,659,000
Nepal	210,336,000
Oman	1,368,000
Pakistan	5,528,117,000
Saudi Arabia	326,514,000
Sri Lanka	341,470,000
Syria	375,890,000
Turkey	7,516,743,000
Yemen, People's Democratic Republic of	4,500,000
Yemen, Arab Republic	84,920,000
Central Treaty Organization (CENTO)	55,176,000
Near East and South Asia Regional	501,848,000
B. Latin America	$16,654,900,000
Argentina	461,848,000
Bahamas	301,000
Barbados	2,130,000
Belize	8,089,000
Bolivia	818,926,000
Brazil	3,062,531,000
Chile	1,359,987,000
Colombia	1,501,125,000
Costa Rica	229,371,000
Cuba	20,130,000
Dominican Republic	578,041,000
Ecuador	392,586,000
El Salvador	187,321,000
Guatemala	426,028,000
Guyana	87,362,000
Haiti	207,093,000
Honduras	252,679,000
Jamaica	138,881,000
Mexico	300,041,000
Nicaragua	302,245,000
Panama	391,729,000
Paraguay	194,877,000
Peru	714,615,000
Surinam	5,805,000
Trinidad and Tobago	40,486,000
Uruguay	248,556,000
Venezuela	353,684,000
ROCAP	276,825,000
East Caribbean Regional	80,625,000
Latin America Regional	4,010,983,000
C. East Asia	61,750,782,000
Burma	180,631,000
Cambodia	2,130,209,000
China, Republic of	6,543,351,000
Hong Kong	43,800,000
Indochina, Undistributed	1,557,067,000
Indonesia	2,461,241,000
Japan	3,950,735,000
Korea, Republic of	12,831,817,000
Laos	2,506,214,000
Malaysia	198,008,000
Philippines	2,751,795,000
Ryukyu Islands	387,825,000
Singapore	22,666,000
Thailand	2,241,844,000
Vietnam	23,364,139,000
Western Samoa	6,907,000
East Asia Regional	572,533,000
D. Africa	7,119,148,000
Algeria	198,525,000
Angola	188,000
Benin (formerly Dahomey	19,390,000
Botswana	45,625,000
Burundi	13,891,000
Cameroon	45,879,000
Cape Verde	12,735,000
Central African Empire	11,585,000
Chad	42,251,000
Congo, People's Republic of the	7,732,000
Ethiopia	642,573,000
Gabon	13,726,000
Cambodia, The	11,698,000
Ghana	325,125,000
Guinea	126,656,000
Guinea-Bissau	3,583,000
Ivory Coast	42,151,000
Kenya	226,115,000
Lesotho	35,863,000
Liberia	277,410,000
Libya	230,115,000
Madagascar	17,655,000
Malawi	32,267,000
Mali, Republic of	93,746,000
Mauritania	31,599,000
Mauritius	16,402,000
Morocco	1,117,963,000
Mozambique	17,465,000
Niger	80,237,000
Nigeria	408,633,000
Rwanda	15,692,000
Sao Tome & Principe	300,000
Senegal	93,178,000
Seychelles	1,042,000
Sierra Leone	59,191,000
Somalia Republic	84,229,000
South Africa, Republic of	1,300,000
Southern Rhodesia	7,005,000
Sudan	136,482,000
Swaziland	12,293,000
Tanzania	194,998,000
Togo	33,938,000
Tunisia	910,551,000
Uganda	43,350,000
Upper Volta	65,373,000
Zaire	649,207,000
Zambia	41,325,000
Portuguese Territories	3,350,000
Central and West Africa Regional	143,562,000
East Africa Regional	126,801,000
Southern Africa Regional	109,164,000
Africa Regional	338,029,000
E. Europe	42,803,714,000
Albania	20,400,000
Austria	1,256,642,000
Belgium-Luxembourg	1,867,491,000
Czechoslovakia	193,001,000

See footnotes at end of table.

SUMMARY FOR ALL COUNTRIES—Continued
DETAIL BY REGION AND COUNTRY—Continued

Denmark	921,970,000
Finland	56,979,000
France	8,466,547,000
German Democratic Republic	800,000
Germany (Federal Republic	4,980,422,000
Berlin, West	131,881,000
Hungary	32,700,000
Iceland	82,144,000
Ireland	146,524,000
Italy	5,854,237,000
Malta	76,459,000
Netherlands	2,312,211,000
Norway	1,245,549,000
Poland	539,300,000
Portugal	784,051,000
Romania	10,125,000
Spain	2,091,639,000
Sweden	109,037,000
United Kingdom	8,779,506,000
U.S.S.R.	186,400,000
Yugoslavia	2,821,923,000
Europe Regional	835,776,000
F. Oceania	975,245,000
Australia	123,540,000
New Zealand	8,600,000
Papua New Guinea	300,000
Trust Territory of the Pacific Islands	824,151,000
Other Oceania	18,654,000
G. Canada	30,500,000
H. Interregional	20,272,692,000

Information as of September 30, 1977.

[1] Basic data (fiscal years 1946–1977) taken from "U.S. Overseas Loans and Grants and Assistance from International Organizations," a publication of the Agency for International Development. See this publication for explanation and detail. Summary totals may differ slightly due to use of full numbers.

[2] Through September 30, 1977, repayments of principal and interest of both economic and military loans total $23,419,000. In addition, it is estimated that $562,100,000 will be repayed on AID loans in fiscal year 1977.

Mr. SCOTT. Mr. President, our office, working through the Library of Congress a couple of years ago, did determine that the figure of $240 billion is just a fraction of the total overall foreign aid provided by our Government. The total was something in the neighborhood of $600 billion, because the figure of $240 billion does not include our contributions to a number of international organizations. I am not sure just which ones are included and which are not, but if we look over to page 134 of the committee report, we find the World Bank salaries. This is something I believe the Members of the Senate are well aware of, with the salary of the President of the World Bank being a net salary of $60,000, and its taxable gross equivalent $116,000.

I wonder if the Inter-American Development Bank salaries and the expenses of the World Bank and the Inter-American Bank are included, in the U.S. contributions, when we speak of the $240 billion which have been expended.

We have the Asian Development Bank, the Inter-American Development Bank, the International Bank for Construction and Development, the International Finance Corporation, the International Development Association, and the African Development Fund.

Mr. President, it is very difficult to comprehend. I doubt that more than a few Members of the Senate understand the entire amount of money that this country is rendering in assistance to foreign nations throughout the world.

During the 12 years I have spent in the Congress I have voted against these foreign giveaway measures, and certainly I am going to vote against this entire bill. I am not going to go through it any further to point out funds which are going to the various countries. It seems to me that we have a broad brush system of foreign aid in which we attempt to provide money to most of the nations of the world directly, and then we have an indirect method through the international organizations and international banks where we also give foreign assistance to all of the countries of the world.

When we have the inflationary problems that we have in the United States, when we have the deficit, when we have the demands from the people of the country that we reduce Government expenditures, that we reduce taxes, it just seems to me that it is irresponsible—and I use the word irresponsible advisedly—for the Congress to continue to be providing aid for all of the nations of the world, billions of dollars, such as we are providing.

I heard the distinguished majority leader yesterday comment with a great amount of feeling, which I am sure was sincere feeling on his part, about the must legislation which has to be enacted before the Congress can adjourn.

I heard the distinguished Senator from Utah respond in part by saying it was not just the quantity of legislation that passed the Congress that was important, but it was the quality of legislation.

Mr. President, I believe that all of us, as we act upon legislation, should reflect on the views of the American people with regard to that legislation. I think it is just as important to keep a bad bill from becoming law as it is to enact legislation that is in the interest of the people of the country.

Mr. President, I believe that the continued expenditure of taxpayers' money for foreign aid in the amount that it has been spent, with it being scattered and spread as widely as it is being spread and scattered, is against the public interest.

I am rather pleased that I have voted against all foreign aid bills for the past 12 years. For the remaining few months that I have in the Senate I intend to continue to so vote.

I yield the floor, Mr. President.

Mr. JAVITS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. INOUYE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. INOUYE. Mr. President, in studying the committee report, one would obviously get the impression that the amount recommended by the Senate exceeds that recommended by the House. But if one should go further than the cover page and study the report, he will soon conclude that the difference can be easily explained.

For one thing, the Senate, at the request of the administration, considered the large sum of $1.882 billion for the so-called Witteveen Facility of the International Monetary Fund, an amount which was not considered by the House.

We also considered $35 million for Greece. We also considered $50 million in loans to Turkey. These are just examples.

We should also note that if one should read the committee report they will soon realize that the Senate committee, in its careful consideration of the request submitted by the administration, cut the administration request by 18 percent. This 18 percent did not apply to the Witteveen facility, nor did it apply to the economic support fund. The economic support fund, as all of us are aware, is that fund that has, for example, $785 million for Israel, $750 million for Egypt, $93 million for Jordan, $90 million for Syria, et cetera.

Mr. HARRY F. BYRD, JR. Will the Senator from Hawaii yield at that point?

Mr. INOUYE. Yes.

Mr. HARRY F. BYRD, JR. As the Senator from Hawaii knows, the 2-percent cut does not apply to Israel, Egypt, Jordan, and Syria

Mr. INOUYE. That is right.

Mr. HARRY F. BYRD, JR. I thank the Senator.

Mr. INOUYE. What the Senator from Hawaii is trying to suggest is that the Senate committee, instead of applying an across-the-board cut, looked at each account separately and gave each account very careful consideration. We added to some and we subtracted from others. In fact, we deleted some.

So, if we apply the knife over and above this, I would think that cuts may be a bit too deep. I hope the Senate will concur with the committee amendment and vote against the motion by the Senator from Virginia.

Mr. SCHWEIKER. Mr. President, I rise in support of the committee amendment. I want to reiterate that we did cut, in this bill, $1.2 billion from the President's budget. This is a 1-percent cut, so we did some hard cutting ourselves by just cutting $1.2 billion out of the President's figures.

Second, as the chairman said, we selectively used a scalpel and ended up with very close to the House amount except for the add-on items of Greece and new things that were brought into consideration later and were too late to be added in the House. So our bill is somewhat roughly comparable to the House bill, even without a 2-percent cut, because we did it selectively, rather than on a broad scale. I support the committee amendment.

Mr. President, I ask unanimous consent that Winslow Wheeler, of Senator JAVITS' office, and Peter Goldfarb and Steven Moore, of Senator WEICKER's staff, be permitted the privilege of the floor during consideration and votes on this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARRY F. BYRD, JR. Mr. Presi-

dent, I shall take just a moment and, at this Senator's wish, there will be a rollcall.

I point out that this House proposal, which the committee plans to strike out, applies only to title I. The Senate committee did not cut title I below what the House reported. As a matter of fact, it increased title I by $128 million.

I say again, Mr. President, this proposal to strike out the House language is not, in my judgment, a desirable thing to do. I shall vote against the committee amendment and permit the House proposal for a 2-percent reduction to stand.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 17, line 22. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Alabama (Mrs. ALLEN), the Senator from Arkansas (Mr. BUMPERS), the Senator from Colorado (Mr. HASKELL), the Senator from Maine (Mr. HATHAWAY), the Senator from Arkansas (Mr. HODGES), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Louisiana (Mr. LONG), the Senator from New Hampshire (Mr. MCINTYRE), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), the Senator from Mississippi (Mr. STENNIS), the Senator from New Jersey (Mr. WILLIAMS), and the Senator from Minnesota (Mr. ANDERSON) are necessarily absent.

I further announce that the Senator from Connecticut (Mr. RIBICOFF) is absent on official business.

Mr. HANSEN. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Oklahoma (Mr. BARTLETT), the Senator from Oklahoma (Mr. BELLMON), the Senator from Massachusetts (Mr. BROOKE), the Senator from New Jersey (Mr. CASE), the Senator from Nebraska (Mr. CURTIS), the Senator from Michigan (Mr. GRIFFIN), the Senator from North Carolina (Mr. HELMS), the Senator from Idaho (Mr. MCCLURE), the Senator from Illinois (Mr. PERCY), the Senator from Delaware (Mr. ROTH), the Senator from Alaska (Mr. STEVENS), the Senator from Texas (Mr. TOWER), the Senator from Wyoming (Mr. WALLOP), and the Senator from North Dakota (Mr. YOUNG) are necessarily absent.

The result was announced—yeas 40, nays 30, as follows:

[Rollcall Vote No. 389 Leg.]

YEAS—40

Bayh	Hatfield, Paul G.	Morgan
Biden	Hayakawa	Moynihan
Byrd, Robert C.	Heinz	Muskie
Chiles	Hollings	Packwood
Church	Humphrey	Pearson
Clark	Inouye	Riegle
Cranston	Jackson	Sarbanes
Culver	Javits	Schmitt
DeConcini	Kennedy	Schweiker
Durkin	Leahy	Stafford
Glenn	Mathias	Stevenson
Gravel	Matsunaga	Weicker
Hart	McGovern	
Hatfield, Mark O.	Metzenbaum	

NAYS—30

Bentsen	Ford	Nunn
Burdick	Garn	Pell
Byrd, Harry F., Jr.	Goldwater	Proxmire
Cannon	Hansen	Randolph
Chafee	Hatch	Scott
Danforth	Johnston	Stone
Dole	Laxalt	Talmadge
Domenici	Lugar	Thurmond
Eagleton	Magnuson	Zorinsky
Eastland	Melcher	
	Nelson	

NOT VOTING—30

Abourezk	Griffin	Ribicoff
Allen	Haskell	Roth
Anderson	Hathaway	Sasser
Baker	Helms	Sparkman
Bartlett	Hodges	Stennis
Bellmon	Huddleston	Stevens
Brooke	Long	Tower
Bumpers	McClure	Wallop
Case	McIntyre	Williams
Curtis	Percy	Young

So the committee amendment (page 17, line 22) was agreed to.

Mr. INOUYE. Mr. President, I ask unanimous consent that Miss Maureen Norton, a member of the staff of Senator HUMPHREY, be granted the privilege of the floor during the debate on this bill.

The PRESIDING OFFICER (Mr. MUSKIE). Without objection, it is so ordered.

Mr. INOUYE. Mr. President, I ask unanimous consent that the committee amendment appearing on page 27, line 4, through and including line 24, be taken up out of order at this time.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The amendment will be stated.

The assistant legislative clerk read as follows:

On page 27, beginning with line 4, insert the following:

TITLE V—UNITED STATES PARTICIPATION, SUPPLEMENTARY FINANCING FACILITY, INTERNATIONAL MONETARY FUND

For the purpose of participation by the United States, in an amount equivalent to 1,450,000,000 Special Drawing Rights, in the Supplementary Financing Facility established by decision numbered 5508–(77/127) of the Executive Directors of the Fund, as provided in the decision numbered 5509–(77/127) of the Fund, and for the expenditures resulting therefrom, not to exceed $1,950,000,000, to remain available until the termination of the facility: *Provided*, That no such payment may be made while the United States Exceutive Director to the International Monetary Fund is compensated by the Fund at a rate in excess of the rate provided for an individual occupying a position at level IV of the Executive Schedule under section 5315 of title 5, United States Code, or while the alternate United States Executive Director to the Fund is compensated by the Fund at a rate in excess of the rate provided for an individual occupying a position at level V of the Executive Schedule under section 5316 of title 5, United States Code.

The PRESIDING OFFICER. The Senate will be in order. Senators wishing to converse will please repair to the cloakroom.

Mr. STEVENSON. Mr. President, I ask unanimous consent that Robert Russell, of the Banking Committee staff, be permitted the privilege of the floor during the consideration of this bill.

The PRESIDING OFFICER. Without objection, it is ordered.

Mr. INOUYE. Mr. President, I wish to read a letter just received from the Secretary of the Treasury. It relates to title V, U.S. participation, Supplementary Financing Facility, International Monetary Fund. This is the so-called Witteveen Facility. This letter is dated September 21, 1978, from the Secretary of the Treasury:

DEAR SENATOR INOUYE: I understand that a proposal may be made to cut the appropriation for the Witteveen Facility recommended by the Senate Appropriations Committee. I want to make it unmistakably clear that any cut in U.S. participation will almost certainly destroy the Facility and that there is no prospect that it can be renegotiated or that the Administration would seek a renegotiation.

This Facility is strongly in our national interest, and our 17 percent share in the financing, which was the subject of long and difficult negotiations, is wholly justified by our position in the world economy and our stake in a strong international monetary system. All other participants—including the OPEC nations providing nearly half of the total financing—are ready to act and have been waiting for months for us to move. The Facility cannot take effect without our participation. It is needed urgently, in the total amount agreed, to enable the IMF to respond to serious balance of payments needs and maintain confidence in the underpinnings of the international monetary system.

If we are unwilling to act responsibly given our large stake in the world economic and financial system, we cannot expect others to meet their own responsibilities. A cut in U.S. participation would destroy an unprecedented international cooperative effort at a time of serious strain on the international monetary system. There is no question that such action by the U.S. would have the gravest implications for global U.S. economic and political interests, and I urge the Senate in the strongest possible terms to defeat any such proposal.

Sincerely,

W. MICHAEL BLUMENTHAL.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. INOUYE. I am happy to yield.

Mr. JAVITS. Mr. President, obviously, the Senator from Hawaii, who is managing this bill, realizes the importance of this particular item in the bill. Indeed, I consider it to be as important as any other item, and I am very grateful to him for opening the debate upon this note.

It really would be tragic if Members did not realize that the only bright sign on the horizon in what, since last August, I have been urging as a grave international crisis which could break into a great depression for the whole world, including the United States, is this Witteveen Facility. If that goes down in flames, Mr. President, I could not agree more with Secretary Blumenthal as to the implications for the pocketbook issue.

The biggest pocketbook issue in the United States is this: Will 90 million people continue to work, or will there be vast unemployment in our country, or will inflation sweep away everything we have, as it has in other countries? This very well could be the hallmark of it.

I hope to participate actively in this debate. I did not intend to detain the Senator, but I am grateful to him that, instead of following the normal course of letting the proponent of the amendment

state his case, he set the tone for this debate.

Mr. INOUYE. I thank the Senator very much, I purposely did this, as the Senator from New York is aware, to indicate to my colleagues in the Senate the importance of this facility.

As the Senator from New York is well aware, for a long time we have been encouraging the countries of the so-called OPEC organization to participate in multinational activities. Here is one of the first demonstrations of OPEC participation. Saudi Arabia alone is contributing $2.5 billion. The OPEC countries taken together constitute about half of the total facility. So the United States should be commended for the effort it has exerted to bring into the fold of the international monetary system the countries in the OPEC organization.

I hope we keep all these things in mind as we proceed in the debate.

Mr. JAVITS. I thank my colleague.

UP AMENDMENT NO. 1885

(Purpose: To reduce the level of U.S. participation in the IMF Supplementary Financing Facility (Witteveen Facility))

Mr. DECONCINI. Mr. President, I send to the desk an amendment to the committee amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Arizona (Mr. DECONCINI) on behalf of himself and Mr. RANDOLPH, proposes an unprinted amendment numbered 1885 to the committee amendment on page 27:

On page 27, strike line 8 and insert thereof the following: "in an equivalent amount of Special Drawing".

On page 27, line 13, strike $1,831,640,000 and insert in lieu thereof $500,000,000".

Mr. DECONCINI. Mr. President, the purpose of my amendment is to reduce the appropriation for the U.S. share of the IMF Supplementary Financing Facility, or Witteveen Facility as it is more generally known, to $500 million for fiscal 1979.

This is equivalent to approximately $393,700,000 special drawing rights (SDR's) and is roughly 30 percent of the total requested. What I am suggesting, Mr. President, is a gradual phasein of U.S. participation in the Witteveen Facility.

The authorization for the proposed U.S. contribution has just been approved in conference and I am not convinced of the necessity for full funding of this institution at this time. Breaking the proposed contribution into a number of installments has at least two advantages, in my opinion. First, it will make it possible to carry on a continuing evaluation of the need for this special source of finance in the context of changing international economic circumstances. Second, it will permit the Appropriations Committee to exercise the sort of oversight that I think the Members of this body expected when they approved Senator SCHWEIKER's amendment to the authorizing bill July 31, 1978.

Mr. President, I ask the manager of the bill, the Senator from Hawaii, to agree to a unanimous-consent request that this amendment be taken up at this time, because I am advised that the amendment of the committee is pending, with a different figure adopted, and I ask unanimous consent that this amendment be the pending amendment.

The PRESIDING OFFICER. Is there objection to the amendment being considered in order, notwithstanding the fact that the figure it amends already has been amended?

The Chair hears none, and it is so ordered.

Mr. DECONCINI. I thank the distinguished Senator from Hawaii.

Mr. President, as Senators recall, the vote on this amendment (67 to 0) was the culmination of a struggle of several weeks duration to insure that this contribution would be made subject to appropriations.

Mr. President, I do not believe that the Appropriations Committee has had sufficient opportunity to make a reasoned assessment of the need for this new IMF credit window. The committee has taken testimony on the issues involved on only one occasion, and then only briefly in the context of Secretary Blumenthal's general presentation with respect to Treasury's requests for the international development banks. A $1.8 billion is not an inconsiderable sum, and the issues surrounding the establishment of another special fund at the IMF have yet, in my judgment, to be satisfactorily resolved. At the very least, it is fair to say that whether the Witteveen Facility is needed or not is a debatable question.

Thus, for example, the resources of the extend fund facility are already available for longer-term lending. Financing of up to 3 years is available through this special facility. Yet, to date only $352 million SDR's have been drawn through the extended fund. This is equivalent to a little less than 1 percent of the potential reserve available through this facility.

Moreover, it is generally conceded that the Witteveen Facility is, at best, a stopgap measure that can make no direct and substantial contribution toward redeeming the fundamental structural inbalances that have plagued the international economic sector in the past few years. At best, it provides a temporary expedient for coping with the symptoms of the underlying economic malaise. At worst, as some experts maintain, it may forestall the kinds of adjustments that current economic realities make imperative. Some authorities believe the chronic inbalances plaguing the international economic system originate, at least in part, in deliberate policies on the part of some of the principal actors in international commerce. Some countries, according to this view, base their economies primarily on export industry, and thus, inevitably seek a trade surplus. But every surplus in the international system necessarily means a deficit somewhere else. Thus, a few major powers may, in this perspective, manage to export not only their goods, but their unemployment and other economic difficulties as well.

To the extent that this is an accurate description of existing international trade relations, it is arguable that the Witteveen Facility would be counterproductive, for it would be providing an additional financial buffer for deficit countries which functions to reduce the pressure for policy changes by the surplus nations.

I, frankly, do not know how to evaluate the merits of this argument, but I would like to have a chance to delve into it with the help of expert testimony. That is what effective and responsible oversight boils down to and it is the way the Appropriations Committee normally proceeds.

We are told that the consequences of denying this request for $1.8 billion would be extremely serious for the international economic system and the United States as well. It should be recalled, though, that in 1975 Congress chose not to approve U.S. participation of the financial support fund, also known as the OECD safety net. The same kind of dire predictions were heard at that time. Yet, the international economic order has not collapsed in the meantime.

Furthermore, when the Witteveen Facility was first proposed, the countries whose trade deficits were of primary concern were Mexico, Brazil, and the United Kingdom. None of these nations, despite the fact that the facility is not yet in operation, has suffered economic calamity in the interim.

It should also be noted that as a result of the 60 general review of quotas, the usable currencies available for IMF lending have been substantially increased. At the end of fiscal year 1977, usable reserves amounted to SDR $4.5 billion. Today, the IMF usable reserves amounted to SDR $4.5 billion, a sizable increase by any standard. Moreover, the six most probable beneficiaries of Witteveen lending have in the aggregate over $1.3 billion SDR in potentially available credit, as of July 31, 1978. Now, whether these reserves will be adequate until the seventh general review of quotas comes into effect sometime in fiscal year 1981 is anybody's guess, as the CBO study on the subject points out:

The demand for IMF financing during the next few years will depend on a number of factors—all of which are difficult to predict: The economic policies adopted by member countries, the availability of financing from other sources, and the pace of world recovery from recession. It is not possible to predict that expanded IMF resources will not be required. Neither is it possible, however, to say that the IMF must have expanded resources to meet its commitments.

At the minimum, it seems clear that there is no compelling economic urgency that would require the approval of the entire request for the Witteveen Facility at this particular time.

The approach I am recommending has the additional advantage, of course, of allowing the Appropriations Committee to exercise its oversight responsibilities in a more judicious and prudent fashion.

I think it is also noteworthy, Mr. President, that of all the countries expected to contribute to the Witteveen Facility, only the United States has a serious balance-of-payments problem. All the rest range from negligible deficits to very hefty surpluses on their side of the ledger.

In summary, Mr. President, a considerable degree of uncertainty and ambi-

guity surrounds the proposal before us. I believe the American people expect us to make careful and informed decisions where billions of their tax dollars are at stake. I think it would, therefore, be a mistake to approve the entire contribution to the Witteveen Facility in one lump sum without giving it closer scrutiny.

I also believe, Mr. President, that the argument that any change of this committee amendment would kill this facility is not realistic. We are a Nation that negotiates all the time. The recent examples of Camp David indicate that negotiations only break down when people lack good will. And if the Witteveen Facility is not funded from the standpoint of the U.S. contribution as set forth by the committee it does not mean that this facility will die or has to die. It means that it would have to be renegotiated, and I believe that we, being people of good will, and the other members of that facility, the nations listed as contributors and negotiators, would negotiate a different phase-in approach toward our contribution and their own if necessary.

For these reasons, Mr. President, I urge approval of my amendment.

Mr. JAVITS. Mr. President, I am very grateful to the managers of the bill for permitting me to lead off the opposition to our colleague's amendment because I have made this concern about the international financial situation a very key part of my work here in the Senate for many years. I can assure my colleagues that we will wait a long time before we have anything comparable to this particular breakthrough.

Instead of beginning with a detailed analysis of the faculty, I shall first deal with what this facility means and why it is completely invalid to contend that this whole effort will not collapse if we do not participate. The best argument against this new facility has been cited by the mover of the amendment himself, the DECD safety net. The safety net which Secretary of State Kissinger agreed that the United States would enter into, has a $25 billion financing facility which was intended to do something about the grave financial shock to the world resulting from the oil embargo and the fourfold—since fivefold—increase in the price of oil.

Now, the United States did not join the safety net, and it collapsed. I believe that the collapse of the safety net has been a major factor in the danger which is now posed to the world's monetary and economic system, and so will failure to implement the Witteveen Facility. It will not be consummated if the United States adopts the course contained in the amendment by phasing in its contribution when all the other countries are all ready to put up their money.

Mr. President, we have been seeking, ever since the oil crunch in late 1973, to find some way, in a regularized fashion, with adequate expertise and planning, and through international sources, to use the resources of the OPEC countries in order to deal with the world's problems created by this very uneconomic price and by other factors, including the major recession of 1974–1975. Until the Witteveen Facility came along, Mr. President, we have simply been unable to crack that nut.

Now, Mr. President, we are on the threshold of being able to get OPEC surplus funds and if this facility is aborted now, Humpty Dumpty, I can assure my colleagues, it will not be put together again.

(Mr. PROXMIRE assumed the chair.)

Mr. JAVITS. Our reputation has not been enhanced by previous pitfalls of this character into which other projects have fallen.

Mr. President, this just does not involve the United States as one of the non-OPEC countries. It involves also the countries whose very surpluses we want very much to reduce and put out for international use. For example, Germany will provide $1.330 billion; Japan will provide for $1.140 billion; and Switzerland is in for $824 million. Altogether this is a sum of roughly $3.5 billion—yes, about $3.5 billion which comes from these countries, the currencies against which our currency has suffered very materially.

As to the OPEC countries, as has already been stated, Saudi Arabia is in for $2.5 billion. The OPEC countries as a group are in for 50 percent of the total capital of the facility.

Now, if this facility collapses it may very well signal the first step in the breakdown of the whole international monetary system because, in a sense, the implementation of this facility has been awaited by the banks and by the less developed countries.

The banks have provided large amounts of capital to the less developed countries and are reluctant to provide further credit. All they are willing to do is roll over the debt. Roughly speaking, there is about $100 billion at stake in those loans, of which the U.S. banks have the heaviest share.

Now, let us not misunderstand the problem. This debt is perfectly secure and perfectly safe, Mr. President, in terms of the bank's reserve being adequate to cover any losses which might occur on these loans. But the banks know, and the Comptroller of the Currency knows, they simply do not have any new money. Yet, the imbalance which still persists for many of these countries will continue as far as we can see for at least a few years more until the economic system of the world can be rationalized and stabilized.

We will simply break the backs of the banks and these countries if they are disappointed in the fact that this facility, which has been counted on and expected, is not made available.

Why are the less-developed countries in trouble? They are in difficulty because not every country is an OPEC country, and in many cases commodity prices have fallen.

Second, we have to realize that the benefits of the multilateral trade negotiations, which may eventually flow to the less-developed countries, will not do so until the MTN is consummated. In the meantime, the trade of these countries have been suffering.

Third, Mr. President, the LDC's have had to pay an excess oil bill. Hence, these nonoil developing countries will run a congenital imbalance, of about $20 billion a year. If they cannot get the money from the banks, because the banks cannot lend them anything new, and if they cannot get it from some international facility especially designed to deal with this particular problem, they have no way of waiting out the period of readjustment.

Mr. President, let us remember that 28 percent of the U.S. manufactured exports go to the less-developed countries, and that if we take into account triangular trade, where we trade with industrial nations which, in turn, trade with the LDC's, translates probably into half of U.S. foreign trade.

So, Mr. President, taking into account the weakness of the dollar and the fact that the world is awash with $400–$600 billion, unless you retain some kind of an effective economic and trading system in the world and some kind of stability to the currencies of the world, the stage is clearly set for a crash.

Mr. President, that is borne out by the troubles we have in this country, which are only the tip of the iceberg in terms of the world. Uncertainty is the principal complaint of all our businessmen upon whom we are calling to invest. What they say is, "How can we invest in this kind of an uncertain world?" When we have an opportunity fully negotiated, fully matured, to give the world financial system some kind of support, some kind of a redemption of a promise, our colleague would have us let it collapse.

We talk about the national interest or the security interests of the United States. But the world is far less likely to go Communist, Mr. President, because of the conspiracies or the military actions of the Soviet Union than it is by our own imprudence and our own unwillingness to do what needs to be done in order to save ourselves economically. This is a sterling example of that situation.

I said I would go into some of the details. Let us remember that the reason why Senator SCHWEIKER had such a struggle about the appropriation for this particular facility was not because Members like myself are arbitrary, but there is a very real question as to whether this represents anything other than a bank deposit, whether it needs to be or should be appropriated at all.

The Treasury puts money in banks and keeps it there for years, as it must, and rolls it over for years. The IMF facility which is here created is not even the purchase of IMF capital. The funds are repayable money which we can draw on, by the way, if we have balance-of-payments difficulties, and is repayable in a 3- to 7-year period with interest at the U.S. Treasury rate. It is really a certificate of deposit for a relatively long term.

Furthermore, Mr. President, and very importantly, too, in order to get such a loan, in order to qualify for such a loan, a country—not necessarily a less developed country—must demonstrate to the International Monetary Fund—which, if anything, has a reputation for being really hardline on this issue of conditionality—that within a short period of years, generally considered 3 to 5 years, it can, with the aid of capital out of this

particular Witteveen Facility, balance its payments.

I doubt very much that the United States could qualify under those circumstances. But many small countries and other countries drawing on this facility will do so, and it will represent an enormous support for the economic and monetary system of the world.

Finally, my assistant reminds me, that our colleague says he wants to look into the whole matter, he wants to be convinced that it does work; he wants to consult experts.

A reading of the reports of the hearings—and, by the way, the hearings were before the Foreign Relations Committee; which went into the merits of the issue; and in the Committee on Banking, Housing, and Urban Affairs headed by the present occupant of the chair (Mr. PROXMIRE) will show that. But the experts uniformly agree, not just on the desirability of the Witteveen Facility in terms of the world, but the essentiality of the Witteveen Facility to the national interest of the United States in our relationship to the world's economic and military system.

Mr. INOUYE. Mr. President, will the Senator yield?

Mr. JAVITS. Of course.

Mr. INOUYE. Is this not a temporary facility?

Mr. JAVITS. Exactly.

Mr. INOUYE. Is it not the likelihood that the United States, after 12 years, will get back all the money we have put in?

Mr. JAVITS. I do not think there is any question about that, with interest.

Mr. INOUYE. And the interest is a cost-plus figure?

Mr. JAVITS. Exactly; plus an override for their administrative expenses. So it will cost us nothing.

Mr. INOUYE. So this is not a giveaway program?

Mr. JAVITS. It certainly is not, nor a soft loan window.

Mr. INOUYE. And as long as there is no call for the money, it remains in the United States?

Mr. JAVITS. Exactly. It is a standby credit, which is called on only when needed.

Mr. INOUYE. I thank the Senator.

Mr. JAVITS. I am very grateful to the Senator for allowing me to go into this issue at length, as I have worked hard and thought much about this critical problem.

The most serious problem which faces the world today is the problem of uncertainty. World leaders, leaders of democratic governments, are shaken by the prospect of the uncertainty which seems to face the world. The fact that we are asking for big money for this facility is great; it has to be big money. It is a big world. We ourselves have a $2 trillion gross national product, and the European Economic Community probably has a gross natural product of about $1 trillion. So when you say over $10 billion it may sound like much money, but when you compare it to what is at stake—the world trade of the United States alone is almost $250 billion, let alone all the other countries of the world—it is small.

So with this apprehension that we do not know where we are going, that the dollar, the best currency on Earth, is shaking and is being sold, so much so that Government action cannot stem it—not Japanese Government action, German Government action, or even U.S. Government action—of that, the one ray of hope on the horizon is that at last the industrialized countries and the OPEC countries are going to get together to give some basis of support to the system.

If we wash out on this one, then, Mr. President, I see no reason why speculators should not definitely feel that the dollar will continue to decline.

Mr. President, that kind of a world will produce not 6 million unemployed in the United States, but 12 million unemployed in the United States, and comparably in Europe and other countries.

Let us not forget, Mr. President, that nowadays, unlike in 1932, people are not going to stand in soup lines as they did during the Depression. They are going to take social and political action in countries where you would least expect it.

I am not dangling that alternative prospect simply in terms of this measure, the Witteveen Facility; but what I am saying is, here is something which has been agreed upon; here is the only thing on the international horizon which supports confidence and security, and if we wreck this one by a pusillanimous attitude that we will just give the facility $500 million at a time, Mr. President, we will richly deserve what we get; and I deeply doubt that my colleague would seek to do that.

Mr. LUGAR. Mr. President, I rise to support the remarks that have just been made by our distinguished colleague the Senator from New York, and to oppose the amendment proposed by the distinguished Senator from Arizona.

I think this is the most crucial issue of this bill. Without attempting to highlight specifically that which is most important, I would agree that this is essential to our focus on what is going to occur in international relations, and particularly those relations that have to do with money, in the foreseeable future.

The facts of life are that after the OPEC nations took action with their oil price increases, the world faced some very tragic consequences, not only from the shortage of petroleum at that point, but from the enormous dislocation in terms of trade balances.

It is a complex subject, and many people, I suppose, throughout the world will hope that the bankers might provide for this in some rough and ready fashion.

But the tens of billions of dollars that came into transfer payments during that time thoroughly packed the banking systems of the world. In hearings conducted before the Committee on Banking, Housing, and Urban Affairs, of which the distinguished occupant of the chair (Mr. PROXMIRE) is chairman, we heard a number of expert witnesses describe these dislocations, and we heard distinguished witnesses—I remember specifically the former chairman of the Federal Reserve Board, Arthur Burns—say that of all the things that were important in terms of international finance, speedy ratification of the United States position in the Witteveen Facility was perhaps the most important. He encouraged our committee and this body to act with dispatch not only to reinforce the trust of others who were involved with their commitments, but likewise to bring about some feeling on the part of the American public that we are in charge of this situation.

What is the situation? It simply means that if in fact there are winners and losers in international trade, somebody has to lend the money to make possible the facilitation of the payments of debts and bills that come about. Failure to do so, of course, will mean that we will be unable to pay for the petroleum and whatever else we are importing in this Nation. We have great resources, and have been able thus far to pay our bills, although the dislocations in this economy have been very substantial ever since.

This body has heard a great deal of oratory about the problems of inflation that resulted from those shifts. We have heard from time to time—and the Senator from New York has been distinguished in this effort—that the international banking picture is in a very fragile position. Indeed, Mr. President, the United States has been very lucky to have made it through thus far, and so have most banking situations in the world, because their total assets really are not substantial enough to continue to finance these sources of wins and losses occasioned by the dramatic shifts that the OPEC situation has brought to bear.

As the committee report points out very well, for some time the IMF participation in this has been relatively small. As I recall, the committee report says in the period of 1974 to 1976, only 7 percent of the balance of payment-type financing was being carried on by the IMF. Almost all the rest was by private banks.

Before the Banking Committee we heard testimony which would lead one to be, I think, very cautious about how this private banking situation is going to proceed in the future.

I bring this point to the attention of the Senate, Mr. President, because one of the criticisms of the Witteveen Facility has been that it is a banking relief act, that in essence the IMF is going to take over risks that have been held by U.S. banks or other banks working in a correspondent or commercial relationship with our banks.

The facts are, Mr. President, that many persons in this body have felt the involvement of United States banks in foreign government financing, and very frequently the loans if not directly to foreign governments very rapidly come to those sorts of obligations and dealings, could very easily get the United States into difficulty with its foreign policy from time to time.

To be very blunt about it, Mr. President, if in fact United States private banks become involved in very, very substantial loans, and countries, whether they be underdeveloped or well developed are unable to pay these loans—as a matter of fact, if there were changes of government and repudiations of some of

the agreements—then we have foreign policy implications being guided in essence by the original loans of private banks in the United States, if we are to be made whole in this process.

Indeed, Mr. President, the suggestion has been made that, at a time of potential credit crunch in this country, at a time when many persons believe there may be a capital shortage in this country that these sorts of exposures might lead not only to difficulties with the banking system but, indeed, for our entire economy.

In short, it is a healthier situation for private banks as a part of their portfolio not to become so deeply involved in loans that may have vast political overtones and ramifications, and which could lead this country into many more difficulties than we might surmise.

The Witteveen Facility idea comes along as a development of the thought that, as opposed to leaving all of this to chance and having greater exposure by private banks, using the participation, and in this case the very substantial participation, of some newcomers among the wealthy of the world, namely Saudi Arabia with a substantial participation, a safety net can be created which makes sense. The United States is asked to make available 17 percent, essentially, of that participation.

As the colloquy between the distinguished Senator from New York and the distinguished Senator from Hawaii established, the money remains in banks in the United States, unless there are requirements for the participation to be repaid within 7½ years. In other words, it is our money. It is not a giveaway. It is not a scattering of dollars abroad, some sort of nebulous scheme. This is, in fact, a safety net which keeps these enormous balance-of-payments shifts under some sort of control and does so in the case of the Witteveen Facility as opposed to the earlier attempt, with the requirement there be a plan on the part of nations who borrow to get their affairs in order; to try to rearrange their economies to meet these foreign deficits. That was not a part of many of the earlier loan arrangements. For that reason, this is a vastly superior idea.

Finally, Mr. President, I would simply reiterate what other Members have said. On the repudiation of our 17-percent participation—that is the amount that is in the bill and the Senator from Arizona seeks to diminish this by about 17 percent, a sort of phasing-in situation—I oppose the phasing in, but I am in favor of 17 percent because that is basically the agreement this country had negotiated. It is important in good faith that our partners in these negotiations, the other 83 percent of the net, know that we can be relied upon and that the Senate is going to act in a responsible fashion.

I rise, Mr. President, simply to suggest that the strong affirmation given by the Secretary of the Treasury in behalf of the administration is shared by many on this side of the aisle, too, that in a bipartisan sense it is important to affirm that we recognize the fragile economics of the world and are prepared to deal with them responsibly.

For that reason I hope the amendment will be defeated and the committee's original language affirmed.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. STEVENSON. Mr. President, I rise to oppose this amendment. I commend the distinguished Senator from New York and the distinguished Senator from Hawaii for their statements in opposition to this amendment. There is not a great deal left to be said by those of us who do oppose it.

Since the oil price increases of 1973, the current account deficits of the non-oil-producing countries have been averaging about $50 billion a year. Those current account deficits have placed a severe strain, as the Secretary said, on the international monetary system.

They have placed a severe strain on credit facilities, some of which are overextended, and many of which simply do not have the resources with which to continue financing current account deficits.

This is not the first attempt to respond to this crisis in the international monetary system with additional facilities for current account financing.

The first international proposal was the safety net proposed by the OECD. We might, incidentally, bear in mind that the bulk of these deficits is sustained not in the developing countries but by the developed countries. It is not only the lesser developed countries which call upon IMF facilities for the financing of current account deficits but also developed countries, including this one, the United States, have asked the IMF, and may in the future have to call on the IMF, for current account deficit financing.

In addition to the economic consequences of a failure by the United States to support this facility, the political implication for this country is grave. We failed to support the OECD safety net. We have delayed now for a long time in acting to support the Witteveen Facility. All other subscribers to that facility are waiting for us. All of them are ready to approve it. All the while, as the monetary crisis deepens, the United States continues to lose its authority in the world. The sinking dollar is a measure of declining confidence in our capacity for management of our internal economic affairs and economic leadership for the world.

The international monetary system began with a burst of leadership from the United States. It began some 40 years ago. It began here in Washington at Bretton Woods. Unhappily, it has not been followed by leadership from this country at the level to which we aspired and which we attained in the late forties.

Now, the world is waiting for leadership and the doubts about our capacity for leadership are growing. To defeat this attempt to offer it on the eve of the meeting of the International Monetary Fund here in Washington would deprive the world of confidence in our ability to offer it economic sanity.

This facility, unlike those in the past, requires of the United States a relatively small commitment. The bulk of it—half of it—is subscribed by OPEC oil-producing, surplus countries, most notably Saudi Arabia.

No one would benefit from the failure of Congress to approve this facility; least of all, the United States. It has the most at stake in the international economic system. It has more of an economic stake, it also has more to lose politically. I urge my colleagues to oppose this dangerous amendment for political as well as for economic reasons.

In conclusion, I point out that this has been studied. It has been studied in the Senate Banking Committee. I have here transcripts of the hearings in that committee on international monetary matters within the last 2 years, including the Witteveen Facility. We have had at least seven hearings. I understand that the Committee on Foreign Relations of the Senate has held 5 days of hearings on the Witteveen Facility; there have been hearings in the House.

To my good friend from Arizona, I point out that no other nation in the world submits participations in IMF facilities to appropriations process. Most of them do not submit participations or authority to participate in the IMF to any part of the legislative process, because they recognize, as we should, I believe, that participation involves an exchange of assets. The IMF is in the nature of a central bank for central banks. We do not require appropriations for bank deposits by the Treasury. There is no greater reason for doing so in the case of the IMF.

All that notwithstanding, there have been lengthy hearings in both Houses over a period of years, and I should be very surprised if any, or certainly very many, Members who have been a party to those hearings and have examined the stresses to which the international monetary system has been subjected since the oil price increases in 1973 would not support this measure enthusiastically and suggest that, if anything, it is too little.

(Mr. FORD assumed the chair.)

Mr. SCHWEIKER. Mr. President, I rise in opposition to the amendment of the Senator from Arizona. I want to say at the beginning of my remarks on this subject that the Senator from Arizona performed a great service, and certainly supported somewhat what I thought were very responsible, fiscally sound efforts to make sure that whatever money is going to go into the International Monetary Fund and its facilities in the future would go through the budget and appropriations process. I had an amendment on this matter that was adopted, 67 to 0, on the Senate floor. I commend the Senator from Arizona for his strong support of that principle.

I think it is vitally important, as we see the role of the International Monetary Fund grow larger and larger, that we bring it into conformity with the budget and appropriations process. I think it is absolutely vital that we do not start another system of back-door spending, where we put up money or credit or certificates, or whatever you want to call them, and say that, somehow, it is not chargeable to anybody. I

strongly take issue with that. I am glad the Senate has spoken on this issue. The Senator from Arizona has done a great job in supporting that effort. I appreciate that.

I am opposing his amendment because of many of the reasons that have been stated. I shall try not to repeat those. I did say that if we accepted the principle of the appropriations process and the budget process applying to International Monetary Fund accounts, I would support the full amount of this facility. I am doing that today.

I think aside from that commitment I made earlier, there are some other sound reasons for supporting the full amount of this facility. This is the first time that I can recall that the United States is participating in an international facility where we are not the biggest donors, the biggest givers. I think that is a very significant step. The World Bank or whatever, we were always the biggest ones; we are the Sugar Daddy.

I think conditions have changed. I think it is important for other countries to pick up that burden where they can and that our efforts do not deserve always to put the most up in the quickest way. So, for the first time, we are going into an international facility where we are not the largest participants. We pay something like 17 percent of this facility, and the Saudi Arabian Government is responsible for 25 percent. I think that is very good and healthy, that we are recognizing, at long last, that there are other countries that can contribute to world security and monetary stability besides us. That is one of the reasons I am supporting it.

Second, I am also glad that we are getting the OPEC countries to accept their responsibility aside from their role in supplying oil and receiving payment for it. The Saudis are picking up 25 percent of this tab. I think that is a healthy development. I commend Saudi Arabia for doing it and I think we ought to encourage them and other OPEC members to pick up their share of the chits when we get some problems creating inequities from the distribution of oil and petroleum supplies around the world.

Mr. DECONCINI. Will the Senator yield for a question?

Mr. SCHWEIKER. Yes, I will.

Mr. DECONCINI. Is it fair to say that Saudi Arabia and most of the contributors to this fund have a favorable balance of trade?

Mr. SCHWEIKER. I think that is a very fair statement.

Mr. DECONCINI. Of course, is it fair to say the United States has a very unfavorable balance of trade?

Mr. SCHWEIKER. That is also a fair statement.

Mr. DECONCINI. Is it not fair to conclude then that when we have a favorable balance of trade it makes a lot more economic sense to participate in such an effort; would the Senator agree with that?

Mr. SCHWEIKER. I certainly do.

Mr. DECONCINI. I thank the Senator from Pennsylvania.

Mr. JAVITS. If the Senator will yield further, does it not make a lot of sense to participate if we have an adverse balance of trade if in this way we gave material improvement to the balance of trade, and where we are in possession of just about one-half of the whole free world's industrial complex, so that we are that superpower?

Mr. SCHWEIKER. I would agree with that point and I was about to make it myself. I concur with that.

Mr. JAVITS. I thank the Senator.

Mr. SCHWEIKER. I want to point out one of the other roles along the same line the Senator from New York has pointed out. The International Monetary Fund has helped other countries who had severe balance-of-payments problems.

I can think of no better examples than England and Italy. There is a very serious question that if the IMF had not been available to England and Italy at their very critical times in the balance-of-payments problems, we might have seen some worldwide economic repercussions and some severe defaulting that could have had an effect throughout the world.

So, I think we have to point out the role they are doing, when we also look at it and see their ability to do what no other government can do, that is, to go to a country and say, "Hey, look, you have to stop living high off the hog, you have to face up to this inflation, you have got to face up to that wage rate problem and that cost of imports problem."

No other facility in the world has the ability to do that. That is exactly what England needed. That is exactly what Italy needed. It is what Jamaica and some other countries need.

I guess if we look at our own country, it is just about what we need. Some of these days we may be turning to them, as was pointed out.

So, it has done some good. They are able to give medicine nobody else will swallow politically because they tell the political leaders what is needed, and they say, "We don't like it, it's unpopular, but we do it to keep the integrity of our economic system and we take the orders to keep the integrity of our system."

So, they are performing a very critical role. I think we have to acknowledge that. They are performing a role of economic discipline that cannot be done by any other international facility. The U.N. does not do it. No one else can do it. It is a unique thing. And it is growing.

I want to see the whole thing subject to the appropriations budget process because I can see it enlarged in the future.

But I think we, as an appropriations committee, ought to have the right to do just what Senator DECONCINI is doing now, saying, "Wait a minute, is this a fair deal?"

I will have to say, probably on the next go-round, if there is one, I will be questioning, as he is, what the deal is now.

Mr. DECONCINI. Will the Senator yield?

Mr. SCHWEIKER. Yes.

Mr. DECONCINI. I would like to pursue one thing the Senator brought up, indicating that the IMF can impose their restrictions, as he says, kind of force the swallowing of the medicine, to get lending countries to get their economic house in order.

Now, the United States, if we participate in this, has a right, as I understand it, under the committee amendments, of some $1.5 billion, or almost $1.5 billion.

Perhaps that is what the United States should do, draw on this so somebody will impose some already strict conditions on how we operate economically.

Does the Senator think that is a good idea?

Mr. SCHWEIKER. I think the point is well taken. We certainly need to administer medicine to ourselves. If we are not capable of it, then, obviously, we will have to have some help.

Mr. DECONCINI. One moment further. The Under Secretary of International Economic Affairs expressed to me that the United States had no intent whatsoever to draw back on its drawing rights if we are a member of this facility. I would just like the record to show, if we are attempting to make an account here today that this is good for us, that the only way it will be good for us is if we have someone place restrictions on us, and if we are not going to draw the money for ourselves for our unfavorable balance of trade, we will not have any restrictions.

In fact, we are only offered it with the option of participating to the point of $1.8 billion and letting someone else get the benefit if the IMF imposes some restrictions on their economic house.

I thank the Senator from Pennsylvania.

Mr. SCHWEIKER. In response to the Senator's remarks, it is true, I do not believe our Government presently has the intent of using the facility to our own benefit. However, things change, economies change, and the world economy changes.

So, while I think he is correct in saying that, it could well change in the future.

I do point out, though, that if Italy had gone under financially, or Great Britain had gone under financially, we still might be picking up the check ourselves for that.

So I think there is a very specific benefit to us, even though it may not be directly, but the role they perform for our allies who we would have to stand behind and assist and help financially.

Mr. President, I feel the case has been made, and I do want to say that I am opposed to the amendment for the reasons I stated.

I want to yield now to the chairman of our committee.

Mr. MELCHER addressed the Chair.

The PRESIDING OFFICER. The Senator from Montana.

Mr. MELCHER. Mr. President, listening to the debate on this amendment causes me to want to inquire of the distinguished Senator from Hawaii, the manager of the bill, to clear some points that are uncertain on reading the report, then listening to the debate that has just transpired here.

I note the report is dated September 15. I would assume that the information contained in the report is the most accurate information then available, and perhaps may be more correct than some of the inferences made in the discussion.

For instance, if the Senator will oblige me by reviewing these questions, clearing the points up, the report on page 153 deals with the subject matter that when at least six countries, each providing $558 million or more, have formally agreed to participate, the Witteveen facility will enter into force.

Now, which countries, so far, have formally agreed to participate?

Mr. INOUYE. Mr. President, if the Senator will yield, the following countries have agreed to participate: Belgium, Canada, Germany, Japan, The Netherlands, Switzerland, United States, Iran, Qatar, Saudi Arabia, Venezuela, United Arab Emirates, Kuwait, Nigeria, Guatemala.

Mr. MELCHER. Now, those countries then have agreed to participate for a certain amount in the formal way, such as the appropriation bill we are considering today.

Mr. INOUYE. Does the Senator wish me to read them out?

Mr. MELCHER. Well, the confusion that is caused in my mind, is that I can certainly hear that the OPEC countries are going to pick up half. That was the tone of the debate this morning. I believe that was a point made by both the senior Senator from New York and the senior Senator from Pennsylvania.

Yet, the report says that the largest single participant is Saudi Arabia, which is expected to pledge approximately $2.5 billion.

It is a little unclear to me, in reading that sentence, whether Saudi Arabia, first of all, has made a formal agreement to participate. I judge that that is the case, since Saudi Arabia was included in that list. But I wonder why the report is indefinite on the amount. It says that it is expected to pledge $2.5 billion. What is the true case?

Mr. INOUYE. I regret that the language in the committee is subject to that interpretation.

There is no question as to Saudi Arabia's commitement. To be precise, the OPEC contribution totals 47 percent, not 50 percent. Saudi Arabia is the single largest participant—$2.5 billion, which constitutes slightly more than 23 percent of the total.

Mr. MELCHER. I thank the distinguished Senator.

As to these special drawing rights that are available to participating countries—I will take the United States as an example. If we were to appropriate this amount of money that is recommended in the bill, would those special drawing rights apply to the International Monetary Fund?

Mr. INOUYE. Yes. Special drawing rights are an invention of this age, because there is no common currency. These countries have their own hard currency. So each country, as a result of negotiation, came up with a conversion, that the dollar will be equal to so many special drawing rights—the SDR's.

In this case, in exchange for financing provided the IMF, a participant will receive a liquid reserve claim on the IMF which can be cashed at any time, by representation by the participant of balance of payments needs.

Mr. MELCHER. Are those special drawings rights adjusted daily according to the market of individual currencies?

Mr. INOUYE. No.

Mr. MELCHER. The dollar has been dropping. Would it be possible for Japan or any other country to exchange—well, since the dollar has been dropping, I will rephrase my question. In relation to the yen, how is that adjusted in special drawing rights? The Japanese would not want to exchange yen for dollars if the dollar had not been devalued, would they?

Mr. INOUYE. No. That would not be permitted. If that were permitted just within the facility, one country could exploit the situation and make some money on it. That would not be proper.

Mr. MELCHER. Then, the adjustments are made according to the adjustments and the value of the currencies.

Mr. INOUYE. No, they are not.

Mr. MELCHER. I thank the Senator.

My next question goes to what happens to the interest that accrues. Is it not necessary for the International Monetary Fund and, so far as that goes, this facility, which is a part of the International Monetary Fund, to use the interest for overhead costs?

Mr. INOUYE. The participants will receive interest equal to the yield on U.S. Treasury securities of comparable maturity. So the borrower would have to pay to the facility at an interest rate equal to the U.S. Treasury interest rate, plus administrative costs.

Mr. MELCHER. Plus an overhead cost.

Mr. INOUYE. Yes.

Mr. MELCHER. That may clear up my next question, or it could lead to clearing it up.

The interest rates on U.S. Treasury notes generally are lower than commercial interest rates. How does this relate to the interest rate that a borrower would have to pay through the Witteveen facility?

Mr. INOUYE. The interest rate that would have applied until June 30, 1978, was 7 percent. After that date, the rate will be adjusted semiannually to reflect the actual cost to the Treasury of borrowings of comparable maturity.

Mr. MELCHER. Then, am I to understand that on top of that interest rate, there will be an additional charge for overhead, an additional interest rate above that?

Mr. INOUYE. Yes.

Mr. MELCHER. Is there any available figure as to what that generally is?

Mr. INOUYE. It will depend upon the cost of operation of the facility.

Mr. MELCHER. I think most commercial banks feel that is about 2 percent or 2.5 percent.

Mr. INOUYE. If that is the case, that would be the amount added on to the prevailing interest rate.

Mr. MELCHER. Generally speaking, that would be about it?

Mr. INOUYE. That is a good estimate.

Mr. MELCHER. We use the International Monetary Fund, I am sure, as often as is advantageous to us, but the United States would not be likely to use the Witteveen fund, would it?

Mr. INOUYE. I cannot see any situation in which we would be using it, although there is no restriction on becoming a participant.

Mr. MELCHER. If the figure is available, what are the present special drawing rights that we now have with the International Monetary Fund?

Mr. INOUYE. I do not have that information on hand, but I can tell the Senator what we will get as a result of our involvement in the Witteveen Facility.

Mr. MELCHER. My question goes further than that. Since a participation in the Witteveen Facility will create the opportunity for special drawing rights for the United States, I merely wanted to put that in perspective with whatever special drawing rights are now available for the United States through the International Fund, since we probably never would use the Witteveen Facility.

Mr. INOUYE. I am sorry, but I cannot respond to that right now but I will have it in a minute or two.

Mr. MELCHER. I believe I can assume, can I not, that the United States would not use the Witteveen Facility because of the three conditions that are detailed on page 153 of the report, especially the third one:

> The member must provide a detailed economic program that the IMF is satisfied is adequate to solve the country's balance of payments problems.

We never have followed such a procedure, have we?

Mr. INOUYE. I believe the Senator is correct.

Mr. MELCHER. This brings me to the last question: What is the need for this particular facility, a part of the International Monetary Fund, that could not be taken care of under the existing International Monetary Fund?

Mr. INOUYE. It provides something that the regular IMF does not provide; it provides a longer period for adjustment.

Mr. MELCHER. The longer period is 3½ to 7 years. Is that correct?

Mr. INOUYE. Correct. The normal is 3 to 5, and this goes beyond that.

Mr. MELCHER. Does the Witteveen Facility go beyond 7 years?

Mr. INOUYE. The normal is 3 to 5.

Mr. MELCHER. I understand. The normal for the International Monetary Fund is 3 to 5.

Mr. INOUYE. That is right.

Mr. DECONCINI. Mr. President, will the Senator from Montana yield?

Mr. MELCHER. I yield.

Mr. INOUYE. This can go to 3½ to 7 years.

Mr. DECONCINI. My understanding is that what the chairman says is correct about the period of time, but it is interesting to note, for the information of the Senator from Montana, that the extended fund facilities are already avail-

able for long-term lending. This financing is up to 3 years and is available through the special facility that is already in existence and to this date only $352 million of SDR's have been drawn through the extended fund. This is equivalent to less than 1 percent of the potential reserves available under the extended fund.

That is one of my points. It does not make a lot of sense for us to get involved in another fund, another huge commitment when the only need here or the paramount need is to have a longer period of time than the 3 years permitted under the extended fund facility. We should ask that that fund facility be changed to 5 years and that those funds first be used before we obligate ourselves in this country, and the other nations as well perhaps, to the tune of $1.8 billion of American taxpayers' hard-earned dollars.

Mr. MELCHER. I thank the Senator.

Mr. INOUYE. If I may further respond, there is another condition which does not appear in the regular IMF facilities, and I think it is a very important one. There is a more stringent requirement that the borrowing country provide a detailed economic program that the IMF is satisfactory to solve the country's balance of payments problems.

Mr. DECONCINI. Mr. President, will either the chairman yield or whoever has the floor?

Mr. MELCHER. I yield to the Senator for a comment.

Mr. DECONCINI. If I could ask the chairman of the subcommittee, is it my understanding that the conditions placed on the Witteveen Facility loans would be different than those on the extended fund facility?

Mr. INOUYE. I am sorry.

Mr. DECONCINI. Do I understand correctly that the chairman's statement indicated that the conditions placed on the Witteveen Facility funds that are lent out to requested nations would be significantly different than the conditions imposed on the extended fund facility or any other IMF loan?

Mr. INOUYE. It would be more stringent.

Mr. DECONCINI. More stringent?

Mr. INOUYE. Yes.

Mr. DECONCINI. Is there any good reason that the conditions of the extended fund facility or other general IMF fund facilities could not be more extensive, or stronger, or whatever term we might want to use, more flexible, to permit more imposition of the corrections of governments who are borrowing money to get their economic house in order? Is there any prohibition of that changing?

Mr. INOUYE. I do not suppose there is any prohibition, but all the member countries would have to get together.

Mr. DECONCINI. They would have to agree?

Mr. INOUYE. They would have to agree.

Mr. DECONCINI. In other words, it would have to be renegotiated to make any alterations of those conditions?

Mr. INOUYE. As a result of the negotiations for the Witteveen, they have come up with this more stringent requirement.

If I may, in response to a question earlier asked, the U.S. SDR quota in the IMF at the present time is 8,405,000,000 SDR or the equivalent of $10.5 billion.

Mr. MELCHER. I thank the distinguished Senator because that represents the amount of investment the United States has currently in the International Monetary Fund. Is that not correct?

Mr. INOUYE. The Senator is correct.

Mr. JAVITS. If the Senator will yield, I will see if we can cast some light on why the extended facility has not been used very much. The extended facility is essentially a 3-year operation. It is a medium-term loan, and it is tied to the use by the applicant country of its regular tranche quotas so that the aggregate of the use of the extended facility plus the use of its regular quota, and most of these countries have to use their regular quotas—cannot exceed 161 percent of the quota. That has been a very serious and a very terrible limitation upon the utilization of the extended funds.

Second. the extended fund is not contributed to as is this one, especially.

Mr. DECONCINI. Will the Senator yield for a question as to the extended fund?

Mr. JAVITS. I yield.

Mr. DECONCINI. Is the Senator indicating that the quotas of the needy countries are all used and that is why they cannot use the extended fund facility?

Mr. JAVITS. I am not saying they are all used. All I am saying is a country has to have in front of its mind the fact that it may have to use its early tranches because the use of the extended facility is linked to its use of whatever its regular tranche is in its regular operation.

Mr. DECONCINI. If the Senator will yield further, if he cannot be positive that these needed nations have already exhausted their quota, or the amount they can have, is it not wise for us to make that determination before we advance another facility?

Mr. JAVITS. When you couple what this Witteveen Facility does with the fact that 50 percent of the funds will come from OPEC, which to me is the critical issue, and the limitations which are on the extended facility, you can begin to understand why the facility is critical. In addition, the resources available under the Witteveen Facility will be provided pari passu with normal Fund resources, under the regular credit tranches and the extended facility, and will be subject in each case to the adoption by the member of economic policies and a Fund approved under either of the two permanent programs.

Mr. DECONCINI. Yes. But the Senator moves to another argument.

Mr. JAVITS. No, I am not. I am sticking to this argument in the sense that the extended facility is obviously not usable because of its strict conditionality and 3 year program. The Witteveen Facility will provide a larger repayment period.

Mr. DECONCINI. If the Senator will yield, why is it not usable?

Mr. JAVITS. Because it is tied to the regular tranche of what a member country can draw.

Mr. DECONCINI. If the Senator will yield, does the Senator have information that will show us that countries cannot draw or it is detrimental to them to draw?

Mr. JAVITS. If the Senator will give me a few minutes, that is exactly the information just brought to me.

Mr. DECONCINI. I appreciate that, and I thank the Senator from New York.

Mr. MELCHER. I thank the Senator from New York and the Senator from Arizona for their comments and clarification, and I draw the conclusion from the comments and answers to questions that the Senator from Hawaii has given me that the principal difference with the Witteveen facility is the length of time that a loan can be made and that, while it is not the type of facility that the United States is likely to use, the contribution of $1.8 billion-plus will increase our special drawing rights in the International Monetary Fund.

I am a little bit confused, however, on what our total drawing rights or special drawing rights are in the International Monetary Fund.

I think the distinguished Senator said it was about $10.5 billion currently.

Mr. INOUYE. It is 8.405 billion in SDR's, the equivalent of $10.5 billion. If the Senator is interested, in addition, we have the reserve position of 3.3 billion in SDR's or $4 billion.

Mr. MELCHER. I believe the Treasury Department has informed us this morning that our special drawing rights in the International Monetary Fund came to on the order of $39 billion to $50 billion. I wonder if we could have a clarification on that.

Mr. INOUYE. It cannot be.

Mr. MELCHER. Then I am getting inaccurate information out of the Department of the Treasury.

I thank the distinguished Senator for his courtesy and his able discussion on the points I have inquired about.

I yield the floor.

Mr. CHURCH. Mr. President, I wonder if the point has been made in this debate that the Witteveen Facility is in the nature of a temporary addition to the capital otherwise available to the International Monetary Fund?

The temporary character of the facility is important, because any money loaned through the facility will be repaid, over a period of years, to the contributing countries.

Now. when the authorization bill for the IMF was before the Senate, we had a scrappy debate about whether it was really necessary to appropriate $1.8 billion. In the end, we accepted the position taken by the Appropriations Committee and the Budget Committee on that point, even though everyone acknowledged that, in all likelihood, the United States would not be called upon to pay out anything close to $1.8 billion. At most, the loss to the United States would consist of a possible reduction in exchange values on the monetary market which might occur during the period of repayment. So, actually it is misleading to discuss this issue in terms of an outlay by the United States of $1.8 billion of the taxpayers' money. It is entirely possible, if the ex-

change rates move in our favor, that it would cost the United States little or nothing at all.

Second, Mr. President, the nature of the emergency leading to the creation of the Witteveen Facility is embedded in the disequilibrium in the world economy that was occasioned by the decision of the OPEC cartel to quadruple the price of oil. That decision, taken all at once, in October of 1973, followed by additional price increases in the years since, has created a very serious imbalance in the world economy.

It has caused, as Senators know, a massive transfer of capital from the industrial nations and from the Third World, where the poorest countries are located, into the Middle East.

As surpluses have accumulated in the Middle East, they have been counterbalanced by growing deficits in the West and among these countries of the Third World. This is the emergency which created the necessity for the Witteveen Facility.

As the Senator from New York correctly points out, this is the first time we have secured a major contribution, approaching half of the entire fund, from the rich Arab nations that created the problem in the first place.

I am acquainted with the various forms of aid we have given to foreign nations. This is the first time we have ever entered into an international agreement, in which the Arab countries have extended half of the total. That, I think, is extremely significant, and it is one of the reasons why we should not be the country that drags its feet in implementing this agreement, but the country that, having taken the lead in creating the Witteveen Facility, should be the first to approve it here in Congress.

Unfortunately, that has not been the case. We have, in fact, dragged our feet.

I hope, Mr. President, that we reject the amendment offered by the distinguished Senator from Arizona because, to enact it, would repudiate the agreement entered into by the United States, which has been approved by all the other countries that still await our final action.

It would be very regrettable if Congress failed to give its approval.

Mr. DECONCINI. Mr. President, I thank the distinguished Senator from Idaho for his remarks. I am sorry that I cannot subscribe to his statement that the fact that we have made a commitment, we must now appropriate the money and approve it. I think that is the process for us, to review and to tell the executive branch that maybe they have gone too far; maybe their appetites are a little bit too great.

I think it is important that the countries that are participating or that will participate in this Witteveen Facility, if it is enacted, should have their balance of trade looked at on the international dollar exchange: Belgium, for instance, has a $500 million balance of trade; Canada has a minus $3.9 billion; Germany has a plus $3.8 billion; Japan has a plus $11.1 billion; the Netherlands has a plus $200 billion; Switzerland has a plus $3.5 billion; Iran has a plus $4.7 billion; Qatar has a plus of $500 million; Saudi Arabia has a plus of $15.8 billion; Venezuela has a plus of $900 million; the United Arab Emitrate has a plus of $4.3 billion; Kuwait has a plus of $6.2 billion; Nigeria has a minus of $300 million; Guatemala has a minus of some $5 million; and the United States has a minus of some $15.2 billion.

Yet we are told that it is in our best interest to take the lead once again and "help bail out the world." And why? Because we were able to get the OPEC nations to contribute substantially.

I applaud the administration for its fine negotiations in getting the OPEC nations to contribute. That is what they should do, just as this country has contributed throughout the history. When times are good, and we have a surplus and people are prosperous in this country, we are the most generous nation on earth, and that is as it should be.

That is not the case today. When we are running a $15.2 billion deficit in balance of trade, for us to decline to appropriate $1.2 billion is not what I think the Senator from Illinois referred to as a "dangerous amendment"; I think it is a logical approach to our responsibility as U.S. Senators.

The argument is made that we have commitments, that we must now fulfill those commitments, that from the standpoint of the Senate the appropriation is only a superficial action that we have to go through.

That is hogwash. That is what the Appropriations Committee is supposed to do. Our responsibility is to review, hold extensive hearings, and make a judgment and a recommendation to this body. The Appropriations Committee has not held extensive hearings.

I do believe there is merit in this approach. What my amendment seeks to do is phase it in with $500 million, which is not peanuts, I would say, in the least part.

The argument is made that the banks are waiting for this to be enacted. Are we to take a position that we cannot expect the banks to wait any longer? They are in there to make money. It is not up to us to take a position to help the banks out. They lend money on a return basis; they seem to know what they are doing, and I believe they do, and they do it very well.

The argument is made that it is urgent that we must go ahead now, we cannot wait for any longer period of time.

How urgent is this? The administration only brought forth the budget amendment about 1 month ago. They had been in office 20 months, and it only came forward a month ago that now is the time to consummate this arrangement and this new facility.

It seems to me that if it was so urgent for the sake of the dollar, so urgent for us, it would have been one of the priorities of the administration. I do not say that they have not changed their minds; I say that is exactly what they have done. But I think it is time that we face up to the situation that the argument that the dollar is down, that the country is not going to survive, and that the international monetary system is going down the drain unless we supply this funding flatly cannot be sustained.

It was pointed out that 7 percent of the financing in the world now is done by the International Monetary Fund. This is not going to make any substantial increase. We still have to rely on the private market for sustaining the ability of nations to borrow. For the U.S. taxpayers to apply this kind of money to stop the banks from waiting any longer because they feel that we are not participating enough just does not make good economic sense, when you have the extended credit facilities that we were talking about recently, which have yet to draw more than 1 percent of the available funds. It seems to me we ought to have hard evidence that those funds cannot be used for the purposes that the Witteveen Facility is intended to be used for.

If there is a problem with the extended fund, let us change that and spend those dollars first, before we appropriate the kind of money we are asked to do today.

I thank the chairman for his indulgence in permitting this amendment to come up, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. HATCH. Mr. President, I rise in support of the amendment of the Senator from Arizona.

I believe we must keep in perspective the magnitude of the appropriation now under consideration. We are considering a bill, Mr. President, which would appropriate over $9 billion for foreign governments of varying degrees of enmity toward the United States. I daresay there are a few governments for which we are appropriating these funds which are truly our friends and allies, but, Mr. President, the great bulk of these nations have opposed us at every turn as we have sought to pursue constructive foreign policy seeking freedom for all nations.

Many of these governments, Mr. President, especially those which are perhaps the most poor, are governed by Marxist or socialist military dictatorships of the most repressive character. Yet here we are with a bill which provides funds to these same repressive regimes.

Now, Mr. President, I am concerned that the real purpose of at least some of these funds is not to assist the impoverished populations of these countries but rather to assist their dictators in paying off massive so-called sovereign risk loans taken out from the big international commercial banks both in the United States and in Europe. In other words, Mr. President, the big banks have lent massive sums in commercial loans to these dictatorial governments, and the only means available for paying off the loans is a bailout through the U.S. foreign aid program. It is something like the New York City bailout, but in this case we are not dealing with our own people but rather dictatorships unfriendly to our people.

Now, it is well recognized that this process of bailing out dictators to bail out banks has been going on for many years,

but this year the bailout is reaching staggering proportions.

Last year in the 1977 foreign aid ripoff, which I fought hard and voted against, some 28 percent of its total $6.8 billion went for capital contributions to the big international financial institutions. These capital contributions in turn financed loans to roll over debt to commercial banks. This year's proposal, Mr. President, is a real bankers' bonanza, and it calls for similar capital contributions amounting to an outrageous 44 percent of the total foreign aid tab.

Why this tremendous increase in the slice of the pie given to the banks? Why this outrageous shift in emphasis from foreign aid for the relief of the poor to foreign aid for the relief of commercial banks?

Well, Mr. President, the main reason is that the large commercial banks have been unable to resist the massive profits they can make in booking offshore loans to foreign dictators who thereafter redeposit the loan in the same or another large international bank where it is again lent out, and so on and so on, this process occurring with no reserve requirement whatsoever. You do not have to have a reserve requirement. There is no reserve requirement for offshore loans. It is like a gigantic balloon which frankly is reaching the bursting point. So what is the American taxpayer asked to do? The American taxpayer is asked to cough up untold billions to finance dictators to pay back the banks to prevent the balloon from bursting. Now, perhaps to some extent, we are compelled to give this assistance. But, Mr. President, we must begin to draw the line. We must begin to put the brakes on this process of churning off-shore loans. We must, finally, cease robbing the average working man and woman in the United States to pay for the excesses of Marxist and socialist dictatorships and to satisfy the greed for profit of the large international banks.

At the last annual meeting of the International Monetary Fund, the main topic of discussion was the care and feeding of the Witteveen Facility, which is, as Senators know, title V of this bill. Now Mr. President, what is the Witteveen Facility?

As I have outlined, over the last 25 years, poor countries around the world have gotten the advice that they should borrow massively from the big New York and London banks to build what is known, somewhat obscurely, as infrastructure. No one really knows what infrastructure means, Mr. President, and apparently a lot of times it means $20 million for the coronation of an emperor or perhaps $4 or $5 million for the wedding of a daughter of a dictator or perhaps $30 or $40 million for the well-known Swiss bank account, all of which we are aware of.

But anyway, Mr. President, infrastructure is what these poor countries were told they needed, and they were told they needed to get the money from New York and London.

So today, Mr. President, throughout the so-called Third World, there are infrastructure projects which were poorly conceived and corruptly administered, with the result that very few if any of them contribute whatsoever to the economies of the nations involved. But the debt is still there. The debt is still there and the interest on the debt must be paid. So, Mr. President, how are these nations going to pay off these debts? And I might add, Mr. President, that the Washington Star reports this debt ranges around $200 billion total. Well, one way these countries have sought to pay the debt off is to jack up their taxes, a process we are of course familiar with in this country. Then, typically, they are urged to adopt austerity programs. Well, Mr. President, there is already a great deal of austerity in many of these countries where the gross national product per capita is well below $550 per annum. In fact, things are pretty austere already when you are living on a subsistence economy. But these banks are demanding payment. Now at this point, Mr. President, enter the Witteveen Facility.

This Witteveen Facility, title V of this bill, is thought by many, and maybe they are correct, to be a ripoff of the taxpayers of the major industrial nations, in this case the taxpayers of the United States. Not being able to get water out of a stone, the banks have had to go to the nations of the world with free-enterprise economies in order to get their Third World loans and the interest on these loans paid off.

This indirect approach, using the Witteveen Facility, is essential in order to fool taxpayers into thinking that their contributions are to help the poor and are somehow charitable in nature. The fact is, Mr. President, that these contributions do not help the poor. They simply bail out the banks. This bill is masquerading as the Foreign Assistance Appropriations Act of 1978. I agree with the Washington Star that perhaps it should be called the Bankers Relief Act of 1978.

Mr. President, I ask unanimous consent to have printed in the RECORD at this point the editorial of the Washington Star entitled "The Witteveen Facility."

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

THE WITTEVEEN FACILITY

The annual meeting of the International Monetary Fund starts today in Washington, D.C., which gives us an opportunity to lecture the whole gang of finance ministers all at once. The plain fact is, the IMF is among the chief sources of the planet's economic problems and it shows no sign of reforming.

The main topic of mischief this week no doubt will be the care and feeding of the Witteveen Facility, named after its creator, Johannes Witteveen, the IMF chairman. What is the Witteveen Facility? First we will tell you the problem the W–F seeks to correct.

Over the last 25 years, a lot of poor countries around the world came to the IMF and asked what they had to do to get ahead. The IMF advised them to borrow lots of money in the world's capital markets—the big New York and London banks, mainly—and use this capital to build "infrastructure." Dutifully, the little countries did so, but this has not proved the key to development.

So today, throughout the Third World, there is an abundance of rusting infrastructure, creaky steel mills, potholed roads. The cumulative debt now ranges around $200 billion, and the little countries have had to jack up their taxes to pay the debt service. From time to time a team of IMF economists drops by to recommend "austerity," mostly meaning higher taxes. By now the little countries have raised taxes on their miserable citizens to levels that can only be called "grinding." How can they now be further squeezed so the banks can be paid off?

Enter, the Witteveen Facility. The industrial countries should put $5.2 billion into the W–F, and the Arab oil sheiks will put up $4.8 billion. American taxpayers, in other words, will be asked to cough up a few billion for the IMF to loan to the poor countries so that they can pay off the banks.

This indirect approach is necessary in order to fool the taxpayers into thinking they are really helping the poor. Imagine the flap if the problem were solved honestly and directly: The Bankers Relief Act of 1977. How much more heartwarming it is to hear Sen. Jacob Javits who represents Manhattan, including lower Manhattan, warning that there will be an economic collapse unless we bail out the Third World (banks).

We doubt that such terrible things will happen if we fail to bail out the banks, though the big banks with the most infrastructure loans will no longer be quite so big unless they and the IMF can figure out another way to salvage their loans. We note that their problems can be solved by economic growth in the Third World, and see no reason why the IMF economists couldn't tell the little countries that what they need is not infrastructure but lower taxes, lower government expenditures, lower taxes, freer markets and lower taxes.

Mr. HATCH. Now, Mr. President, the banks have generally been able to take care of themselves, and I believe it is time for the Congress to take care of the American public first and let the banks write off a few bad loans. Banks collect interest on loans because of the risk they are taking in making the loan, the risk that the loan might not be repaid. So why do they not admit that these were bad loans? Why do they not admit that they took a risk and lost? Why is it they insist on coming to the Congress to get their bad loans taken care of? Why is it they insist on coming to the American taxpayer, who is already at the breaking point, to insist that he, the American taxpayer and American worker, cough up funds to pay for a bad loan made to a dictator, at least, in some of these cases? You know the saying, Mr. President, the public can be fooled some of the time but not all of the time, and, Mr. President, the word is getting out on this bankers' ripoff. The American public is getting the word on where these foreign aid funds really go, and I think it is time for us in the Senate to draw the line. And I think we had better draw the line now or the public will do it for us.

Why is it they insist on coming to the American taxpayers, who are already at the breaking point, to insist that they, the American taxpayers and the American workers, cough up funds to pay for bad loans made to dictators, at least in some of these cases?

You know the saying, Mr. President, the public can be fooled some of the time but not all of the time, and, Mr. President, the word is getting out that this is the bankers' relief bill.

The International Monetary Fund must be returned to its original purpose. The international financial institutions must be returned to their original purposes. The IMF and IFI's must cease being vehicles for strengthening socialist and dictatorial tendencies in recipient nations at the expense of taxpayers in free nations with strong, free-enterprise economies.

The House of Representatives, Mr. President, has had the good sense not to appropriate funds for the Witteveen Facility—the House of Representatives, Mr. President, has had the good sense—well, I guess they recently did appropriate the funds for the Witteveen Facility but only after a lot of discussion.

What I would like to bring forth at this particular point is a major speech delivered by Rimmer deVries, vice president, Morgan Guaranty Trust Co., at the World Outlook Conference, sponsored by World Econometric Forecasting Associates, in Philadelphia, Pa., on June 4, 1977.

Speaking of the international debt situation, he said:

The high and rising levels of international debt continue to be the subject of lively controversy and considerable concern among bankers and economists. Most of the current commentary focuses on the external debt of the non-OPEC less-developed countries (LDCs), which by the end of last year may have risen to almost $180 billion, of which about $75 billion was owed to commercial banks. This concern is of fairly recent origin. It will be recalled that most LDCs were doing very well earlier in this decade when they showed good rates of economic growth, were able to increase substantially their reserve holdings, and had relatively modest external debt and debt service levels. But then the sharp rise in oil prices occurred and the OPEC countries created almost overnight a current account surplus of about $65 billion in 1974, radically upsetting the balance of the international economy.

This is precisely what the distinguished Senator from Arizona has pointed out.

I might add that this speech was given in June of 1977. The conditions have worsened since, so we can just magnify in intensity the things that are being spoken about here.

Many commentators now take a fairly pessimistic view of the world payments and external debt situations. They typically hold a scenario which consists of the following assertions:

(1) The annual OPEC current account surplus, while reduced from its 1974 high to a level of about $35–$40 billion in 1975 and 1976, will remain about that large for the indefinite future;

(2) the direct and indirect burden of the OPEC surplus falls mainly on the LDCs, which therefore have large deficits to finance annually; as it happens, the OPEC surplus and the combined current account deficit of the non-OPEC LDCs are about the same in magnitude;

(3) since the OPEC surplus will remain very large for a long time to come, the LDCs will not be able to finance their new deficits through private financial markets and they will have increasing difficulties servicing their large external debt;

And I might add parenthetically, after No. 3, how are we going to get paid back? We have been assured here today that all of these loans that we are making are going to be paid right back by these LDC's, who have a hard time servicing their largt external debt. So who is going to pay these back and how can they stand here and make these kinds of assurances on the floor today, knowing that there are only three countries in the world which literally have anywhere near decent economies right now, other than some of the OPEC countries themselves?

(4) accordingly, if debt rescheduling and defaults are to be avoided, new official sources of financing will have to be created as soon as possible; and leading industrial countries such as the United States, Germany, and Japan, which are heavy recipients of OPEC surplus funds, should run large current account deficits offsetting the OPEC surplus and enabling the non-OPEC LDCs and smaller industrial countries to balance their current accounts;

(5) this would help to restore balance in the world economy, improve the creditworthiness of the borrowing countries, and increase the confidence which private financial markets have in these countries.

I do not accept all of the premises on which this scenario is based. I believe that the international situation is more hopeful than is customarily portrayed. A key point is that, if the international debt problem is the direct consequence of the large imbalance and dislocations created by the higher oil prices together with the subsequent tardy movement to restore international payments balance, the best way to deal with this problem is to improve international payments adjustment. Those who are pessimistic about the latter are also despondent about the international debt problem. But I am more hopeful than others about the outlook and possibilities for international payments adjustment.

Probably, one of these hopes is that we would fund the Witteveen Facility to the tune of $1.8 billion. I assume that that is about to be realized by our vote here today.

THE OPEC SURPLUS WILL NARROW

Fundamental to any analysis of the international adjustment process is the outlook for the OPEC surplus. The future course of the magnitude of this surplus depends on a number of important variables such as the price of oil and other goods and services, world demand and supply for oil, and the import capacity of OPEC countries, all of which are subject to a high degree of uncertainty. It nevertheless is misleading to postulate with a great deal of conviction that the OPEC surplus will stay at its present high level for many years to come. Based on assumptions which we believe reasonable, the OPEC surplus may well fall to about the $10 billion level by the end of this decade (see Table 1).

I ask unanimous consent to have the table printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 1.—OPEC CURRENT ACCOUNT BALANCE

[Excluding official transfers; in billions of dollars]

	1974	1976	1977	1978	1979	1980
4 Arabian Peninsula countries [1]	37.0	32.3	33.6	23.0	18.1	15.8
Rest of OPEC [2]	27.7	5.3	.5	1.5	−4.6	−5.3
Total	64.7	37.6	34.1	24.5	13.5	10.5

[1] Kuwait, Qatar, Saudi Arabia, UAE.
[2] Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Libya, Nigeria, Venezuela.

Mr. HATCH. Mr. deVries continues:

This more optimistic view of the evolution of the OPEC surplus is predicated on the following assumptions:

(a) oil prices will rise as fast as world manufactures prices, or by 7 percent per annum;

(b) world demand for oil will rise by 4½ percent per annum during 1977–80 due to slower economic growth than in the past, somewhat greater conservation efforts (but not as much as President Carter hopes to achieve) and modest development of non-oil energy sources;

(c) OPEC oil export volume will grow only slowly for the rest of the 1970s, partly because of the coming on stream of oil production in Alaska, Mexico, and the North Sea;

(d) the two-tier price system will be terminated by the end of this year, enabling most of the eleven OPEC countries again to step up their oil exports at the expense of Saudi Arabia and the UAE;

(e) the real growth rate of imports of goods and services of OPEC countries will continue to slacken during 1977–80 to an average annual rate of about 17 percent for the four Arabian peninsula countries and 6 percent for the nine other OPEC countries.

Beyond 1980, when OPEC oil exports are projected to rise somewhat faster after North Sea and Alaskan oil production reaches its peak, the OPEC surplus still could remain at or below the $10 billion level even if the growth rate of imports of goods and services of the OPEC countries decelerates to about half the rate of expansion assumed for the 1977–80 period. This projection, it should be noted, assumes that the objectives of the Carter Energy Program are only partially achieved and that by 1985 the United States is still importing about 9–10 million bpd instead of the 6 million bpd aimed at by the Carter program.

I think that is a very optimistic statement on the part of Mr. deVries, because I think it will be more than 9 to 10 million barrels per day as time goes on, and because we do not have an energy program and what the President has offered and others have offered are unlikely to create solutions to our energy problems in America.

Mr. deVries goes on:

Many analysts have difficulty accepting this projected moderation of the OPEC surplus mainly because they have doubts about the absorptive capacity of the Arabian peninsula countries. Even with the considerable scaling down of the growth in imports of goods and services assumed in our projections, Saudi Arabia would import nearly $50 billion of goods and services in 1980 and about $100 billion in 1985, in current prices of those years. Experts have no doubts about the ability of countries such as Nigeria, Iran, Indonesia, and Venezuela to spend all their oil export earnings, but they are skeptical about the future import capacity of Saudi Arabia, the largest OPEC oil exporter.

In view of the pivotal role of Saudi Arabia in OPEC, the future course of the OPEC surplus, and the international payments adjustment, I urge that more serious economic research be done on that country's potential absorptive capacity. In my opinion, it is easy to underestimate its potential imports of goods and services. First, the ratio between imports and national income should be extremely high in Saudi Arabia. A year ago it was over 40% but it could become substantially higher, partly because of the very capital-intensive nature of that country's economic development, its relatively small indigenous labor force, and its lack of natural resources other than oil. Last year Saudi Arabia's per capita imports of goods and services amounted to a little over $2,000,

about half of those of Kuwait, and I have no difficulty assuming that it could approximately double (in constant prices) by 1980 as we have postulated. Secondly, it seems to me erroneous to state that countries with small populations have a low capacity to import. The relationship between people and spending or import levels is not a close one. For example, Switzerland with 6 million people imported $19 billion of goods and services in 1976 and India with 600 million people had imports valued at less than $6 billion.

In my judgment, there is no *a priori* reason to expect that the overall OPEC surplus will stay at its present high level. In fact, it is more likely that it will be pared year after year and become much more moderate and manageable by the end of this decade.

CURRENT ACCOUNT ADJUSTMENT IN LDC'S AND INDUSTRIAL COUNTRIES

The second step in the pessimistic scenario is the contention that the non-OPEC LDCs are the countries most seriously affected by the higher oil prices. This view ignores several important developments. First, it is obvious that industrial countries are the largest consumers of energy and oil. In 1976, they accounted for about 85% of free world oil consumption. The cumulative current account deficit of the industrial countries excluding the major surplus countries (namely, Germany, the Netherlands, Switzerland, and Japan) during 1974–77 will be about twice as large as that of the non-OPEC LDCs. Second, while it is true that the principal industrial countries are in a preferred position to supply investment goods, entire plants, and arms to the OPEC countries, not all LDCs are incapable of increasing their exports to OPEC, and some of them (e.g., India and Korea) also are reaping substantial benefits from the repatriation of earnings of workers there.

Much more important, although the LDCs may not be in as good a position to sell the goods and services desired by OPEC, they have been stepping up their shipments to the United States and Germany. In other words, while industrial countries are expanding their sales to OPEC countries, the LDCs are accelerating their sales to industrial countries. This again indicates that considerable international adjustment is being accomplished and that the non-OPEC LDCs by no means are excluded from its beneficial aspects. Indeed, if the combined current account deficit of the non-OPEC LDCs is restated to allow for inflation and growth in trade volume it is about the same size as before the oil price increase. (See World Financial Markets, December 1976 and April 1977.)

The results of this overall adjustment process are registered in the various countries' current accounts, and it is instructive to examine the data for 1974 and the projected numbers for 1977. In the three years since 1974, the largest current account deterioration is shown by OPEC ($30½ billion), Germany ($7¼ billion), and the United States ($8½ billion). The benefits of this overall deterioration of more than $46 billion accrued to a great number of countries. Table 2 shows how the current accounts of a large number of countries have fared.

Mr. President, I ask unanimous consent that table 2 be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 2.—CHANGES IN THE CURRENT ACCOUNTS OF SELECTED COUNTRIES, 1974–77 [1]

[In billions of dollars]

	1974	Projected 1977	Change 1974–77	1977 imbalance as percent of GNP/GDP
OPEC	64.7	34.1	−30.6	
United States	[2] −1.6	−10.0	−8.4	0.5
Germany	9.8	2.5	−7.3	.5
Total			−46.3	
Countries showing improvement:				
Japan	−4.7	6.0	10.7	1.0
Switzerland	.2	3.5	3.3	5.6
Netherlands	2.0	2.7	.7	3.0
Italy	−9.0	0	9.0	0
United Kingdom	−7.8	−.8	7.0	.3
France	−5.9	−4.3	1.6	1.1
Yugoslavia	−1.2	−.5	.7	1.1
Australia	−2.6	−2.0	.6	1.8
New Zealand	−1.1	−.5	.6	3.8
Finland	−1.2	−.8	.4	.8
Ireland	−.7	−.5	.2	6.0
South Africa	−1.4	−1.2	.2	3.0
Greece	−1.2	−1.1	.1	4.0
Brazil	−7.1	−4.0	3.1	2.8
India	−.5	1.5	2.0	1.7
Korea	−2.1	−.3	1.8	.9
Taiwan	−1.1	.2	1.3	1.0
Colombia	−.4	.8	1.2	7.0
Malaysia	−.3	.6	.9	5.7
Mexico	−2.6	−1.8	.8	2.4
Argentina	.1	.4	.3	.5
Chile	−.4	−.3	.1	1.0
Peru	−.8	−.7	.1	5.0
Countries showing deterioration:				
Norway	−1.2	−3.8	−2.6	11.8
Canada	−1.5	−4.0	−2.5	2.0
Austria	−.5	−1.5	−1.0	3.4
Sweden	−1.0	−2.5	−1.5	3.0
Spain	−3.2	−4.0	−.8	2.9
Denmark	−.9	−1.5	−.6	3.5
Belgium	.9	.3	−.6	.4
Portugal	−.8	−1.1	−.3	6.1
Turkey	−.6	−2.1	−1.5	4.4
Philippines	.4	−1.1	−1.5	5.2
Thailand	−.1	−.6	−.5	3.5

[1] Including official transfers for industrial countries, and excluding official transfers for OPEC and non-OPEC LDC's.
[2] Excluding special transaction with India.

Mr. HATCH. Mr. President, he goes on to say:

(1) Quite a few important LDCs have made considerable improvement in their current accounts—albeit at a considerable social cost—and several of them are now recording surpluses;

(2) Some industrial countries, notably Japan and Switzerland, have strengthened their current accounts by a combined total of $14 billion over this period, far more than is desirable, offsetting a large part of the favorable adjustment contribution made by OPEC, Germany, and the United States, and worsening the relative positions of other countries;

(3) Some countries, mostly industrial ones, have failed to register any current account improvement during the last three years and indeed have shown a deterioration.

Thus, looking at the current account adjustment process of the major countries over the past few years, one must come to the conclusion that the LDCs have beneficially participated in this process in a significant way and that, with a few exceptions, the industrial countries have lagged behind. The countries which we should be concerned with in this respect are not only Turkey and the Philippines but especially Spain, Portugal, the Scandinavians, and Canada, and also those conutries whose deficits have been reduced only relatively little such as France, South Africa, and Ireland. Several of these countries (e.g., Spain and Denmark), however, could improve their positions rather quickly if they chose to pursue more realistic exchange rate policies, cut domestic consumption, and develop effective energy policies. A better policy framework in these deficit countries, together with a strong commitment on the part of industrial countries, especially those in surplus, to maintain high growth rates and ensure a steady expansion of international trade, should enable most deficit countries to achieve viable current account positions.

THE RESPONSIBILITY OF THE UNITED STATES IN THE ADJUSTMENT PROCESS

I also have difficulty accepting the view that the United States should be prepared to run a much larger current account deficit to help offset the OPEC surplus. There is a direct connection between U.S. oil imports and the OPEC surplus (Table 3).

Mr. President, I ask unanimous consent that table 3 be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 3.—SIGNIFICANCE OF U.S. OIL IMPORTS

[In billions of dollars]

	1973	1974	1976	Projected 1977
A. U.S trade and current account:				
Agricultural products, net [1]		10.3		7
Manufacturers, net [1]		8.6		11
Oil, net [1]		−22.0		−38
Trade balance [1]		−3.1		−20
Trade balance, b.o.p. basis		−5.4		−23
Services and transfers, net		3.8		13
B. Trends in oil trade 1973–77:				
1. U.S. oil consumption (million barrels per day)	17.31	16.65	17.44	18.30
2. U.S. net oil imports (million barrels per day) [2]	6.03	5.87	7.07	8.10
3 U.S. net oil imports (billion) [2]	$6.50	$22.00	$29.80	$38.00
4. OPEC crude oil exports (million barrels per day) [3]	29.95	29.60	29.00	28.50
(2) as a percent of (1)	34.80	35.30	40.50	44.30
(2) as a percent of (4)	20.10	19.80	24.40	28.40
5. OPEC current account balance (billions) [4]	$5.14	$64.70	$37.60	$34.10
6. Saudi Arabia's oil revenues (billions) [5]	$5.59	$27.89	$34.12	$46.62
7. Saudi Arabia's current account balance (billions)	$2.64	$23.31	$19.31	$22.90

[1] Customs basis.
[2] U.S. imports of crude and refined products minus exports of crude and refined products.
[3] Based on OPEC domestic consumption estimates by MGT.
[4] Excluding official transfers.
[5] Including natural gas liquids.

Mr. HATCH. Mr. President, Mr. deVries continues:

Net U.S. oil imports, Saudi Arabian oil revenues, and the OPEC surplus are all of the same order of magnitude. Largely because of the rapid rise in U.S. oil imports, the U.S. trade and current accounts have moved into large deficits. Rather than advocating even larger U.S. deficits, I would suggest that the deficit could be narrowed substantially to the benefit of both the United States and the world economy. A narrowing of the U.S. deficit through an effective energy policy and the curtailment of oil imports could accomplish several important objectives. It would help reduce pressure on oil prices to the benefit of all oil-importing nations; it also would contribute to narrowing the Saudi Arabian and the OPEC surpluses, and thus enhance world payments equilibrium.

In fact, I believe that in the entire discussion of the international debt situation far too little emphasis is placed on U.S. energy policies. The high level of U.S. oil consumption and the rapid rise in U.S. oil imports during this decade unquestionably have contributed significantly to the sharp rise in oil prices, to the failure of oil prices to come down, and to the recent stickiness at a high level of the OPEC surplus. This year, net U.S. oil imports will be equivalent to 29 percent of OPEC exports and will be a third higher than in 1974, while OPEC oil exports to countries other than the United States will be down by more than 10 percent. Thus, quite apart from obvious military and political considerations, the United States should formulate a strong energy policy in order to make an important contribution to the restoration of international payments equilibrium. I am sure that no one will deny that this country is able both to increase its domestic energy supply and cut its energy consumption without too much difficulty over the next several years. For example, just by doubling the average gasoline mileage of the U.S. automobile stock, U.S. oil imports could be halved.

THE GLOBAL PAYMENTS OUTLOOK

My comments so far indicate that the opportunities for narrowing the international payments equilibrium are greater than generally is assumed. In particular, the absorptive capacity of Saudi Arabia—the country showing the largest current account imbalance in the world—is probably much larger than is widely believed. Furthermore, the United States—the largest industrial country and the most extravagant oil consumer—has a much greater contribution to make to this adjustment process than we have thus far shown any signs of assuming. We are a bigger part of the problem than we have yet admitted, and we should point our finger at other countries less often.

During the four years 1974–77, OPEC countries will have accumulated a surplus of more than $150 billion (see Table 4).

Mr. President, I ask unanimous consent that table 4 be printed in the RECORD at this point.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 4.—CURRENT ACCOUNT BALANCES INCLUDING OFFICIAL TRANSFERS

[In billions of dollars]

	1974	Projected 1977	Cumulative total 1974–77
OPEC	61.5	29.8	153.5
Selected industrial countries	5.7	4.7	41.5
Germany	9.8	2.5	19.2
Japan	−4.7	6.0	4.3
Switzerland	.2	3.5	9.6
Netherlands	2.0	2.7	8.9
United States	−1.6	−10.0	−.5
Total	67.2	34.5	195.0

Mr. HATCH. Mr. President, Mr. deVries continues:

In addition, the four principal surplus industrial countries—Germany, Switzerland, the Netherlands, and Japan—will have racked up another $40 billion surplus, and the current account of the United States will have been about in balance. Together, these countries will have accumulated close to $200 billion of current account surpluses. The rest of the world, by definition, must have incurred an overall deficit of the same magnitude. Although there are a great many statistical problems involving discrepancies in coverage, timing and valuation in the recording of transactions, it appears that more than half of this overall deficit was incurred by other industrial countries, about 15% by communist countries, and about one-third by non-OPEC LDCs.

During the next four years 1978–81, the OPEC countries, on the basis of our scenario, may run a total surplus of about $50–$60 billion, about one-third the total of the previous four-year period. While the combined surplus of Germany, the Netherlands, Switzerland, and Japan has been rising in recent years, this is now largely offset by the current account deficit of the United States, and continued pressure on the four countries to cut their surpluses hopefully will bear some fruit. Accordingly, the combined current account imbalance of the deficit countries is likely to be substantially smaller—perhaps only $60–$70 billion—during the next four years, requiring much less net new official and private financing.

I think the distinguished Senator from Arizona has raised some very significant points here indicating they are backed up in part by what Mr. deVries has had to say in this very excellent speech.

What I might add is that I believe there are $600 billion, including Eurodollars, et cetera, in the hands of four nations, and we are about to make it $609 billion by this foreign aid bill, which is almost $3 billion more than last year's foreign aid bill, at a time when we are facing an $869 billion national debt next year and a $4 trillion to $6 trillion unfunded debt in our economy.

Yet nobody seems interested in cutting down this particular foreign aid bill.

I think it is time we start thinking about it. The Witteveen Facility perhaps should be supported, although I think it is to a great degree a bailout of the international banks—commercial banks, if you will—which have gotten themselves into the binds they are in.

All I can say is that if we continue to allow our dollars to escape this country, because we are so generous that we rape the American taxpayers continuously, to be able to do this, then I think we deserve what we are going to get, which is going to be a major recession in this country. It might even develop into a major depression. I am as much concerned with that as I am with what my distinguished friend from New York is concerned about in not financing the Witteveen Facility. I think he has made some interesting points, and I have listened carefully.

Mr. deVries goes on:

THE BUILDUP OF EXTERNAL DEBT

This more encouraging outlook notwithstanding, the fact remains that the current account imbalance and the ensuing external debt buildup have been very large in recent years. Available statistics are inadequate to determine with any precision how the combined imbalance of about $200 billion was financed. However, looking at the available data on financial flows, it is possible to estimate the orders of magnitude or shares of the total accounted for by several broad categories of financing. For example, the use of IMF credit over the four-year period may total approximately $17 billion, or about one-twelfth of the combined imbalance. Official development assistance loans and direct investment flows each may account for close to one-eighth of the total. Private financial markets—international bond issues and commercial bank loans—probably constitute nearly three-quarters of the total financing——

I think that is very relevant. He continues:

with bank lending alone representing perhaps 55%–60% of the financing of the global imbalance.

Table 5 shows bank loans to selected countries outstanding at the end of 1976.

I ask unanimous consent that table 5 be printed in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE 5.—BANK CLAIMS ON SELECTED COUNTRIES AT END-1976 [1] [2]

[In billions of dollars]

	All banks [3]	U.S. banks [4]	Non-U.S. banks
Non-OPEC LDC's	76.83	52.03	24.80
Brazil	21.22	13.86	7.36
Mexico	17.85	13.00	4.85
Korea	3.90	3.23	.67
Argentina	3.40	2.34	1.06
Peru	2.83	1.92	.91
Philippines	2.61	2.29	.32
Taiwan	2.56	2.56	
Turkey	2.06	1.27	.79
Colombia	1.63	1.34	.29
Thailand	1.43	.82	.61
Chile	1.09	.84	.25
Others	16.24	8.54	7.70
OPEC countries	24.80	12.98	11.82
Venezuela	6.86	4.37	2.49
Indonesia	3.44	2.22	1.22
Others	14.50	6.39	8.11
Eastern Europe	29.20	4.29	24.91
U.S.S.R.	10.35	1.51	8.84
Others	18.85	2.78	16.07
Total	130.83	69.30	61.53

[1] Includes gross claims in domestic and Euro currencies.

[2] Excludes countries that are members of OECD (except Turkey), Israel, South Africa, Yugoslavia, and offshore banking centers (Bahamas, Bermuda, Cayman Islands, Hong Kong, Lebanon, Liberia, Netherlands Antilles, New Hebrides, Panama, Singapore, Virgin Islands, and West Indies).

[3] Includes banks in Belgium-Luxembourg, France, Germany, Italy, Netherlands, Sweden, Switzerland, United Kingdom, Canada, Japan, United States, and foreign branches of U.S. banks in the Bahamas, Cayman Islands, Panama, Hong Kong, and Singapore.

[4] Banks in the United States (including U.S. agencies, branches and subsidiaries of foreign banks), and foreign branches of U.S. banks.

Mr. HATCH. Mr. President, Mr. deVries continues:

This table indicates that at the end of 1976 commercial banks had about $130 billion of claims on less developed countries including both OPEC and non-OPEC countries, and Eastern Europe.

That is serious. That was 1976, and it is worse today. It is pretty easy to see why the Witteven Facility is thought to be so important by the commercial banks of this country, because they are going to lend our money, along with others, so that they can bail out the less developed countries, who in turn will pay it back to bail out the banks.

Mr. deVries continues:

The total amount was about equally divided among U.S. and non-U.S. banks. However, the table also shows that of the loans to these non-industrial countries, U.S. bank loans were heavily concentrated in the non-OPEC LDCs, while non-U.S. banks, mainly European, were heavy lenders to Eastern European countries and to OPEC countries, other than Venezuela and Indonesia.

I might add, parenthetically, that I think it is pretty important to see that while the European banks are taking good care of themselves, so that they, in turn, will be paid back, our banks have been lending money to countries that are unable to pay them back. We should understand that.

If we are going to give to the lesser developed countries that cannot pay back, let us do it straight up. Let us not bail out the banks which hold—according to Mr. deVries, in 1977—three-quarters of the total financing of these countries. We see that going on while at the same time they are financing the destruction of this country. That is why I support the very good amendment of the distinguished Senator from Arizona, among other reasons.

Mr. deVries continues:

These global numbers are staggering, and to many analysts frightening. Observers frequently ask whether the levels of external debt and servicing requirements are not already so high that borrowing countries and lending institutions will face serious financial difficulties——

This is back in 1977, and he hits the nail on the head. That is what we are talking about. And they are telling us that they are going to pay these moneys back?

Mr. deVries goes on:

and whether these borrowing countries will ever be able to run current account surpluses enabling them to repay their debts. Inherent in the minds of the questioners is the contention that for a borrowing country to be commercially creditworthy it should be able to run a current account surplus in the long run.

That is what bothers me about people walking onto this floor and saying, "Don't worry; this is a wonderful thing, for the American taxpayers to be assessed and promised $2 billion," while we have the problems we have: runaway inflation and nothing being done about it; runaway Government; overregulation of our society.

Then, the banking leaders of the world admit, in major speeches such as this, that, literally, there is probably nothing they can do to make these people pay back. Then they say that the Witteveen Facility is the beautiful way of solving the world's monetary problems and that we are going to be paid back, with interest.

I respect the Senators who have made these points, and I hope they are right; but I do not believe that Mr. deVries would agree with them, or at least this speech he made in 1977 does not agree with them. In the end I think he agrees, if anything, with the distinguished Senator from Arizona and with me, in our fight to try to get some reason in what we can do to keep the American taxpayer from being saddled well into the future.

Mr. deVries goes on:

There are no easy and quick answers to these questions. However, it should be pointed out first of all that it is incorrect to equate a country's creditworthiness with its ability to achieve current account balance or surplus. As noted, there is a substantial flow of direct investment and official development assistance loans which enables countries to maintain current account deficits without having to increase their borrowing from private credit markets.

That is a very true statement. That is exactly what the Witteveen Facility is supposed to do. In other words, they can borrow from these official development assistance loan situations, such as Witteveen, and at the same time, without having to increase their borrowing from private credit markets, and in the end maintain the account deficits they are living with.

Mr. deVries continues:

Furthermore, some countries should be able to attract substantial amounts of private credit because of their growth potential.

I say hooray for them. I certainly pray for their success, because it would take the burden off the American taxpayer for a change.

Obviously, a country with a politically stable, well-managed economy, and with considerable human and/or natural resources, holding forth excellent development and export prospects, should have ample access to international financial markets. For the most creditworthy countries the current account does not have to be in balance or in surplus at all, and certainly not for the life of the average loan.

The ability of a country to avoid external debt management difficulties depends to a large extent on whether it has maintained an appropriate balance between its relative level of existing debt on the one hand, and the terms on which it has attracted this debt plus its continued access to new debt, on the other. When such balance does not exist, or has deteriorated, debt management difficulties may still arise in countries with the best of overall policy intentions and best growth potential.

As yet, no one has developed a fully satisfactory statistical approach to determining what this balance should be. However, it is possible to tabulate a number of debt-related indicators which show how various countries rank on the basis of certain relevant ratios. Tables 6 and 7 show these indicators for some 30 countries, including industrialized, communist, and developing countries, both OPEC and non-OPEC.

Mr. President, I ask unanimous consent that tables 6 and 7 be printed in the RECORD.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

TABLE 6.—EXTERNAL DEBT OF SELECTED COUNTRIES

	External debt [1]			
	Billions of dollars, end-1976	Percent of exports of goods and services, average 1974–76		Real growth of external debt in percent, 1972–76 [2]
3 Mexico	27.6	361	3 Poland	229
			3 Venezuela	204
3 Chile	5.1	242	1 Portugal	188
3 Peru	4.4	226		
3 India	13.6	223	1 New Zealand	133
2 Brazil	28.6	216	1 Ireland	110
			3 U.S.S.R.	105
3 Poland	11.5	193	1 Mexico	103
2 Argentina	9.0	185	3 East Germany	97
3 East Germany	6.3	177	2 Spain	96
3 Hungary	3.9	173		
3 Colombia	3.8	142	2 France	89
			3 Taiwan	86
3 Turkey	5.7	128	3 Hungary	86
3 Philippines	5.5	121	3 Korea	73
3 Indonesia	10.8	118	3 Malaysia	73
3 Korea	9.5	111		
3 Finland	9.0	109	3 Philippines	67
			3 Finland	67
2 Algeria	6.7	88	2 Brazil	62
3 Canada	45.1	86	1 Peru	61
3 Yugoslavia	8.0	84	1 Thailand	50
3 U.S.S.R.	16.0	80		
3 Greece	3.9	78	3 Turkey	33
1 New Zealand	2.8	77	3 Colombia	31
3 Denmark	9.5	61	3 Denmark	29
			3 Canada	26
3 Thailand	2.2	55	2 Yugoslavia	25
2 Spain	10.2	53		
3 Iran	6.1	46	3 Italy	21
3 Venezuela	7.0	45	3 Greece	18
3 Italy	20.0	44	2 Argentina	0
1 Ireland	2.3	44		
3 Taiwan	3.9	43	3 India	−9
			3 Chile	−14
1 Portugal	2.3	38	1 Algeria	−36
3 France	26.2	34	3 Indonesia	−46
3 Malaysia	1.9	29	3 Iran	−54
1 Nigeria	1.0	11	3 Nigeria	−68

[1] 3 different levels of debt comprehensiveness are used in calculating ratios; highest of three levels for a particular country is shown above in case where more than one is reported or estimated: 1) total long-term public and publicly-guaranteed private external debt, plus IMF drawings; 2) total long-term external debt, public and private, plus IMF drawings; 3) total long- and short-term external debt, except that the short-term external liabilities of commercial banks are included only to the extent that they exceed their external assets.

[2] External debt outstanding deflated by export prices.

TABLE 7.—INDICATORS OF EXTERNAL DEBT MANAGEMENT[1]

	Debt service ratio 1976[2]	
2 Brazil	45.9	(11.7)
2 Chile	44.9	(39.5)
2 Argentina	40.9	(24.3)
1 Mexico	31.7	
2 Poland	30.0	(30.0)
1 Peru	27.9	
2 Philippines	15.9	(7.8)
2 Yugoslavia	15.3	(15.3)
1 Algeria	14.5	
1 New Zealand	14.0	
1 India	13.6	
2 Korea	12.8	(9.5)
2 Portugal	12.5	(NA)
2 Thailand	11.8	(2.2)
2 Greece	11.1	(10.0)
2 Finland	10.3	(NA)
1 Turkey	9.9	
2 Spain	9.1	(3.3)
1 Indonesia	8.7	
1 Colombia	8.6	
2 U.S.S.R.	8.1	
2 France	7.7	(NA)
2 Denmark	7.5	(2.5)
2 Canada	6.0	(NA)
2 Italy	5.4	(NA)
1 Ireland	5.3	
1 Venezuela	4.7	
1 Iran	4.2	
1 Taiwan	4.1	
1 Malaysia	3.0	

	Gross external borrowings as percent of imports, average 1974–76	
1 Mexico	68.9	
2 Brazil	57.7	(26.5)
2 Chile	56.0	(48.5)
2 Argentina	48.9	(38.3)
1 Peru	45.4	
1 Indonesia	33.8	
1 Malaysia	32.9	
1 Algeria	32.7	
2 Philippines	31.0	(15.2)
2 Yugoslavia	27.1	(27.1)
1 New Zealand	26.7	
2 Colombia	26.0	(23.0)
1 India	25.3	
2 Korea	23.9	(24.9)
2 Greece	20.6	(11.7)
2 U.S.S.R.	20.4	(20.4)
2 Finland	19.6	(NA)
2 Thailand	18.0	(5.2)
2 Canada	15.1	(NA)
1 Ireland	14.5	
2 Spain	13.8	(6.3)
1 Turkey	12.0	
2 Portugal	11.7	(NA)
1 Taiwan	8.6	
2 Italy	8.5	(NA)
1 Denmark	8.3	
2 France	8.0	(NA)

	Debt service as percent of gross external borrowings, average 1974–76	
1 Venezuela	288.6	
2 Italy	156.5	(NA)
2 Portugal	128.6	(NA)
2 Argentina	100.3	(81.9)
2 Thailand	73.8	(50.3)
1 Colombia	75.5	
2 Chile	69.6	(71.1)
1 India	69.1	
2 Yugoslavia	66.5	(66.5)
2 Philippines	61.5	(45.2)
1 Denmark	60.9	
1 Turkey	58.9	
2 Finland	58.4	(NA)
2 Brazil	57.9	(32.8)
2 Korea	53.7	(47.6)
1 Greece	52.7	
1 Peru	50.9	
2 Spain	50.2	(35.6)
1 Algeria	50.2	
2 Greece	47.3	(52.7)
2 Canada	45.8	(NA)
1 Taiwan	44.6	
2 U.S.S.R.	44.3	(44.3)
1 New Zealand	43.2	
1 Mexico	41.2	
1 Ireland	31.5	
1 Indonesia	27.9	

[1] Debt definitions used in calculation of ratios are: 1 total long-term public and publicly guaranteed private external debt, plus IMF drawings; 2 total long-term external debt, public and private; where both definitions are available, countries are ranked on the basis of the 2d, and the 1st is shown in parenthesis.
[2] Debt service ratio is amortization and interest payments as percentage of exports of goods and services.

Mr. HATCH. Mr. President, Mr. deVries continues:

Table 6 presents the magnitude of external debt of these countries and also the relationship between their debt and their exports of goods and services. Furthermore, the recent growth of external debt in real terms is indicated. It is interesting to look at the top ten countries on each of these two bases. Mexico's total external debt was more than 3½ times its annual exports on average during 1974–1976, and four countries had external debt levels, variously defined, which were more than twice the size of average annual exports. Since 1973, seven countries' external debts have more than doubled in real terms. Looking at both rankings in this table, the countries which rank high on the basis of recent real debt growth are generally not the same as those which have high relative debt levels, with a few significant exceptions—notably Mexico, Poland and East Germany. It is also worth noting that some developed countries—Portugal, Spain, Ireland, France and New Zealand—have experienced very rapid real rates of external debt growth, though their debt/export ratios remain low due to their small initial debt levels and high export levels. With the exception of Mexico, none of the major LDCs normally cited in discussions of external debt rank very high on the basis of real debt growth.

That is serious. These are things that I think have to be considered. This is not some Senator talking. This is not just anyone talking. This is one of the top people in our international banking community, Rimmer deVries, vice president of Morgan Guaranty Trust Co., speaking at the World Outlook Conference sponsored by the Wharton Econometric Forecasting Associates in Philadelphia.

He goes on to say:

Table 7 relates a country's annual external debt service (amortization and interest payments) to the level of its exports of goods and services. It shows that the countries with the highest ratios are almost all LDCs and that five of the top six are Latin American countries. The high debt service ratios of some of them are explained in part by the less advantageous terms on which they acquired debt originally and by the sheer volume of external borrowing relative to export prospects. In certain of these countries, this has been due to the authorities' penchant for external financing of domestic fiscal deficits. Although the debt service ratio is the most widely used, by itself it is not necessarily an indicator of an unmanageable situation. Some countries with very high debt service ratios have nevertheless maintained their ability to borrow—no doubt a reflection of the high degree of their creditworthiness as perceived by financial markets.

Table 7 also shows two other ratios which, used together, may be more instructive. They relate a country's gross external borrowing to its imports and to its external debt service—the latter being a reflection of the need to replace existing debt with new debt, the so-called "rollover" ratio. For an external debt situation to be manageable, the rollover ratio needs to be maintained at a sufficiently low level to avoid gross external borrowing that is very high in relation to imports. The combination of a very high rollover ratio and a very high ratio of gross external borrowing to imports points to strong competing demands for the proceeds of external borrowing as well as, by implication, inadequate export earnings.

A country with high ratios in both instances may be faced with a need to borrow—to service existing debt and sustain a level of imports adequate for economic growth—on a scale which could exceed the willingness of international lenders to make additional loans. For a while a country may increase its access to external financing by the buildup of short-term debt, as has been done by a number of countries, but ultimately the chances are high that a country with a combination of high rollover and gross external borrowing/import ratios will be forced to reduce economic growth or restructure its external debt, or—more likely—to do both. The purpose of restructuring external debt—either through bilateral or multilateral negotiations—is to lower the rollover ratio to more realistic levels.

Table 7 indicates that the countries with the most unfavorable ratios in both columns are Argentina, Chile, the Philippines, Yugoslavia, and India. Of these, Argentina underwent a major debt refinancing last year, and its balance-of-payments outlook is reasonably favorable for the next few years. Chile had to formally reschedule its debt in 1973–75, but rescheduling was unnecessary last year; this country is quite vulnerable to declines in copper prices, although recently the trend of non-copper exports has been encouraging.

The Philippines face not only sizable debt service requirements, but also the prospect of no more than a modest improvement in the current account position. Accordingly it is incumbent upon the country to adhere closely to the conditions of its Extended Facility with the IMF, and avoid any slippage in its adjustment efforts. Within the past few years Yugoslavia has lengthened the maturity structure of its external debt and has taken strong measures which contributed to the elimination of its current account deficit in 1976. While the current account is moving back into deficit, Yugoslav authorities appear determined to keep it to manageable proportions, and avoid a significant increase in the external debt service ratio.

The rollover ratios in Table 7 are, of course, only on an historical basis. For Mexico and Peru particularly, the heavy gross borrowing during the 1974–76 period temporarily depressed rollover ratios relative to the experience of the early 1970s, while Brazil's ratio has tended to stay low throughout the 1970s so far. Given the harder terms of the new debt taken on in the past three years in these three countries, it is reasonable to expect rollover ratios to rise in the near term.

Peru is clearly facing an external debt refinancing problem this year, and has recently had some difficulty in agreeing with the IMF on the conditions for a new standby agreement, which will be important to maintain its access to the private markets. The long-term balance of payments outlook in Mexico is quite favorable due to its oil and natural gas resources; however, over the next two to three years there will be a quantum jump in the external debt servicing burden simultaneously with the need to borrow large amounts of new money to finance the expansion of oil and natural gas resources. In Brazil, the external debt is generally considered to be better managed than in most other developing countries, and the country has fairly favorable trade prospects for the medium run; but as in Mexico, a significant rise in gross borrowings seems necessary in the late 1970s.

SUMMARY

What does all this add up to?

(1) The world payments outlook is a good deal more sanguine than frequently is appreciated, and a substantial reduction in imbalances clearly appears attainable. In view of the high degree of interdependence of the world economy, a better international payments balance will require that many countries, but especially the United States, several industrial surplus countries, and OPEC cooperate and all make significant contributions. For the United States this means the implementation of an effective energy policy, the area in which this country has to make important adjustments. It is incumbent on all

industrial countries to maintain domestic economic growth sufficient to ensure continued satisfactory expansion of international trade.

(2) The international debt buildup has been very large in recent years. Certain countries have accumulated very high levels of external debt, in both absolute and relative terms, which may well necessitate the refinancing or restructuring of their external debts and further internal restraint measures.

(3) The current discussion of the international debt situation is much too concerned with the LDCs. The benefits of the adjustment process have accrued to industrial and developing countries alike, and there is no reason to believe that this cannot continue. Countries that have lagged behind in the adjustment process include not only some LDCs, but especially a sizable number of the smaller industrial countries.

(4) Private financial markets, in making new funds available to the balance of payments deficit countries, should not frustrate the much-needed adjustment process in these countries. Commercial financial institutions should toughen their lending conditions to those countries which are making inadequate efforts to adjust their international payments balances. Joint financing with the IMF does not seem to be practical. While the Fund is responsible to its member governments, banks have important responsibilities to their depositors and shareholders. Both should remain independent in their lending decisions. In some critical cases, the existence of a standby agreement with the Fund still may not be a sufficient reason for banks to extend new credit. This does not preclude the sharing of information by the Fund and the banks more fully than in the past where it can be accomplished without compromising the integrity of the different institutions.

(Mr. METZENBAUM assumed the chair.)

Mr. HATCH. I will add, again, I think that is a trigger phrase and a trigger sentence. When he says "Joint financing with the IMF does not seem to be practical," I think one could read into that what he means by impracticality.

"While the Fund is responsible to its member governments, banks," I think we could more appropriately say "commercial banks" have important responsibilities to their depositors and shareholders. That is to return a profit and to make sure people pay them back. They are not getting paid back and, therefore, it has become easy for them and easier for them to ask the good American taxpayers, even though we are in a deficit situation, to bail out the international banks through facilities like the Witteveen Facility and through bills like this $9 billion bill which is going to add $9 billion to the already $600 billion of our dollars held by foreign nations which I think is very disadvantageous to this country.

I commend Mr. deVries for this excellent speech with which I agree to a more than less degree, although I do not agree with everything he said.

On the other hand, I think he has given us enough trigger phrases enough trigger paragraphs enough trigger words here to make it very clear that we may very well be at this point triggered into supporting something that literally is not good for the American taxpayers and the peoples throughout the world in general. I mean by that this bailout of the commercial banks of this world.

Mr. President another matter which touches on the debate we are having now over the Witteveen Facility is the question of other massive loans made by international financial institutions to Third World countries to assist in rolling over their debts to commercal banks. These loans, often under the heading of development loans, are generally for very long terms, as we have seen in this debate, as many years as 40 with grace periods at the end of even that extraordinarily long term.

And these loans, Mr. President, are often made strictly for political reasons. These loans are often apparently made as rewards to nations which have conducted themselves in such fashion as meets with the approval of the member nations of the IMF or of the International Bank for Reconstruction and Development, the so-called World Bank. These loans are frequently withheld from nations which do not meet with the approval of the finance ministers involved.

But, Mr. President, let us examine a specific case which could help the Senate understand exactly how this process works. As Senators know, the terrorist forces of the Patriotic Front operating from Zambia recently shot down a civilian airliner and slaughtered the survivors of the crash. These terrorists operated with impunity from the country of Zambia. Zambia has declared, in effect, war on its neighbor, Rhodesia, and has openly since June 1976 supported terrorists committing atrocities along the northern border of Rhodesia. This support for terrorism has cost Zambia dearly, because Zambia's natural trading partner, Rhodesia, has been cut off as a source of foreign exchange. As a result, Zambia is in dire financial condition, and I might add, Mr. President, that this entire financial condition is also a result of fiscal mismanagement over a period of years since Zambian independence in 1964. And incidentally, if anyone disputes the condition of the Zambian economy, I will be happy to provide four volumes of World Bank studies indicating that fiscal mismanagement and socialist economic policies have taken a once prosperous nation and brought it to its knees, to the brink of bankruptcy.

But returning to my point, Mr. President, I believe it would be helpful to see what the World Bank is doing, in fact, to pay off Zambia for its efforts on behalf of the terrorists operating in Rhodesia.

(Mr. HARRY F. BYRD, JR., assumed the chair.)

ECONOMIC AID FOR ZAMBIA

Mr. HATCH. Mr. President, a meeting was held in Paris from June 27 to 29, 1978, under the chairmanship of the International Bank for Reconstruction and Development to consider economic aid for Zambia.

Apart from representatives of the World Bank, whose delegation was headed by Mr. Willi A. Wapenhans, the meeting was attended by representatives of Canada, Finland, France, West Germany, Italy, Japan, Netherlands, Norway, Sweden, United Kingdom, United States, Yugoslavia, the African Development Bank, the Arab Bank of Economic Development in Africa, the European Economic Community, the European Investment Bank, the International Monetary Fund, the Saudi Fund for Development, the United Nations Development Program, and Zambia. The United States' delegation was headed by Mr. W. Haven North, Deputy Assistant Administrator, Bureau for Africa U.S.-AID. Other U.S. representatives included Mr. Vernon C. Johnson, Deputy Assistant Secretary, Bureau of African Affairs, Department of State; Mr. Peter Smith, country officer for Zambia, Office of East African Affairs, Department of State; Mr. Leonard Pompa, AID desk officer for Zambia; Mr. John Hicks, program officer, U.S.-AID, Lusaka and Mr. duLavey, development assistance attaché, permanent delegation to OECD.

The participants reviewed the current economic situation and development prospects in Zambia and discussed the Government's resource requirements and current stabilization program. The meeting noted that Zambia's economic crisis was caused primarily by the country's overwhelming dependence on copper, which continues to suffer from depressed price levels. The meeting also noted that the heavy costs to Zambia of the closing of the border with Rhodesia had exacerbated the difficulties. It was estimated that by August 1977, the cost to Zambia of closing her border with Rhodesia was $544 million. Overall costs of applying sanctions against Rhodesia were calculated to be in excess of three quarters of a billion dollars. That is pretty interesting, I think.

The meeting agreed that Zambia needs and deserves the support of the international community in order to help it meet essential short-run requirements and at the same time initiate a long-term program of economic diversification. The participants declared their general intention to support Zambia in its present difficulties as well as in its effort to implement a development program designed to diversify the economy. The participants welcomed the initiative taken in establishing the consultative group, especially as it was felt that the group could provide for better coordination, planning, and deployment of technical assistance and financial resources. The consultative group agreed to consider a second meeting to focus on Zambia's long-term development requirements after the Government's third national development plan, presently under preparation, has been finalized. This was unlikely to be before 1979.

The United States' representative said his Government had given assurances, subject to congressional actions to be taken in the future, of something in the range of U.S. $100 million over the 3-year period 1978–80. This would be in the form of what was called quick-disbursing assistance-commodity aid. The United States' representative anticipated that the full amount would be drawn down within the proposed period. Most of this assistance would be in the form of agricultural inputs, fertilizers, and equipment and some of it would be in the form of agricultural commodities on

concessional assistance terms. Apart from the commodity assistance, the U.S. Government was engaged in stepping up its program for manpower training and it was anticipated that something between U.S. $0.5 and U.S. $1 million would be spent annually for training Zambians in the United States, in Africa, and in Zambia in technical fields.

Unless somebody thinks this is a figment of my imagination, most of these data, in fact all of these data, I believe, were taken from a document of the International Bank for Reconstruction and Development entitled "For Official Use Only," and I ask unanimous consent that that document, including its cover page and a number of other pages be printed in the RECORD.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

[From the Deputy Secretary, International Bank for Reconstruction and Development, Aug. 14, 1978]

CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

CHAIRMAN'S REPORT ON PROCEEDINGS

1. Attached is the Chairman's Report on the Proceedings of the first meeting of the Consultative Group for Zambia, held in Paris from June 27 to 29, 1978.

2. Any comments or observations on this report should be sent to the Secretary of the World Bank in Washington.

Distribution—Executive Directors for: Austria, Canada, Finland, France, Germany, Italy, Japan, Netherlands, Norway, Romania, Sweden, United Kingdom, United States, Yugoslavia.

For information: President; Senior Vice President, Finance; Vice President, Operations; President's Council; Vice Presidents, IFC; European Office; Tokyo Office; Zambia Office; Regional Mission in Eastern Africa.

Executive Director for Zambia, African Development Bank, Arab Bank for Economic Development in Africa, Commission of the European Communities, European Investment Bank, International Monetary Fund, Saudi Fund for Development, United Nations Development Programme, Chairman, Development Assistance Committee/OECD.

FIRST MEETING, CHAIRMAN'S REPORT ON PROCEEDINGS, PARIS, JUNE 27–29, 1978

1. The first meeting of the Consultative Group for Zambia was held in Paris from June 27 to 29, 1978, under the chairmanship of Mr. Willi A. Wapenhans, Vice President, Eastern Africa Region, International Bank for Reconstruction and Development.

2. Present were representatives from Canada, Finland, France, The Federal Republic of Germany, Italy, Japan, Netherlands, Norway, Sweden, United Kingdom, United States, and Yugoslavia. Also represented were the African Development Bank, the Arab bank for Economic Development in Africa, the European Economic Community, the European Investment Bank, the International Finance Corporation, the International Monetary Fund, the Saudi Fund for Development and the United Nations Development Programme. The meeting was attended by observers from Austria, Romania and the DAC/OECD. Leading the Zambian delegation was the Hon. M. Mwanakatwe, Minister of Finance.

Documents

3. The main documents distributed for background information prior to the meeting were:

(a) A paper by the Government of Zambia entitled "The Current Economic Crisis, Government Response, and the Approach to the Third Plan," dated May 8, 1978;

(b) An IBRD economic report entitled "Zambia—A Basic Economic Report" (No. 1586b-ZA. October 3, 1977), together with a brief updating note:

(c) An IBRD paper entitled "Analysis of the Government of Zambia's Short-Run Program, Associated Foreign Exchange Requirements and Approach to the Third National Development Plan," dated June 7, 1978; and

(d) An IMF paper entitled "Recent Economic Developments," dated April 19, 1978.

Annexes

4. The following annexes are attached to the Report:

Annex I—List of Delegates and Observers.

Annex II—Opening Statement by the Chairman, Mr. Willi A. Wapenhans, Vice President, Eastern Africa Region, IBRD.

Annex III—Statement on Zambia's Current Economic Situation and Prospects by Mr. W. McCleary, IBRD Delegation.

Annex IV—Statement by Mr. M. Russo, IMF Delegation.

Annex V——Statement by Hon. John Mwanakatwe, M. P., Minister of Finance and Head of the Zambian Delegation.

Annex VI—Statement on Technical Assistance by Mr. M. Doo Kingue, UNDP Delegation.

Annex VII—Statement on Agricultural Development and Policies, Zambian Delegation.

Annex VIII—Statement on Transportation, by Mr. D. Bickers, IBRD Delegation.

Annex IX—Statement on World Bank Group Operations, Mr. M. Wiehen, IBRD Delegation.

Annex X—Statements by Delegations.

Annex XI—Press Release dated June 30, 1978.

Annex XII—Concluding Statement by Head of the Zambian Delegation.

Annex XIII—Concluding Remarks by the Chairman.

Proceedings

5. The proceedings of the Consultative Group are summarized below.

Item 1—Opening statement by the chairman

6. The Chairman opened the meeting on Tuesday, June 27, by reviewing the events leading up to the formation of the Consultative Group. He indicated that this first meeting would look at Zambia's immediate needs for commodity assistance and balance of payments support, while it was envisioned that a second meeting next year would review Zambia's long term development plans and resource requirements. Finally, he expressed his hope that at the close of the meeting the participants would be able to indicate their intended levels of support. His statement is provided in Annex II.

Item 2—Statement by the IBRD delegation on the current economic situation and prospects for the future

7. Mr. McCleary pointed to the vulnerability of Zambia's foreign exchange and budgetary position due to swings in copper prices, its heavy dependence upon imported inputs in the modern sectors, and the pitfalls associated with the failure to diversify through developing agricultural and local resource based industries. To encourage a different pattern of future development, government policies must be directed at diversifying the economy, mobilizing domestic resources for growth and stabilizing the Government's development program. A number of measures the Government had taken, or planned to take during the Third National Development Plan, were very encouraging. However, further measures were needed, most notably to strengthen the infrastructure and institutions supporting agricultural development, devise a system of incentives to encourage industrial growth more consistent with government objectives, extend economic pricing and improved efficiency in parastatals and mobilize and use technical assistance more effectively. Given the outlook for copper prices, the next 2–3 years would clearly be difficult for Zambia. According to Bank estimates, just to maintain the 1978 level of real imports would require an additional K 365 million financing—over and above IMF and other known capital flows—during 1978–80; to increase imports sufficiently to restore normal capacity utilization in 1979 and 1980 would require more than K 1 billion; and if reducing arrears and building up foreign exchange reserves were taken into account, larger amounts, ranging as high as K 1.8 billion, would be required during 1978–80. In conclusion, he said that the Government's continued progress in improving diversification and economic management, plus the severe balance of payments constraints, merited additional external support on concessional terms, without which, the Government would be forced to curtail its development efforts and recovery would be delayed until the 1980s, at a considerable cost in economic welfare. His statement is attached in Annex III.

Item 3—Statement by the IMF delegation

8. Mr. Russo, of the IMF, summarized developments in Zambia leading up to the recent IMF Stabilization Program which he described. His statement is contained in Annex IV.

Item 4—Statement by the head of the Zambian delegation

9. The Minister of Finance comprehensively reviewed Zambia's current economic situation, and indicated the steps the Government would take to restore equilibrium in the short term and bring about the required structural reform over the long term. He described the objectives of the forthcoming Third National Development Plan and reviewed the economy's short term external financial requirements. The text of this statement is contained in Annex V.

Item 5—General discussion on the Zambian economy

10. The Chairman opened the discussion by highlighting the points raised in Mr. Mwanakatwe's presentation. He noted that:

(a) Zambia's economy remains highly vulnerable to copper price fluctuations;

(b) Zambia has paid a high price due to its geopolitical situation and the disruptions that have resulted in the regional transport network;

(c) the Government has initiated new policies to diversify the economy and has enlisted the IMF's support through a comprehensive stabilization program.

The Chairman added that Zambia would still require in the short term substantial amounts of fast-disbursing financial assistance, although these requirements should not be viewed in isolation, but as part of a longer term program which would bring about structural change. He also noted the crucial need for technical assistance to extend the economy's absorptive capacity and enable external assistance to be utilized on a larger scale.

11. Mr. Lynch (UK) congratulated Mr. Mwanakatwe for his bold statements in the face of Zambia's seemingly intractable problems. He referred to Zambia's vulnerability, caused both by natural and political conditions and the current urgent need to improve transport, particularly TAZARA's capacity. Many of Zambia's problems, he noted, were not fully within the power of the Zambian Government—unaided—to resolve. In turning to copper price forecasts, Mr. Lynch pointed out that the IBRD's economic report, which was 8 months old, had projected a 40 percent price increase in the next few years, but today in the IBRD's presentation, the projections had been scaled down to 1–2 percent increase per annum. As these forecasts, which are considered reasonable and viable at the time, can change so markedly,

couldn't copper prices go either way, he asked, couldn't they increase rapidly if economic conditions change?

In turning to the Budget Stabilization Fund, Mr. Lynch felt its proposed establishment was extremely significant and appropriate in view of copper's shifting fate. He noted the mounting difficulties Zambia now faced in producing and transporting copper and the likelihood they would continue. He commented that little doubt remained that the Government intended to pursue in the Third National Development Plan a program of economic diversification through stimulation of agricultural and industrial activities. While this would be achieved in part through improved agricultural pricing policies and increased parastatal efficiency, it also meant adopting other stringent policies which would entail some real costs in terms of lower economic growth. In spite of these policies and the known capital inflows, including the IMF package, taken into consideration, a very large financing gap remained. Although the amount varied depending on assumptions, he said it would be safe to assume a figure of around $1 billion would be required in additional financing to enable: (i) the purchase of essential imports to sustain the economy, and here he noted that it appeared that Zambia's import licensing in the past had not been harmonized with foreign availability; (ii) the reduction of some of the pipeline of commercial debt, which, he pointed out, would be extremely difficult to reschedule considering the difficulties of gathering and coordinating suppliers, but nevertheless was a subject worth exploring further and which he would discuss with the Zambians during the course of the meeting; and (iii) a build up of foreign exchange reserves to a level representing at least two months of imports. Mr. Lynch indicated that he accepts the Zambian's overall analysis and requirements for quick-disbursing assistance. All recent United Kingdom aid has been in this form and will continue for now to be on similar terms. While he understood that donor agencies would prefer to finance development projects, these will have to be deferred until the most immediate and pressing problems have been addressed. He accepted the Government's desire for flexibility in the use of aid, but he assumed priority would be given to agriculture, industry and infrastructure requirements related to those sectors. He noted that local cost financing should receive sympathetic consideration and aid should be untied. In closing, he referred to ODM's extensive, ongoing technical assistance program and made reference to an outstanding offer to provide 50 additional positions to meet some of the high priority requirements among the parastatals.

12. In commenting on Mr. Lynch's statement, the Chairman wondered whether the figure of $1 billion in reference to the short term financing gap were not too low if it were assumed to include both an increase in foreign exchange holdings and a reduction in arrears. On the question of varying estimates of copper prices, Mr. McCleary (IBRD delegates) stated that the long term price forecasts were the same in the IBRD economic report and the IBRD paper, but that short term forecasts covering the period to 1980 had been revised downwards due to a slowdown in world economic recovery and the accumulation of copper stocks. Minister Mwanakatwe elaborated on the transport constraint and the importance of resolving this bottleneck if recovery and development programs were to proceed. He stated that Zambia has recently purchased 85 new trucks and hoped to increase this number to 300 within the coming months. While confirming that TAZARA would remain Zambia's most important external transport link, he said Zambia also should make more use of the ports of Beira and Nacal, though this would require improvement of several roads in Mozambique. Turning to import licenses, he agreed with Mr. Lynch's observations and noted that licenses issued from time to time did not match foreign exchange availability. He illustrated the problem by pointing out that in 1974 during a period of high copper prices, the Government decided to stimulate growth and allowed import licenses to increase; by 1975, outstanding licenses amounted to over K 800 million, but by then copper prices had fallen and foreign exchange was becoming scarce. There has been a leveling off of licenses since then and import controls have been tightened, though this has resulted in the economy virtually stagnating. He said that Government was trying to match foreign exchange with import flows, but this was an extremely difficult task to perform.

13. Ambassador Korhohen (Finland) raised several points concerning the coordination and implementation of development planning and project implementation. He referred to the various government ministries and agencies involved in the coordination of development planning and resource allocation, namely, the Ministry of Finance, Ministry of Economic and Technical Cooperation and the National Commission for Development Planning, and suggested it would be useful to have an explanation of how these bodies coordinated their activities. With regard to local cost financing, he said Finland considered the matter on a project by project basis, but that it would be normal to assume the beneficiary country would cover 25 to 30 percent of project costs. He agreed with the need for additional training and technical assistance, but he pointed out the difficulties with locating suitable Zambian counterparts.

14. Mr. Johansen (Canada) referred to the overall question of the allocation of scarce resources, whether fiscal or other. He cited the transportation sector as a case in point, where there were many weak elements (the port in Dar-es-Salaam, the railway, intermediate points, and the shortage of locomotives, wagons, and spare parts, etc.) He felt the solution of a problem such as this required tackling not any single aspect, but the total system. He wondered whether some form of consortium approach to problems of this nature were envisaged whereby individual donors, through a coordinated effort, could pick up certain aspects of the problem. Perhaps, it would be possible, he added, for the Zambian Government, or the World Bank, at the Government's request, to provide coordination for a group of donors to come together to tackle the whole system in order that a complete package could be put into place. Otherwise, he felt, investment by one donor on one particular section could be nullified if the rest of the system does not function effectively. He thought the same system of resource allocation could also be applied to inputs into agriculture and manufacturing.

15. The Chairman suggested it would be better to defer discussion of the transport sector until tomorrow's presentation, but he asked the Zambian delegation if they wished to comment on Ambassador Korhohen's question concerning the coordination of Zambia's economic activities, and on Mr. Johansen's question about Zambia's approach to the allocation of resources, the relevant criteria that were employed, and how these were reflected in the organizational setting in Zambia. In responding, Minister Lumina (Zambian delegation), described the interaction among various ministries in determining the priorities of projects to be included in the development plan and subsequently submitted to donors for financing. He admitted that problems can arise when donors are interested in financing specific projects while the Government has in mind an entire program. Part of the problem, he indicated, is due to the numerous ministries involved in the development process, but he is hopeful more efficient procedures will be introduced in the future. He stated in certain high priority cases, the same program might be put to different donors, but usually this happened only when it was not clear which donor would be interested or in what time frame.

16. The Chairman added that he felt Mr. Johansen had pointed to a problem that many of the participants had encountered in their work in Zambia. There was an obvious lack of donor coordination in terms of responding most effectively to Zambia's needs, or in making their respective development efforts most productive. In addition to coordination difficulties, he felt there may have been an underemphasis on pre-investment work. He suggested this may have resulted from excessive competition among donors for projects under pre-investment work sometimes was undertaken only by the prospective donor expected to finance the project. The World Bank, he admitted, had followed this policy at times, but now he felt it was important that all donors moved beyond this stage and took a much broader approach to pre-investment work. This was needed to create a base against which an accelerating rate of commitments could be contemplated. He also pointed out that Bank estimates showed that net disbursements from loan commitments made prior to the end of 1977 (private as well as public) would be negative in 1978–80. In other words, Zambia would be facing a negative net resource flow, due largely to a lack of pre-investment activities in the past. He felt it essential to improve and accelerate pre-investment work so that this pattern would not repeat itself in years to come.

Mr. North (U.S.) began by agreeing with the comments made earlier about Zambia's high sensitivity to its international and regional circumstances. Certainly the Zambian situation had special characteristics which deserved serious attention by all. He noted that the Government had taken courageous decisions regarding its regional situation, in spite of the economic consequences these actions had entailed. Also, he added, it was important to recognize the sensitivity of the Zambian economy to international forces. As mentioned earlier, Zambia was one of three countries in the world most seriously affected by commodity fluctuations. Certainly that suggested that the international community should have a particular understanding of Zambia's situation. Another point which should be appreciated, he said, was the social implication of Zambia's proposed programs, which amounted to a total transformation of the country's economic and social attitudes and habits. Achieving this transformation would not be an easy task given the capital intensive pattern of past investment decisions and the high level of consumption the country had become accustomed to. The difficulty this would entail on the human level was not reflected on the charts and in the statistics under review. While he had no doubt that the Government was sincere in its intentions, he felt it would be useful for the Consultative Group to remember the human dimension of the problem when discussing the statistical facts which are so present in these meetings. In turning to the Government's program, he indicated full support for the program's emphasis on stimulating rural and agricultural development. He supported the Government's proposals to create a stabilization fund and the intention to shift from capital-intensive to labor-intensive methods of production. He said he would like to hear a fuller description of the diversification plan, in particular the content and timing of it, and what it meant in terms of Zambia's short term balance of payments problem. In discussing diversification, he asked if the Government

was talking of a 10 to 15 years time frame when the balance of payments problems were of 2 to 3 years duration? It was not clear to him if the diversification efforts and the balance of payments problem were to be treated in the same time dimension. He felt the time dimensions in any case should be longer than the 1978–80 period being talked about, because for all practical purposes 1978 was over in terms of mobilizing new resources and in some respects it was already too late for 1979. Also, the magnitude of the needs might not be so overwhelming if they could be looked at in a longer time span.

Moreover, he felt it would be useful to have more comments on the range of resource needs which ran from U.S. $500 million to U.S. $2 billion, as to what the implications were at different ranges and what were some of the minimum ranges which made sense. He also thought it would be helpful to have some response on this issue from the Government, the Bank or the Fund in order to put the large amounts of capital required into better perspective. Finally, he raised a point about the flow of resources and their utilizaiton. While the United States has had less of a problem in this area compared with others Zambia's absorptive capacity is of concern to all. In the end, he stated it became a fundamental question of the interaction of implementation ability and the decision making process on the one hand and, on the other, the ability of donors to provide the additional resources which are being sought. Part of his difficulty, he indicated, had been in convincing his colleagues back home that if additional resources were provided, they would be used efficiently and quickly. He recognized, however, that the United States' procedures and requirements were a factor in this problem. Related to the absorptive capacity question, he said, was the proposal to convert project aid to program aid, and in this context he asked for clarification on the order of magnitude of project aid suitable for such conversion.

18. The Chairman agreed with Mr. North's observations on the major social transformation involved in implementing the Government's diversification programs, particularly at this time of economic crisis. While suggesting the discussion on agriculture be deferred to later, he thought it useful to discuss the size and time frame of the resource gap as well as the interaction between resource flows to Zambia's absorptive capacity. On the latter point, he noted that a distinction should be made between capital investment and quick-disbursing program assistance: the first concerns project implementation and absorptive capacity in Zambia, while the utilization of the second type of aid depended largely on the transport situation already referred to in the discussions. Finally, he hoped the Zambian delegation could provide some order of magnitude of the amount of project assistance which it felt could be reprogrammed as quick disbursing program aid.

19. Mr. McCleary (IBRD) elaborated on the Bank's projections of the resource gap. The projected Scenario I would enable Zambia only to maintain its 1978 import levels, in real terms, in 1979 and 1980. It was only a reference point to determine what resources would be required just to continue what is an unsatisfactory situation. It was important to realize that Scenario I had very serious implications for the economy; Zambia would continue for two more years with already very low levels of imports (1978 levels were only 50 percent of 1969); shortages of spare parts and raw materials would continue, and production, absorptive capacity and real incomes would fall. Scenario I also would mean delaying the implementation of the Third Plan and Zambia's diversification. In turning to the question of timing, he agreed that the balance of payments crisis and diversification involved different time periods. The effects of diversification on the balance of payments would only be felt over three or five or ten years, after agriculture and industrial production had begun adding to exports or reducing imports. While it probably was too late for new resources to be used in the remainder of 1978, it was still possible to increase resource flows in 1979 and 1980 so as to significantly influence the implementation of the first years of the Third Plan. In this connection, he stated it was important to alleviate the transport problem, since short term improvement was needed, within the context of a long term solution, in order that additional imports could reach Zambia.

20. The Chairman referred to the fact that the resource requirements in the two scenarios were in terms of disbursements, not commitments. Therefore, 1978 was a crucial year for commitments if disbursements in 1979 and 1980 were to be increased significantly. He pointed out that the estimates reflect the totality of requirements and, while they should be on terms appropriate to Zambia's situation, these resources should not necessarily come from the public sector. Scenario I, he added, would not allow any addition to Zambia's present physical plant or its operation, Scenario II would, however, so that the question of absorptive capacity and implementation became pertinent.

21. Mr. Russo (IMF) commented on the IMF's procedures in connection with resource gap analysis. He noted that the IMF, in drawing up its program, must assume that there is no uncovered gap, since it dealt with an existing situation and what the implications of that situation were. The IMF analysis had shown that the terms of trade in Zambia had deteriorated so much that the foreign exchange availability, after the full servicing of foreign debt which is Zambia's policy, would limit imports to the extent that there would be no economic growth. Thus when the IMF discusses with Zambia the new terms of a program in 1979 within the existing standby arrangement, they will have to consider the likely availability of foreign exchange derived from exports as well as external assistance. Consequently, this meeting was important as it would provide information which would be useful in the IMF's future discussions with Zambia.

22. Minister Mwanakatwe commented on the resource flow requirements outlined in the various reports circulated to the Consultative Group. It appeared that there were no major conflicts among the various estimates of Zambia's need, and that the overall requirements were substantial. In reviewing past utilization of aid resources, he conceded Zambia had not been able to use fully all the resources made available. The Government had given careful consideration to this problem, and had taken corrective actions which, when combined with Zambia's willpower and determination, should enable the country to absorb practically all resources which would be made available. He suggested that there was a strong need for balance of payments support and that Zambia would be happy to discuss converting funds presently committed to low priority propects into commodity aid. In addition, he stated he hoped donors would consider converting existing loans either into grants, or extending repayment, so that these loans would not mature during the difficult 1978–80 period. Finally, he stated that his delegation agreed with the various estimates put forward for Zambia's resource need, which appeared to be in the US$1–1.2 billion range for 1978 and 1979. Minister Lumina (Zambia) added that inadequate coordination internally was partly to blame for difficulties in using with project assistance in the past.

He described some of the problems, such as weak planning in some of the ministries. There also had been inadequate local technical expertise which had hindered project development. This problem could best be addressed with external assistance to strengthen the planning capability at all levels of the Government. As an example of what was needed he referred to the recent agreement with Canada for technical assistance to the Ministry of Lands and Agriculture. He noted that improved pipeline of pre-investment studies was required, and while technical assistance teams were being mobilized, the Government would use consultants to help produce feasibility studies in short term for consideration by various donors. For the longer term, he emphasized that Zambia needed to develop a permanent capability to plan and prepare development programs. In the past, local counterparts had been scarce and donors had been reluctant to provide technical assistance. But Zambia's educational institutions were now turning out more qualified graduates, and he felt optimistic that counterparts would become increasingly available.

23. The Chairman referred to three interrelated requirements which have just been discussed; namely, the need for financial resources, for a functioning transportation system and for an expansion of the absorptive capacity, which to a certain extent rested on an effective technical assistance plan. All these combined to raise questions about whether an increased level of resources, if made available, could be used effectively. In general, he felt if sufficient resources were available to finance Scenario I, there would be no problem of absorptive capacity, since these levels were not substantially greater than those in previous years. If the resources were available to finance Scenario II, while there might be a strain on the physical and organization capacity to absorb them, it still should be possible to absorb them. However, for resource inflow substantially exceeding Scenario II requirements, the time frame for absorption would have to be reviewed carefully.

24. Mr. Palmlund (Sweden) began by expressing his hopes that the Consultative Group meeting would result in tangible support to help Zambia overcome its difficult economic situation. He noted that the Swedish Government felt it important that Zambia receive support for continued stability, given its exposed position in southern Africa, and its adherence to principles of majority rule in the region despite the severe economic costs it incurred. He added that his Government accepted the Zambian Government's position that the international community should assist Zambia in its current crises. Mr. Palmlund referred to the structure of the Zambian economy and the effect budgetary restrictions have had on reductions of expenditures for subsidies, education and health care. He wondered if these measures would result in greater disparities in income distribution, or if the Government had taken other measures to ensure that the entire country would bear the cost of the stringent policies necessary in the present situation. He was encouraged that Zambia had already established an extensive infrastructure network plus facilities for health and education, as this meant expenditure could be cut back without eliminating basic coverage. He also remarked on the great emphasis placed on diversification and suggested that, while this was appropriate, copper should not be ignored and that further investments in copper would probably be required in the years ahead. He noted that Zambia would need improved administration, institutions and training programs, in addition to enlarged resource flows. Turning to agriculture, he commented on the likely conflict between equity and growth objectives and expressed his hope that the equity perspective would not be forgotten and that small subsistence farmers would be remembered. In the long term, he felt it would be better to have met the needs of a large group of people rather than to have

concentrated exclusively on investments to increase productivity and exports. He accepted the Government's requests for program and commodity assistance, as well as untied aid in general, as being appropriate for Zambia's crisis situation. With regard to arrears, he though it would be easier for Sweden's guarantee board to react on a multilateral basis in concert with other agencies rather than alone.

25. The Chairman, in commenting, mentioned that it was important to remember that the issue of diversification, which had been raised by several speakers, was not the focus of the inaugural meeting of the Consultative Group, and that the direction and effects of diversification could only be traced once the longer term prospective of the Third National Development Plan was available. He noted the Government had proposed a two-staged strategy in dealing with its economic crisis: it proposed to address its short term problems in this first Consultative Group meeting in a subsequent meeting to be held after the Plan becomes available, the longer term situation would be reviewed. He agreed with Mr. Palmlund's comments on the important role copper will play in Zambia's future, but felt it was important nevertheless to help Zambia broaden its economic base to prevent future reoccurrence of the present crisis.

26. In response to Mr. Palmlund's question on income distribution, Mr. Mwanakatwe indicated that the measures introduced by the Government in its 1978 budget in response to the economic situation appeared to have caused less hardship on upper income groups than those at the lower end of the scale. But, he added, the Government's fiscal policies since 1972 had tended to impose heavier burdens year-by-year on the higher income groups. He also referred to other measures the Government had taken, such as freezing civil service salaries, which would penalize the higher income groups. Thus, he felt the pattern of income distribution as a whole would not become more inequitable in 1978 and 1979. With regard to expenditures on education and health, he pointed out that there had been no decreases in the amounts allocated to these sectors, but that the increase in budget allocations required to sustain the real rate of developments in health and education services had not been authorized. For the future, he expected that the social sectors would have a lower proportion of resources in the Third Plan than in the Second, but that there would be no decreases in actual expenditures on these services.

27. In a related point, Mr. Russo (IMF) mentioned that 70 percent of the population was involved in agriculture, mostly in the subsistence sector. In discussing measures which affected wages, he noted that the concerned individuals were those who worked in the non-agricultural sectors and who generally had been treated better than those in agriculture. Other measures in the Government's Plan, such as producer price policies, tended to correct the previous vias towards the urban sector, but he felt it would be difficult to make a judgment on whether the measures in the Government's proposed program would lead to better or worse income distribution.

28. Mr. Kirchoff (Germany) opened his statement by indicating support for the outstanding role Zambia was playing in southern Africa. He noted that the Federal Republic of Germany was enthusiastic about the idea of humanism and what has been realized under this idea. Zambia, he stated, had reached quite a respectable degree of democracy and human rights, which formed a basis for the difficult role it was playing in the region. In turning to economic matters, he noted Zambia's heavy dependence on world markets and commented that his country bought 20 percent of its copper from Zambia, all of which was processed in the Federal Republic. In this sense it was possible for his Government to look at assistance to Zambia as a type of income redistribution. He felt an important issue when examining Zambia's needs was the role of private financing, and wondered if this subject would be addressed in the meeting. He particularly agreed with three recommendations in the IBRD report, namely, strengthening the parastatal sector, improving agriculture and agricultural institutions, and creating a project preparation unit for agriculture and other ministries.

The Federal Republic, he stated, was prepared to provide additional funds for feasibility studies, and would seek to coordinate these activities with other interested donors. Regarding the proposed Third Plan, he referred to an earlier statement concerning Zambia's intention to set up large-scale agricultural estates for the production of export crops. He inquired if there were studies available on the possibilities of exporting those crops. Since commodity price projections for several crops were not favorable, he wondered on what basis the Zambian decision had been taken. On another point, he commented on the need to strengthen the parastatal sector and hoped it would be possible to increase efficiency and reduce dependence on government subsidy. He felt that control of the large parastatal organizations should be decentralized, and that there should be an effort to standardize machinery and transport equipment, in order to simplify maintenance and ensure higher utilization. NAMBOARD, in particular should be strengthened and better oriented to the needs of the agricultural sector. He felt NAMBOARD had difficulty in supplying inputs, collecting the harvest, and paying the producers in a timely fashion. He also supported the idea of more joint ventures, as a way of easing Zambia's capital requirements, but felt private investors might not be interested at the moment given the present economic climate. Finally, he indicated the German aid program would be untied in the future, except, perhaps, for the railway sector, and would include cost financing.

29. Mr. Hjelde (Norway) welcomed the formation of the Consultative Group as a sign of solidarity for hard-hit Zambia. He confirmed the willingness of the Norwegian Government to continue providing assistance to Zambia on grant terms. The Zambian Government, he noted, had initiated short term measures to address its economic crisis and he hoped it would introduce soon the various medium and long term measures it had proposed. His delegation welcomed the Government's intention to improve use of labor-intensive techniques, and to provide for better distribution of income.

He hoped, however, that Zambia's efforts to stimulate large scale agricultural production would not be at the expense, or neglect, of the small farmer. He was pleased that the Government plans to strengthen the machinery for implementing and monitoring development programs. Finally, he noted that Zambia's birth rate and population growth were quite high, leading to increasing pressures on limited social services and the labor market. While the documentation for the Consultative Group did not address this matter, he felt confident the Zambian Government took a strong interest in this important human dimension of the development process.

3. Miss Movus (France) began the session on the second day of the meeting with her delegation's comments on the economic presentation made the previous day. She noted that Zambia's development problems and balance of payments difficulties should be viewed together, and that certain of these problems were outside Zambia's control. She felt priority should be given to those development actions which could relieve the balance of payments situation as quickly as possible. She suggested that in dealing with its problems, Zambia should consider entering into arrangements to spread out payment arrears over a reasonable period of time, thereby relieving its debt burden over the critical years. While this meeting was not the proper forum for dealing with this situation, the Zambian delegation might use the opportunity to establish contacts with a view to discussing this matter at a later time.

31. Mr. Gudac (Yugoslavia) indicated this was the first time his country had been represented in such a meeting. Two reasons prevailed in favor of Yugoslavia's participation this time: first, this group was to be a forum to contribute to a coordinated approach and an additional effort by the international community to assist Zambia in regaining its development momentum; second, Yugoslavia's well-developed political and economic relations with Zambia supported its decision to participate. In commenting on the economic situation, he noted the degree to which exogeneous factors had contributed to Zambia's problems. He suggested that if there had been an effective international common fund for stabilizing commodity prices, which developing countries had urged for several years, Zambia's financial position would have been eased in a less painful way. He underlined that Zambia was paying a very high price for honoring U.N. resolutions towards racist regimes in southern Africa. The economic burden was increased by the just burden of the Zambian Government's struggle for complete liberation and decolonization in the region. He felt it was tempting for creditors and donors to come with well-intentioned advice on institutional improvements, some of which might compromise priceless social values. He cautioned that donors must permit Zambia to steer out of the present crisis without compromise longer term human and social goals. In commenting on the time dimension and the nature of the measures to be taken, he agreed that in stage one, additional quick disbursing balance of payment support was essential. In addition, project preparation should be intensified during the remainder of 1978 and early 1979 to attract increased financial flow during 1979. Project financing would allow those donors and international institutions who cannot provide untied aid or balance of payments support to participate actively in assisting Zambia. As a developing country itself with foreign exchange problems, he stated that Yugoslavia had no capacity to provide untied balance of payments support. It could, however, mobilize a combination of official and commercial funds which would add modestly to the capital available. More generally, he stated, it was essential that foreign investment should be directed towards mobilizing domestic material and human resources so as to reduce the Zambian economy's vulnerability in the medium term.

32. The Chairman welcomed Yugoslavia's participation in the Consultative Group, noting that the World Bank had been closely associated with Yugoslavia's development over the years. He stated it was gratifying to have the participation of an old borrower in a Consultative Group that now addressed the problems similar to the ones Yugoslavia experienced in the early 1950s.

Item 6—Statement by the UNDP on technical assistance

33. Mr. Doo Kingue (UNDP) delivered a statement, attached as Annex VI, on technical assistance activities in Zambia.

Item 7—Statement by the Zambian delegation on agriculture

34. Minister Lumina (Zambia) presented a comprehensive description of past agricul-

tural performance, existing sectoral constraints and proposed future developments. His statement is provided in Annex VII.

Item 8—Statement by the IBRD delegation on transport

35. Mr. Bicker pointed out that some 90 percent of Zambia's international traffic (apart from local trade with neighboring Zaire) was now moving via Tanzania and the port of Dar-es-Salaam, but effective capacity on the rail/road corridor to the port was currently so much below its potential as to cause major disruptions in the movement of both imports and exports. Key requirements for the railway were additional technical assistance and more storage and mechanical handling facilities, to help speed up loading and unloading wagons. The only apparent alternative to improving the railway's performance was to provide more extensive (and more expensive) road trucking capacity along the corridor. An acceleration in the off-take of Zambian imports from Dar-es-Salaam would help to relieve the serious congestion in the port area. However, many other improvements, including a high degree of cooperation among the various agencies involved in the whole complex of moving Zambia's traffic via this route, also were urgently needed to improve the situation. His statement is attached in Annex VIII.

Item 9—Continuation of the general discussion

36. Minister Mwanakatwe (Zambia), in commenting on the comprehensiveness and accuracy of the transportation presentation, noted that the situation in the sector had reached serious proportions and required immediate attention. If the problems were not realistically tackled in the next few months, the entire joint effort to speed up Zambia's recovery would be seriously undermined. He informed the meeting that President Kaunda had just sent an urgent letter to President McNamara of the World Bank stating that the transport situation had reached crisis proportions, and requesting the Bank to provide assistance.

37. Mr. Wessels (Netherlands) offered some general comments on Zambia's situation and indicated his delegation's approval of the measures Zambia had taken to begin diversifying the economy. He pointed out the dramatic consequences of Zambia's dependency on copper as measured in terms of the unprecedented decline in GNP per capita, which had gone from US$520 in 1974 to US$375 estimated for 1977. He noted the problems created by urban migration and an overdependence on capital-intensive methodologies. Industrial development, with emphasis on small-scale enterprises using local raw materials, he stated should be combined with an expansion in agricultural production in order to diversify the economy. He noted the present investment costs per job for industrial activity averaged US$100,000 and that there appeared to be little scope for labor-capital substitution. Parastatal performance, he observed, was weak, with room for improving capacity utilization and efficiency. Growth from this factor could be quickly realized by improving management and efficiency instead of creating costly new capacity. To ensure the success of its rural and industrial development efforts, the Government should provide adequate pricing and marketing policies for agricultural products, more competition among parastatals, improved extension services and rural infrastructure, and expanded technical, vocational and managerial training. Finally, he stressed that planning in the short and medium term should keep under consideration the fundamental long term issues relating to Zambia's development.

The Chairman noted, in response to Mr. Wessel's support for small-scale industrial development, that the Bank shared his concern and had been actively consulting with Zambian authorities to look at possibilities for light industries, especially those that are agro-based. Mr. Reese (IBRD) elaborated on the Bank's interest in stimulating development of small-scale industries. He noted that two missions had visited Zambia recently. One was particularly concerned with industries which would use local raw materials. This mission concluded that Zambia had a large potential for developing small and medium-scale enterprises based on available local materials. He noted this was important, not only for potential import substitution or export development, but because it would also provide for employment creation and increased agricultural production. The Bank, he explained, also was exploring other ways of assisting industrial development through such channels as the Development Bank of Zambia. The Chairman referred back to Mr. Wessel's statements on parastatal efficiency and the steady drop in Zambia's per capita income levels, noting how the latter phenomenon affected the efficiency with which the manufacturing sector could conduct its business. He noted that these entities in effect were operating in an environment where the local market had collapsed, where there was no foreign exchange to purchase spare parts and raw materials, and where the transport crisis impaired their ability to obtain imports or export their products. Thus, in talking about parastatal efficiency, he noted the importance of keeping in mind the environment within which parastatals have to operate.

39. Mr. Wirsing (EEC) commented that the Community was a relative newcomer to transport problems in this part of Africa. He indicated the EEC expected to look into different aspects of the regional transport network, including studies of the port facilities of Dar-es-Salaam, and transport routes involving Lake Tanganyika. The EEC, he stated, would be financing a study shortly which would consider the major problems facing Zambia's transport links with coastal areas. The study should be available in nine months, and he suggested it might be useful at that time to have a meeting with the Zambian Government and interested donor agencies. Regarding Dar-es-Salaam, he felt relatively low cost actions could increase in the short term the handling capacity of the port. He noted the EEC would be willing to join other donors in any action which might help to relieve the situation. He understood the World Bank had already taken interest in TAZARA's problems and indicated the EEC would be willing to provide assistance if needed. The Chairman intervened at this point to note that the World Bank was not presently involved with TAZARA, although, as previously mentioned, President Kaunda had now asked the Bank to look into the overall transport problem which, of course, included TAZARA. Minister Mwanakatwe suggested that a short term solution to Zambia's transport difficulties should first be found, followed by a longer term program to correct the underlying problems. He indicated he would report to President Kaunda on his return, giving him the general comments made by the delegations concerning this serious subject. He would also request President Kaunda to consider the possibility of raising the matter with President Nyerere. The Minister said it was important that the two Presidents harmonize their views at the earliest stage on how this problem should be handled. Thereafter he was confident the World Bank and other institutions could be approached to help find a solution to the problem. On another point, the Minister referred to the development of transportation in the Lake Tanganyika region, and indicated the great importance Zambia attaches to the proposed studies. He expressed his disappointment that donor procedures had caused delays in the initiation of the studies.

40. Mr. Doo Kingue (UNDP) commented on the problem of transport from various time perspectives. Over the long term, he noted that the U.N. General Assembly last year, on the initiative of African countries, had declared 1978–88, the "Transport and Communications Decade in Africa." The UNDP Governing Council had just passed a resolution last week requiring the UNDP administrator to report in a year's time on the UNDP's response. He also reported that the UNDP has set aside during 1977–81, US$10 million for projects concerning cooperation in southern Africa. Considering that many countries in the region are landlocked, he hoped that a sizable amount of money would be used to prepare specific projects to address these countries' problems. He also mentioned that UNDP and UNCTAD were carrying out studies on how to alleviate transport problems and bottlenecks in southern Africa, with emphasis on landlocked countries. He suggested it would be most useful for donors to cooperate in these endeavors to avoid duplication, and that perhaps at an appropriate time a special Consultative Group meeting for transport and communication in southern Africa might be useful. This would ensure maximum donor coordination from the pre-investment phase through project implementation. He suggested that a special subgroup could be set up to help with Zambia's problems.

41. Mr. Girma (ADB) stated that the African Development Bank fully agrees with the analysis and lines of actions indicated both by the World Bank and the Government of Zambia. The ADB also was interested in coordinating with other donors on transport development in the region from the earliest stages.

42. Mr. North (U.S.) joined the other delegations in expressing his concern about the immediate transport problem. Clearly this critical situation needed to be addressed rapidly, and, in that context, he was pleased to note the Government of Zambia had approached the Bank to be the focal point of an effort to help solve the problem. He agreed with the analysis of several other delegates that the problem must be tackled in a coordinated way, since it was beyond the resources of any one donor. On agricultural development, he complimented the Zambian delegation for its comprehensive presentation which linked the various elements of strategy, policies and programs into an integrated program. He noted the U.S. would wish to remain associated with efforts to assist the traditional farmer, as these people made up the bulk of the agricultural population. In this connection, he asked for further elaboration on the Government's plans and ideas for institutional development and manpower training related to its agricultural program. After the agricultural plan had been completed, he suggested the Government might wish to call interested donors together to review it and coordinate future assistance.

43. The Chairman noted the U.S. delegate's flexible response to dealing with the problems in the transport sector, and indicated the Bank would consult with the Government to determine an effective approach to the problem. The Bank would then call on the U.S. and others who are experienced and interested in this field to obtain counsel as well as material and technical assistance for a plan of action to deal with the problems. Minister Lumina (Zambia) responded to Mr. North's enquiry on strengthening the agricultural setcor by outlining the various training and research programs to be added or expanded during the Third Plan.

44. Mr. Lynch (U.K.) commented on the comprehensiveness of the Zambia delegation's agricultural proposals and noted that the goals of 5.5 percent growth in agriculture

and self-sufficiency in food production should be obtainable. He felt that pricing policy would be critical to the success of the entire operation, and must be rationally approached to ensure production targets were met. As a case in point, he stated that calculations showed that the current price of maize was not sufficient to meet production costs. On technical cooperation, he noted that in the U.K.'s program, amounting to £8 million annually, only 6.5 percent had been spent in the natural resources sector, and only 3.5 percent on transport, which showed the low priority both donor countries and Zambia had accorded these sectors in the past. The U.K., he added, had offered in the past 18 months over £14 million in program aid, the majority of which the Zambian Government had proposed to use in the transport and agricultural sectors. Turning to transport, he felt Zambia's long term investment plans should take into account the inevitability that the access routes to the sea, which were presently cut off, would be re-established. Thus, the short-term strategy should concentrate on alleviating problems on those routes which remain open. He felt it would be imprudent to allocate scarce exchange resources to large new projects for outlets to the sea. He commented that certain problems affecting the operations of the TAZARA railway, namely spare parts and maintenance of rolling stock and locomotives, might require assistance from the original builders, but other elements such as storage facilities and mechanical handling equipment could be purchased from numerous donors.

45. Mr. Wirsing (EEC) affirmed the need for coordinated action on the transport sector. He noted the many studies, already completed or proposed, concerning transport in the region, several made elaborate recommendations which should probably be modified.

46. The Chairman concluded the session by offering his opinion that the discussions had introduced a degree of coordination on sectoral issues which perhaps had been absent in the past. He recapitulated the causes of the present crisis: the dependence on a single commodity, the deterioration in the terms of trade and the resulting pressure on the balance of payments. He noted the measures taken and under consideration to combat the crisis and restore stabilization and growth. The basic change in the Government's policies, he added, had been the concerted effort to diversify the economy with emphasis on stimulating agricultural and industrial development. He understood there was a consensus among the participants at the meeting that the directions of the Government's solutions were appropriate, even though much remained to be seen regarding the means and resources the Government would have available to implement its programs.

Item 10—Consultation between delegations

47. This session was devoted to discussions between delegations on topics of mutual interest.

Item 11—Statement by the IBRD delegation on bank group operations

48. Mr. Wiehen (IBRD) opened the meeting on Thursday, June 29, with a statement, contained in Annex IX, on the present and prospective operations of the World Bank Group in Zambia.

Item 12—Statement by delegations

9. The statements made by the following Delegations are provided in Annex X: African Development Bank; European Economic Community; International Finance Corporation; Saudi Development Fund; United Nations Development Programme; Canada; Finland; France: Federal Republic of Germany; Italy; Japan; Netherlands; Norway; Sweden; United Kingdom; and United States.

Item 13—Other business

50. A press release, attached as Annex XI, was discussed and approved.

Item 14—Concluding statement by the head of the Zambian delegation

51. In his concluding remarks, Mr. Mwanakatwe briefly reviewed Zambia's economic problems and indicated that the Government intended making rural development the cornerstone of its diversification strategy. The process would not be complete, however, without the active involvement of the private sector and more efficiently-working parastatals. He also said that the question of streamlining the administrative machinery for receiving and utilizing aid would be taken up with the Government. Finally, he thanked all the participants for their sympathetic responses and indicated support to Zambia in meeting its present crisis and in assisting its long-term economic development. The text of his remarks is provided in Annex XII.

Item 15—Concluding statement by the chairman

52. The Chairman, in closing the inaugural meeting, thanked the governments and agencies for their support and goodwill, and expressed appreciation and thanks to Zambia's representatives for their presentations and tireless efforts in answering questions. He summarized the causes of Zambia's present misfortunes as: (i) dependence on a single export commodity which continues to face depressed market prospects, (ii) a geo-political constellation which exacerbates Zambia's landlocked location, (iii) a decline in access to external transport links, and (iv) a paucity of experienced and skilled manpower. The economy was unprepared to absorb the kind of sudden jolts the world had recently experienced so that it was experiencing a liquidity crisis superimposed on imbalances. Fortunately, Zambia had the potential to solve its present problem and enjoyed leadership that was determined to effect the necessary changes in the direction and strategy of development. Regarding the financing gap, the figures presented were aggregate, in that they did not distinguish between official development assistance and private financing. They also did not take into account the levels of assistance historically made available to Zambia nor the possibility of new external commercial borrowing. Only commitments already made at the time of analysis were taken into account.

If it were assumed that during 1978–80, aid would continue at levels similar to the recent past and that additional long-term borrowing would be sufficient to cover repayments of previous loans, Scenario I's financing gap would be substantially eliminated. It was important, however, to keep in mind, first, that aid to Zambia over the past few years had been constant in nominal terms, thus implying a sharp drop in real terms, and, second, Scenario I's imports would not permit any progress toward normal capacity utilization. Even Scenario II's imports would not allow much expansion of investment during the first two years of the Third Plan. In addition were the commercial arrears. In this situation, only quick disbursing and/or commodity-type assistance could provide the needed stabilization. The impact of this assistance, of course, would depend on a well-functioning transport link. In this connection, the Bank intended to respond—perhaps in concert with others—to the best of its ability to the urgent call for help in this sector. The longer term solution required economic diversification, which, however, should not be expected to bring quick results nor should it sacrifice the equity that Zambia values highly. The Chairman listed some of the most important areas in which performance could be improved, namely, (i) better planning for and coordination of external assistance, (ii) increased absorptive capacity through pre-investment work, (iii) better utilization of technical assistance, (iv) improve parastatal efficiency, and (v) greater emphasis on agricultural institutions and training. Finally, it was hoped that the contacts made at the meeting would be followed up so that a sufficient resource base to meet Zambia's short term needs could be established. Hopefully, there then could be another meeting of the Consultative Group in the not too distant future which would tune its attention to development. In preparation, the Bank would want to make and circulate an appraisal of the Third National Development Plan. Although preparation of the Plan was well advanced, it was not expected that another meeting of the Consultative Group could be called until early 1979. The text of his remarks is provided in Annex XIII.

ANNEX I—CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

PARIS, TUESDAY TO THURSDAY, JUNE 27 TO 29, 1978

List of delegates

Bank: Mr. Willi A. Wapenhans, chairman; Mr. Michael H. Wiehen; Mr. Ravi Gulhati; Mr. David G. Reese; Mr. Donald H. F. Bickers; Mr. William A. McCleary; Mr. Roger C. Sullivan; Mr. M. Azizul Jalil, resident representative in Zambia.

IFC: Mr. M. A. K. Alizai, Deputy Director, CAF.

Canada: Mr. Karl Johansen, Director General, Commonwealth Africa Division, CIDA, head of delegation; Mr. Paul Dunbar, Senior Planning Officer, Zambia, CIDA; Mr. Jean-Paul Caron, International Programs Division, Ministry of Finance; Mrs. Catherine Peterson, Desk Officer for Zambia, Ministry of External Affairs.

Finland: H. E Mr. Unto Korohohen, Ambassador of Finland to Zambia, Head of Delegation; Mr. Erkki Laurila, Secretary of Section, Ministry of Foreign Affairs; Mr. Rauno Viemero, First Secretary, Permanent Delegation to OECD.

France: Miss Jeanne Moevus, Financial Counsellor for Africa, Treasury, Ministry of Economy, Head of Delegation; Mr. Sellier, DREE, Ministry of Economy; Mr. Remy Lahaye, Charge de Mission, Financial and Economic Affairs Department, Ministry of Foreign Affairs; Miss Siegel, Treasury, Ministry of Economy.

Germany: Dr. Karl Kirchhof, Head, Eastern & Southern Africa Division, Ministry of Economic Cooperation, Head of Delegation; Mr. Gunter Daniel, Regiergunsdirektor, Ministry of Economic Cooperation; Mr. Franz Ring, Ministry of Foreign Affairs; Mr. Klemens Scharte, Counsellor, Ministry of Finance; Mr. Rolf Howald, Counsellor, Ministry of Economic Affairs; Dr. Volkhard Hebisch, Kreditanstalt fur Wiederaufbau.

Italy: Mr. Riccardo Leonini, Head of Office, Economic Affairs Directorate, Ministry of Foreign Affairs, Head of Delegation; Mr. Alessandro Sottosanti, Counselor, Ministry of the Treasury; Mr. Giancarlo Brianconi, Head of Section, Ministry of Foreign Trade; Mr. Dino Volpicelli, Secretary, Permanent Delegation to OECD.

Japan: Mr. Tsuneo Jinma, Financial Counsellor, Embassy of Japan, Paris, Head of Delegation; Mr. Koji Kawasaki, Economic Cooperation Bureau, Ministry of Foreign Affairs; Mr. Hiroyuki Shiraishi, Financial Attache, Embassy of Japan, Paris; Mr. Gorota Kume, Ex-Im Bank, Paris, Observer; Mr. Yorihiro Narita, Overseas Economic Cooperation Fund, Observer.

Netherlands: Mr. W.G. Wessels, Head, Special Programes, Ministry of Foreign Affairs, Head of Delegation; Mr. A. van der Luit, Ministry of Economic Affairs.

Norway: Mr. Haakon B. Hjelde, Head of

Division, Ministry of Foreign Affairs, Head of Delegation; Mr. Per Tobiesen, Resident Representative in Lusaka, NORAD; Ms. Kersti Bredberg-Johansen, Senior Official, NORAD.

Sweden: Mr. Thord Palmlund, Head of Bilateral Department, Office of International Development, Ministry of Foreign Affairs, Head of Delegation; Mr. Lars-Olof Edstrom, Development Assistance Attache, Embassy of Sweden, Lusaka; Mr. Bengt Wahlstedt, Head of Section, Ministry of Economic Affairs; Mr. Bengt Oberger, Economist, Embassy of Sweden, Lusaka; Mr. Rolf Andreen, First Secretary, Permanent Delegation to OECD.

United Kingdom: Mr. Martin P. J. Lynch, Under-Secretary, Africa Division, Ministry of Overseas Development, Head of Delegation; Mr. A. K. Robertson, Head of Zambia Section, Ministry of Overseas Development; Mr. P. R. Carter, Economic Planning Staff, Ministry of Overseas Development; Mr. G. E. Hall, Advisor, Bank of England; Mr. J. R. Varcoe, Assistant Head, Central and Southern African Department, Foreign and Commonwealth Office.

United States: Mr. W. Haven North, Deputy Assistant Administrator, Bureau for Africa, USAID, Head of Delegation; Mr. Vernon C. Johnson, Deputy Assistant Secretary, Bureau of African Affairs, Department of State; Mr. Peter Smith, Country Officer for Zambia, Office of East African Affairs, Department of State; Mr. Leonard Pompa, AID Desk Officer for Zambia; Mr. John Hicks, Program Officer, USAID, Lusaka; Mr. du Lavey, Development Assistance Attache, Permanent Delegation to OECD.

Yugoslavia: Mr. Tom Gudac, Deputy Assistant Secretary, Federal Secretariat for Finance.

African Development Bank: Mr. W. M. Girma, Director, Operations Department, Head of Delegation; Mr. P. Rwelamira, Economist.

Arab Bank for Economic Development in Africa (Badea): Mr. Farah Warsame, Development Officer.

European Economic Community: Mr. Klaus Meyer, Director General; Mr. Maurice Foley, Deputy Director-General; Mr. Wirsing, Director of Programs; Mr. John Scott, Principal Administrator.

European Investment Bank: Mr. R. C. Speller, Projects Officer, Head of Delegation; Mr. M. Becker, Economist, Research Department.

International Monetary Fund: Mr. Massimo Russo, Division Chief, Equatorial African Division, African Department, Head of Delegation; Mr. Jukka M.T. Paljarvi, Economist, African Department; Mr. Hiroyuki Hino, Economist, Exchange and Trade Relations Division; Mr. Augustus W. Hooke, Senior Economist, IMF Office, Paris; Mr. Jorge Guardia, Counsellor, IMF Office, Paris.

Saudi Fund for Development: Mr. Yussuf Biyari, Counsellor to the Vice Chairman, Head of Delegation; Mr. Hahmoud S. Nadeen, Economist.

United Nations Development Programme: Mr. Michel Doo Kingue, Assistant Administrator and Regional Director for Africa, Head of Delegation; Mr. Gordon Groundrey, Joint Coordinator, Special Economic Assistance Programs; Mr. J. Mufti, Resident Representative, Zambia.

Zambia: Hon. Mr. John M. Mwanakatwe, Minister of Finance, Head of Delegation; Hon. Mr. Joshua P. Lumina, Minister, National Commission for Development Planning; Mr. Luke Mwananshiku, Governor, Bank of Zambia; Mr. Dominic Mulaisho, Assistant to the President (Economic Affairs); Mr. Francis Walusiku, Deputy Secretary to the Cabinet; Mr. Lloyd Sichilongo, Permanent Secretary, Ministry of Finance; Mr. S. K. Mutuna, Permanent Secretary, Ministry of Economic and Technical Cooperation; Mr. David Simonda, Permanent Secretary, National Commission for Development Planning; Mr. Andrew Hamaamba, Acting Permanent Secretary, Ministry of Lands and Agriculture; H. E. Mr. Isaac R. B. Manda, Ambassador of Zambia in Paris; H. E. Mr. W. Nkowani, Ambassador of Zambia to the European Economic Community; Mr. G. B Mbulo, Director of Research, Bank of Zambia; Mr. Timothy Thahane, Executive Director, World Bank; Mr. Austin H. Madinga, Alternate Executive Director, World Bank; Mr. Wila D. Mung'Omba, Executive Director, International Monetary Fund.

OBSERVERS

Austria: Mr. G. Janschek, Director, Ministry of Finance.

Romania: Mr. Nicolae Eremia, Director, Ministry of Finance, Head of Delegation; Mr. Emile Radulescu, Second Secretary, Embassy of Romania in Paris.

DAEC/OECD: Mr. Fred Livingston, Head, Programme and Sector Policies Division, Development Cooperation Directorate, Head of Delegation; Mr. John Diller, Principal Administrator.

ANNEX II—CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

PARIS, TUESDAY TO THURSDAY, JUNE 27 TO 29, 1978

Opening statement by the chairman

1. It is my great pleasure and honor to welcome you on the occasion of the first Consultative Group meeting on Zambia. The presence of so many distinguished delegations attests to the high levels of respect and goodwill Zambia has generated in the international community. We are indeed pleased to have with us a very distinguished delegation from the Republic of Zambia and I should like to extend an especially warm welcome to the Minister of Finance, His Excellency John Mwanakatwe, and his associates.

2. The formation of the Consultative Group—culminating a long process of deliberation—comes at a critical juncture in the Zambian economy. We know from the background documentation before us—and let me take the opportunity here to compliment the Zambian delegation for their lucid and candid statement on the recent past and current economic situation—that Zambia's crisis has been brought on by its overwhelming economic dependence on copper production, and the depressed state of copper prices since 1975 in the face of substantial international price rises while all contributed to adversely effect Zambia's terms of trade. While other contributing factors have exacerbated the situation, most notably the turbulent state of regional affairs and their disruptive impact on Zambia's vital transport links with its external markets, these events have only served to further demonstrate the severe structural imbalances within the economy, and the lack of internal resilience to external forces so often present in a one-commodity economy. Let me summarize briefly the unsettling effects brought on by three years of low copper prices:

Government revenues from mineral taxation have fallen precipitously and have been nil for the last two years;

Mounting budgetary deficits have been financed internally fueling domestic inflationary pressures;

The terms of trade have deteriorated rapidly;

Massive balance of payments deficits have occurred leading to an accumulation in arrears and a reduction in foreign exchange holdings; and

Lack of imported spare parts, intermediate goods and essential raw materials have cut into production causing a fall in real Gross Domestic Product.

The Zambian Government has responded by adopting a number of short-term internal measures to dampen demand, restrict imports, stimulate non-mineral production, and encourage adoption of labor-based techniques. For the longer-term, the Government has pledged itself to the long and difficult task of putting the economy on a broader footing, based on agriculture and manufacturing, as well as mineral production.

3. Nonetheless, the constraints imposed by current economic conditions may well combine not only to threaten the country's economic recovery, but imperil structural adjustments in general—unless there is immediate and substantial outside help. The immediate problem, then, is one of mobilizing the necessary external resources in order to maintain productive capacity and stimulate new investment, while restoring economic stability, in order that Zambia can get on with the longer-term task of restructuring its economy. To help in this endeavor, the Government has turned to the international community for assistance. It has embarked upon a comprehensive stabilization program, in connection with a standby agreement with the International Monetary Fund, which you will hear about in more detail later in the meeting. It has also asked the World Bank to form a Consultative Group to provide a forum for discussing Zambia's economic situation and prospects, priorities for development and needs for external assistance, with all countries and institutions which are interested in supporting Zambia's development. A unique aspect of this first meeting is that it will focus mainly on the economy's short-run resource requirements and the appropriate mechanisms for providing financial and economic assistance, and not on the details of Zambia's long-term economic strategy. Partly this is because Zambia's Third National Development Plan, already twice postponed because of pressures generated by the present crisis, will not be ready before the end of this year, and partly because Zambia's requirements for external resources in the 1978–80 period are so massive and immediate, that the Government has asked the Consultative Group members to address this problem first, and then to come together again, following the completion of the Third Plan to discuss Zambia's long-term development program and the sectoral requirements. Our own assessment of Zambia's situation supports the Government's views on the urgency of convening the first Consultative Group meeting now, rather than waiting for completion of the Third Plan. But this does not mean that we should focus exclusively on Zambia's short-run problems, as obviously there is a strong link between the policies and programs adopted in the short-run and Zambia's long-term development goals. The Government's paper provides an overview of its objectives for the Third Plan, and later in the meeting we will hear from the Zambian delegation on recent developments in agriculture, clearly the pivotal sector in the Government's long-term diversification efforts. I am sure the Zambian delegation would appreciate our frank comments on the Third Plan proposals as part of our general discussion of the economy.

4. Nevertheless, our primary objective in this meeting will be to review the Government's current financial situation and assess the various policy and financial actions taken to stabilize the economy and quicken the pace of diversification. We hope to update the assessment of the level of external resources required for Zambia to resume its economic growth as quickly as possible, within the set of constraints it faces. And while agriculture is crucial to our structural diversification, removing the transportation bottlenecks is absolutely essential to making the short term relief measures effective. In the course of the meeting, we would expect to learn more from the Zambian delegation of the relative pri-

ority their Government gives to the different uses to which external resources might be applied, given the economy's large requirements. These views would serve as a useful guide to Group members in considering the most appropriate forms of their assistance. We also expect to discuss the framework for initiating and coordinating the policy actions, as well as the specific measures, including technical assistance, needed to remove bottlenecks in transportation and in absorption of development finance and to carry out economic diversification and restructuring. In relation to these needs, the Government of Zambia's paper outlines the policy instruments they have used, or will use, to stimulate growth in new economic areas including inter alia: (i) increased budget allocations for agricultural investment, (ii) improved levels of agricultural producer prices and the intention to adjust these annually, (iii) an industrial Development Act providing a comprehensive package of incentives to spur industrial output and attract private investment, and (iv) reduction in subsidies benefiting urban consumers.

5. However, the Government has and must continue to move resolutely to translate its policy objectives into programs by strengthening institutions, revitalizing the bureaucracy, and organizing a substantial, well-directed and efficient technical assistance program. While these intentions are clearly stated as Government objectives, we look forward to hearing from the distinguished delegation from Zambia, how these important issues will be tackled since they are important both in our review of the short-run resource requirements and in giving effect to the courageous policy measures already adopted by the Government.

6. Let me add here that the Consultative Group meeting, as you know, is not intended to be a pledging session, but rather serves as an opportunity for Zambia's friends to come together for a frank discussion of their concerns, and, to the extent possible, to provide an opportunity for them to indicate their intended level, direction and type of support in the immediate future. Given the severity of the present crisis, Zambia obviously needs substantial amounts of quick-disbursing assistance on concessional terms. In this context, I invite the delegation during the meeting to consider this matter and to indicate whether assistance of this kind might be part of their respective programs in the immediate future, or in the case of funds already committed, but not spent, for projects, to what extent these funds might be diverted to program or commodity type assistance. Zambia has obviously committed itself to austerity and put in place a number of the requisite tools of demand management. Her friends can be of greatest help in the present situation by assuring success of this approach through alleviation on the supply side.

7. In summing up, Zambia faces a situation of mounting budget deficits, with few prospects to further expand the revenue base, substantial balance of payments deficits, despite deep cuts in imports, inadequate foreign exchange balances and substantial arrears on debt payments and foreign exchange remittances. While depressed copper prices have been the direct cause of these problems, and there have been other exacerbating influences outside Government's control, the fundamental disequilibrating force has been the economy's overwhelming dependence on copper and the neglect of other sources of production. The Government has announced policies to put the economy on a stronger footing, but they will only have a marginal impact in the short-run; meanwhile, there is a massive and immediate need for relatively quick-disbursing commodity assistance and balance of payments support to enable the Government to embark on its diversification program, while stabilizing the economy and restoring growth. I hope this meeting will contribute to a better understanding of Zambia's problems, and perhaps lead to a framework of support that could help restore the economy and enable a new, hopefully more-enduring, economic structure to develop.

8. I would like to call now on Mr. McCleary to make a statement on the current situation and prospects for the economy, but before I do, I might remind you that tomorrow afternoon is set aside for individual consultations between delegations. In order to use the time as effectively as possible, please let Mr. Sullivan, of our delegation, know your interest in meeting with either the Zambian delegation or ourselves. And now, I call on Mr. McCleary.

ANNEX III—CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

PARIS, TUESDAY TO THURSDAY, JUNE 27 TO 29, 1978

Statement on Zambia's current economic situation and prospects (Mr. McCleary)

1. As we are all well aware, for the past three years, Zambia has been undergoing a severe financial and economic crisis. Low copper prices, at times exacerbated by transport problems, have led to serious budgetary and balance of payments difficulties. Government efforts to raise non-mineral revenues and reduce budgetary expenditures—while successful—have not been able to compensate for the loss in mineral revenues, and large budgetary deficits, financed mainly through the monetary system, have added to inflationary pressures. Despite tight import controls, which reduced the real volume of imports by 42 percent between 1975 and 1977, the dramatic decline in copper export earnings has led to substantial current account deficits, financed mainly by a US$300 million reduction in Zambia's net foreign assets and an accumulation of over a half a billion dollars in payments arrears for imports and services. The decline in volume of essential inputs of spare parts, raw materials and other intermediate goods have led to production cutbacks in key sectors of the economy; manufacturing, for example, is estimated to be operating at 60 percent of capacity, construction at about 55 percent.

2. While fluctuations in copper prices and transport problems can be viewed as exogenous. Largely beyond the power of the Zambian Government to control, the financial crisis has clearly illuminated several structural defects in past Zambian development, namely:

The vulnerability of the country's foreign exchange and budgetary position to swings in copper prices;

The heavy dependence on the modern sectors upon imported inputs;

The pitfalls associated with the failure to diversify through agricultural development and the encouragement of local resource-based industries.

3. Zambia's continuing dependence upon copper has reinforced the dualism that characterized the economy at independence. The illusion of wealth based on copper—at least when prices were cyclically high—gave rise to the development of a modern sector based heavily on imported intermediate and capital goods, a rapid growth of government recurrent expenditures, subsidies for domestic food consumption and for agricultural imports, and large increases in modern sector wages. The resulting pattern of development was characterized by high levels of urban consumption, growing capital-intensity in production techniques in the modern sector, and relative neglect of the country's other important natural resource—agricultural land.

4. For economic stability, for more rapid growth and for the alleviation of poverty, the pattern of future economic development must clearly be different. Several recent studies have shown Zambia's exports to be among the most unstable of any developing country in the world; in the absence of better countercyclical management of budgetary and foreign exchange resources, Zambia will continue to suffer periodic financial crises characterized by sharp reductions in development programs, shortages of essential imports and unutilized capacity. Moreover, future growth based upon copper and heavily dependent upon imported inputs is bound to be slow. According to World Bank forecasts, copper production will grow at about 1–2 percent per annum between now and the mid-1980s and the real costs of producing copper in Zambia are expected to continue increasing. In addition, the projected long-term trends for copper prices are not encouraging: while the Bank is currently projecting an increase of about 50 percent in real copper prices between 1977 and the early 1980s (with virtually no improvement between now and 1980), thereafter real copper prices would fluctuate around an upward trend of only about 1 percent per annum. Thus, over the long run real earnings from copper will expand very slowly. Moreover, to the extent that modern sectors—such as manufacturing, construction and transport—remain heavily dependent upon imported inputs, their growth will be constrained by the slow expansion of foreign exchange earnings from copper. Lastly, if the future pattern of growth would be urban-oriented and capital intensive, it would have rather serious implications for employment and income distribution. With growing capital intensity in the modern sectors and continued rural stagnation, the expansion of the modern sector would not be sufficient to absorb the growing urban labor force and excess labor would become unemployed or be forced into employment in the low productivity urban informal sector or rural sector. The result would be a larger income gap between those employed in the modern sector and those who are unemployed or employed in the informal and rural sectors.

5. To encourage a different pattern of future development, government policies must be directed at diversification of the economy, mobilization of domestic resources for growth and the stabilization of the Government's development program. The development of agriculture and local resource-based industries offers the greatest diversification potential. With plentiful land resources for crop livestock development, Zambia's agricultural sector can provide the basis for rapid and sustained growth; with proper pricing, government investment policies and institutional reforms it would be possible to achieve a much higher average agricultural growth rate than has been achieved over the past decade. Such growth would make Zambia self-sufficient in virtually all agricultural products while producing surpluses for export in some crops such as sugar, cotton, and coffee. In addition, more rapid agricultural growth opens up greater possibilities for agro-processing industries (e.g., oilseeds, textiles). Properly supplemented with wage restraint and tax and exchange rate policies which raised the cost of imported inputs, the development of agriculture and agro-processing would generate greater employment opportunities as well as greater earnings or savings of foreign exchange. With respect to resource mobilization and stabilization, measures are needed which increase government savings and improve the efficiency and profitability of the parastatal sector as well as protect the Government's investment program from copper price instability.

6. When viewed in the above context, a number of measures the Government has already taken, or plans to take during TNDP, are very encouraging. With respect to diver-

sification and economic efficiency, several steps have already been taken and will be expanded upon during TNDP. Particularly noteworthy is the increasing attention being devoted to the agricultural sector. The significant increases in agricultural producer prices, the increase of project identification and implementation capacity in the Ministry of Lands and Agriculture and the growing proportion of government budgetary investment for agriculture, all reflect the Government's growing commitment to agriculture as the key to its diversification strategy. Agricultural price increases over the past several growing seasons have largely eliminated differences between domestic producer prices and international prices and provided needed incentives for added production; the encouraging response by both large and small farmers in producing such crops as maize, groundnuts, and cotton, shows the power of price incentives. Therefore, the Government's commitment to the annual review and revision of prices in light of domestic production costs and international trading opportunities is a welcome move, especially since further adjustments will soon be necessary because of the recent devaluation and the high rate of domestic inflation. However, further measures will be needed to strengthen the infrastructure and institutions which will support agricultural development in Zambia; while the capacity of the Ministry of Lands and Agriculture has been improved, further strengthening will be necessary in its ability to plan and implement projects and in its staffing for extension, research and the management of agricultural development. Expanding this capacity will be crucial to the Government's goal of increasing agriculture's share of its development budget from under 20 to over 30 percent during the Third Plan.

7. In addition, the Government has taken steps to clarify the role of foreign and domestic private enterprise and to provide tax incentives for those investments in manufacturing which further its objectives. The Government has made it clear that private enterprise has an important role to play in the development effort and the Industrial Development Act of 1977 gives foreign capital immunity against nationalization and assurances regarding the repatriation of investments and profits. The Act also gives tax relief to manufacturing firms which export, utilize domestic raw materials, provide significant employment opportunities, develop industrial skills or locate in rural areas. The Act is a welcome clarification of the role of private enterprise; it also, together with the recent devaluation and continuing wage restraints, should help to stimulate manufactured exports, the processing of local raw materials and labor-intensive production techniques. However, the Act is unlikely to have much immediate impact in view of the uncertain economic climate and the tight foreign exchange constraint. While awaiting such an improvement in economic conditions, it would be desirable, in our opinion, for the Government to clarify and formalize the criteria by which firms will qualify for tax incentives under the Act. Moreover, as the Government has already pointed out in its paper for this meeting, existing tax and tariff laws continue to favor the import of raw materials and the use of capital-intensive techniques; a study of the tax and tariff system, with a view toward recommending a system of incentives more consistent with government objectives, would be highly desirable.

8. Parastatals will play a critical role in the TNDP investment program and in Government efforts to shift the emphasis toward more directly productive investments in manufacturing and in agriculture. The Government has begun to pay increasing attention to parastatal performance, with emphasis on "economic pricing" and improvements in efficiency through better management and organization. Recent price increases—for maize meal, wheat flour, and cooking oil, for example—have improved the financial position of some parastatals and reduced their need for subsidies; the Parastatal Bodies Services Commission has been created to monitor the activities of parastatals and make recommendations for improvement. These steps represent an important start but much more remains to be done: other prices still need to be adjusted and the staff of the Service Commission must be strengthened so that it can carry out its function. The success of these efforts will be crucial to the Third Plan: in the absence of improved profitability, parastatals will not be able to finance a large proportion of their required investment through retained earnings; moreover, government budgetary resources would be diverted from other uses since parastatal tax contributions would be lower and their reliance on budgetary subsidies and loans would be greater.

9. On the budgetary side, the Government has already taken a number of important measures to increase resource mobilization; during TNDP, it plans to extend these measures still further and to adopt a program to stabilize long-term development expenditures. The restraints the Government has placed on the expansion of recurrent expenditures plus the impressive success it has achieved in mobilizing non-mineral tax revenues during the past three years has brought about a significant reduction in deficit financing. Between 1975 and 1978, the Government's annual level of borrowing from the banking system has been reduced 67 percent through a reduction in recurrent expenditure growth to 2 percent per annum—mainly by subsidy cuts and salary restraint—through a 30 percent reduction in capital expenditures and through an increase in non-mineral tax revenues of 42 percent. These measures are expected to bring about a significant reduction in inflationary pressures in 1978. Some—especially the tax increases and subsidy reductions—have fallen heavily on the urban classes and reflect the Government's willingness to take severe measures to deal with the financial crisis. These austerity measures, however, have imposed heavy real costs: recurrent expenditures have not kept pace with inflation and the level of government services in such areas as education, road maintenance and agricultural extension services has declined; in 1978 government real capital expenditures—the lowest aggregate level since independence—will involve a large shift in emphasis away from the social sectors—education, health—toward the more productive sectors, especially agriculture. Given the forecast for little improvement in copper prices until the early 1980s, budgetary resources will continue to be tight.

10. In addition, the adoption of a Budget Stabilization Fund (as will be called for in TNDP) will improve long-run economic management by insulating the Government's development program from fluctuations in copper prices. The Fund would operate countercyclically accumulating balances when copper prices were high and running them down to help maintain development expenditures when copper prices were low. The appropriate rate of expansion of development expenditures would be determined by long-run projections of tax revenues and borrowed funds and hence would be free from short-run fluctuations in available resources. While copper price prospects make it unlikely that the Fund will become operative until the early 1980s, its successful implementation will free the Government's development program from the "stop-go" pattern of the past.

11. The policies adopted thus far—or contemplated during TNDP—represent an encouraging start toward improving diversification and economic efficiency and toward better management of fiscal and foreign exchange resources. Nonetheless, to expect a rapid expansion of production or a sizable improvement in the country's financial position would clearly be overly optimistic. Shortages of financial resources and of skilled manpower will limit the speed of recovery. Shortages in foreign exchange for essential inputs have led to underutilized capacity in manufacturing, construction and transport; no government policies to promote the recovery of these sectors are likely to have a large impact unless complemented by an increase in available foreign exchange. Shortages in budgetary resources have already forced a cut in services financed through the Government's recurrent budget and a drastic reduction in the Government's development program. Faced with such a scarcity of resources, the Government has already shifted its development priorities toward the more directly productive sectors by raising the shares devoted to agriculture and industry while reducing the proportions devoted to the social sectors; it plans to continue this policy during TNDP. Despite the Government's commitment to further reductions in subsidies and increases in non-mineral tax revenues, the relatively low levels of mineral revenues expected until 1980 will not allow a speedy reversal of this situation; in the absence of an inflow of foreign resources, government services and capital expenditures will continue to be tightly constrained. Moreover, skilled manpower will continue to exercise a severe constraint on the Government's ability to plan and implement new projects and to increase parastatal efficiency through improvements in management and organization. Further improvements in the Ministry of Lands and Agriculture, for example, will be needed if a larger pipeline of projects is to be developed. Similarly, staffing in the parastatal and in the Parastatals Bodies Services Commission must also be strengthened. What is needed—and this, we feel, will be crucial to the success of TNDP—is a program for the mobilization and effective use of technical assistance; such a program should include plans for the development and training of Zambians so that the reliance on expatriate expertise may be phased out over time.

12. Given the outlook for copper prices, the next 2–3 years will clearly be difficult ones for Zambia. The need to provide for an expansion of the volume of imports plus reduce arrears and increase foreign exchange holdings leads to massive external capital requirements. While the IMF standby (and other IMF facilities) will supply a large flow of resources in the context of an effective stabilization program, Zambia's needs for balance of payments assistance to support a growth of imports and economic recovery will be much greater. According to our estimates, for example, a program which merely called for maintaining the level of real imports at the 1978 level would result in a financing gap of about K 365 million—over and above IMF and other known capital flows—during the period 1978–80; however, the financing gap would rise to over K 1 billion to support an import volume sufficient to restore normal capacity utilization in 1979 and 1980. If the necessary reduction in arrears and a gradual buildup of foreign exchange reserves are also taken into account, substantially larger financing gaps, ranging as high as K 1.8 billion during 1978–80, would result. Moreover, it is essential that a significant proportion of the required external capital be on concessional terms if debt servicing problems are to be avoided. With a large proportion of its present debt coming due for repayment by 1980, it is clear that Zambia should on balance avoid short-term loans, seek longer grace periods (say 3 years or more) and attempt to lengthen the maturity structure of its debt. During the 1980s, higher projected copper prices coupled with lower service payments on the already existing debt will lead to a substantial improvement in

Zambia's capacity to service debt. Our projections show that if the required resources could be raised—with about three quarters coming on a blend of IBRD and bilateral terms and the remainder on commercial terms—debt servicing would consume roughly 20 percent of export earnings during the 1980s.

13. The Zambian Government's continued progress in improving diversification and economic management plus the severe balance of payments constraints the country faces merit additional external support on concessional terms. Such support would speed the economic recovery and complement the Government's efforts to bring about a more desirable pattern of long-run growth. Without such additional assistance, the Government would be forced to curtail its development efforts in the Third Plan and the recovery would be delayed until the 1980s at a considerable cost in economic welfare.

ANNEX IV—CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

PARIS, TUESDAY TO THURSDAY, JUNE 27 TO 29, 1978

Statement of the International Monetary Fund (Mr. Russo)

Introduction

1. Since the fall in the world market price of copper in 1974 Zambia has been facing an increasingly serious economic and financial situation. Over the last three years real income has fallen considerably, and real GDP adjusted for terms of trade by as much as 25 percent. The annual rate of inflation has almost tripled to 20 percent in 1977 and, despite a drastic fall in the volume of imports brought about by stringent exchange restrictions, the overall balance of payments has registered a cumulative deficit of some SDR 720 million since 1974. This large imbalance has not only virtually exhausted the country's foreign exchange reserves but has also led to the accumulation of external payments arrears amounting to about SDR 500 million at present.

2. The factors which have led to the present difficult economic situation are of both external and internal origin. Zambia has experienced a very large deterioration in the terms of trade brought about by an unprecedented and persistent fall in the price of copper (which represents 90 percent of its export earnings) and by the large increase in import prices in 1974 and 1975. Also, unsettled conditions in neighboring countries (Rhodesia and Angola) have greatly affected the transport situation and have added to domestic costs. Development policies have failed to diversify the economy and promote export growth, while demand management policies had been greatly expansionary in 1975, and the attempts which were made in 1976 and 1977 to reduce the imbalance proved insufficient. Performance under a stand-by arrangement in the higher tranches approved by the Fund in July 1976 fell short of the agreed policy targets, and no new targets were set for the period of the stand-by arrangement after December 1976.

The Stabilization Program

3. The Government of Zambia has become increasingly aware that adjustment could not be avoided or postponed any longer and, with the introduction of the 1978 budget last January, began implementation of a new comprehensive stabilization program. On April 26, 1978 the Executive Board agreed to lend the support of the Fund to this effort with a two-year stand-by arrangement in the amount of SDR 250 million. In addition, the Fund approved a drawing equivalent to about SDR 49 million under the compensatory financing facility. Since Zambia's present quota is SDR 141 million, approval of the stand-by arrangement required a waiver of normal limits on Fund assistance on the basis of the exceptionally grave situation facing Zambia.

4. The program of the Government of Zambia is designed to achieve four main objectives: (1) to move progressively the overall balance of payments position from a deficit of SDR 233 million in 1977 to equilibrium in 1980; (2) to limit the fall of real income in 1978 and to facilitate a resumption of growth in 1979; (3) to reduce considerably demand pressures in 1978 and the overall rate of price increase in 1979; and (4) to set the basis for a diversification of the economy through an improved allocation of resources as between investment and consumption, as well as among different sectors of the economy.

5. These objectives are to be achieved through the comprehensive set of policy measures outlined below, which in turn are based on some key assumptions. The most important one concerns the evolution of Zambia's terms of trade during the program period. Import prices in terms of SDRs are expected to increase by 6 percent a year in line with presently available forecasts. Copper prices (LME) are assumed to average about US$0.60 per pound in 1978, and a national price of US$0.70 per pound has been retained for 1979.

6. Given the limited availability of foreign exchange, the planned reduction in the overall balance of payments deficit to SDR 140 million in 1978 is to come about in part through a 12 percent decline in real imports. On the basis of commitments existing in March of this year, the net capital inflow is estimated at some SDR 50 million in 1978, implying a significant improvement over 1977. Export receipts are not forecast to register large gains, given the assumed copper price and the flat volume of exports. The expected further decline in the overall balance of payments deficit in 1979 to some SDR 50 million is to be brought about by a higher value of exports due to rises in both volume and unit value, leaving some room for a modest expansion in the volume of imports.

7. The program contains several measures aimed at improving upon the recent poor production performance and setting the basis for economic growth for 1979 and beyond. Of most immediate concern is the improvement of the mining companies' financial position to allow them to maintain production and continue with the investment projects under way, as well as to eliminate their need to resort to the Bank of Zambia for financing their operating deficits. To eliminate the combined operating losses of the two large mining companies in 1978, several measures in the program have been implemented. The kwacha was depreciated by 10 percent on March 17, 1978 and operating costs were reduced through cutbacks in the provision of some social services, suspension of operations in certain high-cost mining sites, and policies to obtain supplies from cheaper sources in neighboring countries.

8. In order to diversify the economy and encourage nontraditional exports, better incentives will be provided for agricultural production by higher producer prices, and the policy of economic pricing in the parastatal sector is being strengthened. Among other important measures are the efforts to attract external funds for the development of these two sectors through intensified project identification and preparation by the Ministry of Rural Development, and by the implementation of the recently passed Industrial Development Act.

9. The resumption of growth requires that sufficient domestic savings to finance a higher level of investment be generated in the coming years. To this effect, and to rationalize the price/cost structure, consumer subsidies, including those for fertilizers, will be phased out over a period of three years, starting with the 33 percent reduction included in the 1978 budget. No increases in public sector wages will take place in 1978, and in the private and parastatal sector wage increases will be limited to those already foreseen in existing contracts, which are of the order of about 5 percent. Wage policies during the remaining period of the stand-by arrangement will be linked to productivity growth and the need to improve relative factor prices, and will take into account the progress made in stabilizing the economy.

10. Since investment and intermediate goods comprise about 80 percent of Zambia's import bill, economic activity in industry, construction, and commerce is expected to register a further fall, on average, in 1978. As little or no growth is anticipated in agriculture and mining, real GDP is forecast to decline by some 2–3 percent. In order to reduce the rate of inflation to around 16–18 percent, restrictive domestic policies are therefore required.

11. The immediate objective of demand management policies is to bring about a reduction in real domestic demand of some 5 to 7 percent in 1978. Over the medium term, both fiscal and monetary policies aim at increasing savings and improving the structure of demand in favor of investment.

12. The 1978 budget contains both revenue and expenditure measures designed to bring down the budget deficit from K 260 million in 1977 to K 160 million in 1978, or from the equivalent of 14 percent of GDP to 8 percent. Without any contribution from the mining sector, budgetary revenue is expected to increase in 1979 by some 8 percent, mostly through increases in the rate and coverage of sales and excise taxes. On the expenditure side the 1978 budget has introduced reductions from K 770 million in 1977 to K 711 million, or some 8 percent. These consist mainly of the aforementioned cuts in consumer subsidies, an almost complete hiring freeze in the Central Government as well as no increase in capital expenditure. With the reduced budget deficit, the estimated recourse of the Central Government to the banking system is limited to K 100 million, as opposed to K 220 million in 1977.

13. Further reductions in the overall budget deficit and borrowing from the banking system are planned for 1979 and 1980, with the progressive elimination of consumer subsidies and reduced reliance of parastatal enterprises on the budget. If necessary, additional tax measures will be taken during the program period, and the Government will look once again to the mining companies for revenue, once profitability in this sector has been restored. In addition, monetary and credit policies aim at a considerable deceleration in the overall domestic credit expansion from an annual rate of some 30 percent in 1977 to 18 percent in 1978, and at encouraging savings through higher interest rates.

14. Beside the depreciation of the kwacha, on the external side the authorities also plan an orderly reduction and eventual elimination of external payments arrears, to improve the country's creditworthiness. Should the capital account of the balance of payments register inflows in excess of the minimum assumed by the program, a significant proportion of the excess would be devoted to reducing arrears in addition to making it possible to raise the level of imports. External debt policies are being re-examined by a newly-established committee, whose task is to carry out a complete inventory of the existing debt and to monitor all transactions and commitments. Moreover, to improve the maturity structure of the external debt, under the present stabilization program quantitative limits have been established on new borrowing undertaken or guaranteed by the Government in the maturity range of 1–15 years, with a subceiling on the maturity range of 1–5 years.

Conclusion

15. It is as yet too early to evaluate the effects of the measures adopted by the Government and to comment on performance under the stand-by arrangement. The program, however, involves a considerable adjustment effort and as such will not be easy to implement. Though required to restore a sustainable medium-term balance of payments position along with a resumption of economic growth and a reduction in the rate of inflation, this effort implies a further large fall in real domestic demand and in living standards in 1978. This, though undesirable *per se*, seems unavoidable in view of the imbalance created by past policies and the large adverse shift in Zambia's terms of trade.

16. Zambia's need for additional external support over and above that provided by the Fund should be viewed in this context. To provide a perspective, the volume of imports planned in the program for 1978 is only about half that of 1969, and on the basis of existing loan commitments, even if copper prices improve, imports in real terms can only grow marginally in 1979 and 1980. Given the structure of the Zambian economy, the continued shortage of imported goods has had, and will have, very serious effects on the level of economic activity and future growth prospects. It is, therefore, of the highest importance that Zambia's adjustment effort be supported by timely external assistance on concessional terms. Such assistance should, as far as possible be available in a form which could be quickly converted into an increased flow of essential imports.

17. The stabilization program will have to be supplemented by a comprehensive review of investment policies aimed at lessening the balance of payments constraint and permitting the resumption of a sustainable rate of growth. A stepped up investment effort in the coming years will undoubtedly require large foreign assistance which should be provided at appropriate terms, in view of the current unfavorable debt profile. In this endeavor Zambia will, therefore, need the full support of the international financial community.

ANNEX V—CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

PARIS, TUESDAY TO THURSDAY, JUNE 27 TO 29, 1978

(Statement by Hon. J. M. Mwanakatwe, M.P., Minister of Finance)

Mr. Chairman, Distinguished Representatives, Your Excellencies, Ladies and Gentlemen: It gives me great pleasure to address this first meeting of the Consultative Group for Zambia, it is a considerable achievement to have convened so large a number of representatives of governments and international institutions who are willing to assist my country in its time of economic difficulty, and who have already extended such large amounts of assistance in the years since Zambia's independence. I wish to express to all countries and institutions represented here, the gratitude of my Government for the interest and concern which has already been demonstrated and which I am sure will continue.

Much of the credit in organizing and convening this meeting lies with the able and dedicated staff of the World Bank, and I wish to take this opportunity publicly to express my Government's gratitude for their invaluable efforts on our behalf. In addition, the success of our deliberations will, in no small measure, be due to the excellence of the conference facilities which have been placed at our disposal for this meeting. Mr. Chairman, I wish to convey to the World Bank, through you, our profound appreciation of the work which has been done on our behalf already, and which, we know, will continue in the months to come.

ECONOMIC BACKGROUND

Mr. Chairman, Zambia is passing through, what is without doubt, the most serious and prolonged economic crisis in the 13½ years since independence. The country's problems arise from our dependence on a single commodity, copper, and a series of external factors completely beyond Zambia's control. In retrospect 1973 may be seen as the year which marked a turning point in Zambia's hitherto satisfactory economic progress in January of that year, after severe and sustained provocation by the illegal regime in Rhodesia, Zambia's border with that country was sealed and it has remained closed ever since. Despite a massive re-routing exercise in 1973, the cost to Zambia of the loss of a major trading route has been very heavy, both in financial terms and in the relative slowness of moving goods through the overburdened port of Dar-es-Salaam in Tarzania.

The year 1973 marked the beginning of the most severe and prolonged postwar recession in the industrial countries. This was also associated with an unprecedented level of world inflation. It is well known that copper prices, in common with those of many "hard" commodities, have remained depressed, so that in early 1978 prices were probably lower in real terms than at their lowest level of 1975. The recent increase in copper prices is entirely attributable to short term factors, such as the current problems in Peru, instability in Zaire, and the problems of transporting finished copper from landlocked Zambia. Such price rises are unstable, and they do not reflect any long term improvement as is evident in the recent weakening in the copper market. Consequently, it is our belief that in the medium term the prospects for the price of copper are bleak.

The economic problems of the country are reflected vividly in the fact that between 1974 and 1977 real per capita national income has fallen by nearly 12 percent. When adjusted for the terms of trade real per capita GDP has fallen by a staggering 37.4 percent in the same period. This decline is indicative of the full extent of the deterioration of Zambia's economic position brought about by external influences. Zambia is highly sensitive to movements in the economic fortunes of the industrial nations, a small decline in these fortunes is amplified many times over in its impact on Zambia's domestic economy.

The collapse of copper prices has had disastrous effects on Zambia's economy. Firstly, the balance of payments position has deteriorated from a current account surplus of $112 million in 1973 to a massive deficit of $471 million in 1975, a year which saw a deficit on the balance of trade for the first time since independence. Despite a short lived recovery in 1976, the deficit in 1977 is estimated to have been $262 million. These consecutive deficits have been financed by the utilization of foreign reserves in the first instance, and, since 1975, by the accumulation of arrears on external payments. These arrears had risen to K 510.2 million by April 1978, while net foreign reserves had fallen to minus K 196.2 million in the same month.

Secondly, Zambia's two mining companies have experienced a period of non-profitability unprecedented in their history. As a result most expansion plans have had to be shelved pending more favourable prices. Since 1975 the companies have sold copper at prices which on average are less than the cost of production. Profits were reported in the 1976 financial year due to the 20 percent devaluation of the Kwacha and a short-lived modest recovery of prices. However, in the subsequent period substantial losses have been incurred. It is anticipated that the recent 10 percent devaluation of the Kwacha and the cost saving measures introduced by the mining companies will enable them to return to a break-even position by the end of 1978. However, much depends on the realization of the forecast average copper price of sixty cents per pound during 1978.

Thirdly, the Government budget has been seriously affected. Ir 1974 revenue from mineral taxation was K 339 million representing over 50 percent of total revenue. This has fallen rapidly to zero in 1977 and 1978. To meet this situation the Government has endeavoured to restrain expenditure, and reductions have been particularly severe in capital expenditure which, in real terms, is at its lowest level since independence. Thus many projects have had to be abandoned, deferred, reduced or their progress has been declerated. At the same time measures have been taken to diversify the Government's revenue base, particularly in the area of indirect taxation.

Considerable progress has been made in reducing the Government's deficits, from K 341 million in 1975 to an estimated K 160 million in 1978. The Zambian government recognizes that the continuation of such large deficits can only have a harmful effect on the long term progress of the economy. The Government intends to reduce these deficits still further in coming years. I must stress that, unless considerable external assistance is forthcoming, it will be necessary to impose further real reductions on the deplorably low level of capital expenditure.

Mr. Chairman, I have so far dwelt almost entirely on the consequences for the economy of the failure of copper prices. Zambia is at present suffering from other external influences largely beyond her control. Principal among these is the problem of transportation of Zambia's external trade.

After the closure of the border with Rhodesia in 1973 a massive re-routing execise had to be undertaken. In 1972, 65 percent of Zambia's imports amounting to 900,000 tonnes and 53 percent of all exports amounting to 430,000 tonnes were carried on the southern route. In 1973 this entire traffic of 1.33 million tonnes had to be shifted to Lobito in Angola and Dar-es-Salaam in Tanzania which in 1973 handled 50 percent and 30 percent respectively of Zambia's external trade.

The civil war in Angola during 1975 resulted in the need for a further re-routing of Zambia's trade, placing an increasing strain on the port of Dar-es-Salaam. This exercise was greatly facilitated by the early completion of the well-known Tanzania-Zambia railway. Dar-es-Salaam now handles about 80 percent of Zambia's external trade, the rest being moved through Malawi and Mozambique, with a small amount being air-freighted.

The closure of the Tanzania-Kenya border has meant that the trade previously moved through Mombasa has also had to be diverted, Dar-es-Salaam, which also handles trade for Zaire, Rwanda and Burundi, has now become seriously congested, with over 100,000 tonnes of cargo awaiting shipment or forwarding to Zambia.

In addition to this congestion, Zambia is experiencing considerable problems on the overland routes from Dar-es-Salaam into Zambia. The road route is heavily constrained by an ageing fleet of vehicles, and deteriorating roads. The rail route is not yet operating at full capacity and is suffering from an acute shortage of locomotives and rolling stock because the turnaround time of goods trains is considerably in excess of the assumption used in planning the rail link.

The costs of these constraints are difficult to quantify, but they are undobutedly very large. They are caused by the physical deterioration of perishable goods, losses, damages and escalating storage and demurrage charges. The costs and delays in the movement of cargo are imposing.

In addition to the enormous problems of

re-routing the major portion of the country's external trade, the closure of the Rhodesia border and the imposition of sanctions against the illegal regime have led to other enormous costs. These arise from the costs of servicing the additional borrowing required; the capital costs of, for instance, new transport facilities; and the higher recurrent costs of transportation on longer routes.

The United Nations has estimated that by August 1977 the costs of the Rhodesia border closure had risen to $544 million. It was estimated that in the period between Rhodesia's unilateral declaration of independence in 1965 and 1973, costs had been about $200 million. The cumulative cost of implementing the mandatory sanctions against the illegal regime in Rhodesia is more than $744 million. That is the burden which Zambia has bourne on behalf of the international community. In addition, there are the various "invisible" costs which cannot be quantified, such as the diversion of manpower and other resources from development oriented utilization, in order to meet the requirements of an emergency situation. Nevertheless, the directly quantifiable costs of UDI are now certainly well in excess of three quarters of a billion dollars.

These facts are well known, having been brought to the attention of the international community through many forums. Many countries have acknowledged Zambia's problems in this regard, having stepped up their programmes of assistance to my country. However, it is undoubtedly the case that the increased aid which Zambia has received, in no way compensates the full costs to the economy of the consequences of UDI in 1965.

I wish to take this opportunity to appeal once again to the international community and particularly the countries and institutions represented here, to accept the financial implications of the political stance which they have taken in condemning the illegal regime in Rhodesia.

Mr. Chairman, before proceeding to discuss future plans and requirements I must mention here the programme which Zambia has negotiated with the International Monetary Fund. This involves a total financial package worth SDR 315 million, to be drawn over a two-year period. It includes a standby arrangement of SDR 250 million. A compensatory financing drawing of SDR 49 million and a trust fund loan of SDR 16 million. This represents an IMF commitment of 223 percent of Zambia's quota in the Fund.

The programme will go some way towards easing the external payments position and restoring a more normal trade position. Also in the programme Zambia has undertaken a range of fiscal and monetary measures which, together with the correction of the external position, will assist the country to recover the momentum of its economic growth.

THIRD NATIONAL DEVELOPMENT PLAN

Mr. Chairman, I turn now to a brief consideration of the third five-year national development plan which will be launched in January 1979. A comprehensive statement of the general principles underlying this plan have been included in the Government paper before you and I need not elaborate in excessive detail.

The plan is based on a recognition of the need to diversify Zambia's economic structure. Particular emphasis will be placed on rural development and agricultural production. The object will not only be import substitution, but also the development of crops such as coffee, tea and sugar in quantities sufficient to develop substantial export markets.

The potential for agricultural development in Zambia is tremendous—land is plentiful and water is abundant, while the climatic and soil conditions are generally favorable. In addition to the crops I have mentioned, there is scope for developing the production of wheat, rice, citrus and other soft fruits, cotton, oilseeds and livestock to name but a few. The government has recognized the fact that in the past insufficient attention has been paid to the development of agriculture. It is intended to pursue a strategy encompassing the stimulation of small scale cash crop production by subsistence farmers, the provision of incentives to established medium scale "commercial" farmers, and establishing large scale agriculture estates for the production of export crops.

In the industrial sector it is intended to develop local resource based industries, particularly those using agricultural products as inputs. In addition industries will be encouraged to use more labor intensive techniques than in the past, in order to stimulate the creation of more employment opportunities.

In the years since independence, Zambia has made major investments in economic and social infrastructure. A good transport network has been built with tarred roads linking all provincial centres, and a rail link to the sea-port of Dar-es-Salaam has been constructed in co-operation with the Tanzanian and Chinese Governments. Large investments in health and education have also been made, so that primary education is universally available and all the people of Zambia now have free access to health services. In the third plan, although further investment in such areas will continue, the country will be forced to accept that a lower proportion of resources must be devoted to infrastructural projects. A greater proportion will go to directly productive projects in the agricultural, industrial and mining sectors.

In summary, the emphasis of this plan is to be the diversification of the economy, in particular its export capacity, concentrating on the development of the rural areas through directly productive projects, and the growth of incomes of the poorest of the community. In achieving these goals, personal and non-governmental initiative and enterprise will be central. Although the Government intends to allow parastatal institutions to continue to operate in a very large area of the economy, increasing emphasis is being placed on the need to run these institutions on fully commercial lines. Private investment will be sought and welcomed, including investment by foreign firms. In its attempt to stimulate private investment the National Assembly in 1977 approved the Industrial Development Act. This act provides for a wide range of incentives within the framework of a series of guidelines for the development of Zambia.

The third plan envisages an average rate of growth of 4.8 percent per annum, a modest target when compared with a population growth rate of 3.1 percent, although it may indeed appear ambitious against the background of recent economic performance. To achieve this, two conditions must be fulfilled. Firstly, the Government will continue to pursue its present policies designed to stabilize the economy and provide a sound financial base for economic growth. Secondly, a very large volume of resources from abroad will be required, both in the form of official development assistance—loans, grants and technical assistance—and direct investment in the economy. The second national development plan was prepared at a time when net foreign assets were extremely high; at the end of 1970 they stood at about $450 million. The third plan is being prepared against a situation which net foreign assets are minus $208 million, a dramatic reversal.

In both these areas significant progress has already been made with the conclusion of the IMF agreement to which I have already referred.

Mr. Chairman, I wish now to turn to a consideration of the volume of resources required by Zambia in the immediate future.

EXTERNAL FINANCING REQUIREMENTS

Mr. Chairman, in calling for the formation of this Consultative Group, Zambia envisages a two stage strategy. In this first stage, attention should focus on the immediate needs for economic recovery and in particular on correcting the external payments imbalance. In the second stage consideration would be given to the medium term prospects and requirements of the economy. The next stage can be carried out effectively only when my Government has finalized the third plan, a process which will be completed in the near future. It is for these reasons that I have restricted my attention almost exclusively to the present balance of payments requirements of my country.

The Government paper before you indicates that without taking account of payments arrears, a further $37 million will be required in 1978 to restore the balance of payments in equilibrium. In 1979 the gap remaining even after all known financing is expected to be $518 million. These figures take into account the maximum drawings possible under the IMF facilities recently negotiated and therefore represent a gap to be filled by new sources of finance. These balance of payments requirements have been calculated on the assumption that imports rise adequately to allow a reasonable level, though not a generous one, of necessary inputs to industry and essential consumer commodities.

In addition to the above, Government is committed to a reduction of the arrears on eternal payments. If these are to be eliminated by the end of 1979, and if net foreign assets are to be increased to zero then a further $642 million will be required. In other words to achieve the three targets of balance of payments arrears, all by the end of 1979, a total of $1,200 million will be needed.

Already a start has been made and recently a number of countries and institutions have made loans available to Zambia. The United States has announced a programme of $100 million over three years, of which $30 million has already been made available. The United Kingdom has announced a further soft loan of $28 million in addition to a $14 million loan signed earlier this year. These loans are for general balance of payments support. Additional loans have been negotiated with BADEA and the World Bank for project financing. The former for $10 million and the latter for $22.5 million including a 50 percent IDA element. I wish to take this opportunity to express the gratitude of my Government for these loans and the invaluable assistance which they represent.

However, even after taking these loans into consideration, the resource gap remains daunting. Zambia's immediate need is for assistance concentrating on providing some form of balance of payments support. The consequences for Zambia's domestic economy of the non-availability of external assistance would be serious. Industry would continue to stagnate and decline, while the agricultural sector would not receive even the small volume of capital which it so desperately requires. There would then be no basis for economic growth during the TNDP period and the level of employment and living standards would probably continue to decline.

Mr. Chairman, allow me to outline some of the ways in which I believe countries and institutions can assist Zambia. Firstly, as I have indicated, there is an enormous need for conventional balance of payments support through quick-disbursing programme loans and grants. I would hope that such financing would remain untied to the purchases of particular goods and services.

Secondly, one of Zambia's most pressing concerns is to reduce our external payments arrears. In this regard it will be of great value if the Governments of countries to whom large arrears are due would consider the con-

solidation of these arrears into formal financing arrangements through their export credit agencies. Although the impact of such assistance is not so immediately apparent, it is in broad economic terms just as valuable as normal balance of payments support.

Thirdly, participants in this group may wish to consider the financing of various priority projects which are being implemented or planned in advance of the Third Plan. My delegation will be pleased to discuss further details of such projects.

Fourthly, one of Zambia's current problems is in the implementation of all the projects to which it is committed in principle, because of the lack of funds, whether local or foreign. Some such projects are in the very early stages of implementation, and, if they do not hold a high priority status could be postponed in view of the current economic crisis. In such cases I would suggest that donors should consider the real re-allocation of funds from relatively low priority projects to more general balance of payments support. This would apply only where funds have been formally committed but have not been disbursed.

Fifthly, I wish to make a strong appeal to all potential donors to ensure that the terms of their assistance are appropriate to Zambia's needs. In this regard Zambia's debt service profile is important. A very noticeable bunching of payments in the period 1978–80 is discernible with a fairly sharp decline in service payments thereafter. There is no question that Zambia is unable to meet her debt service responsibility. Nevertheless in order to minimize Zambia's costs in the immediate future, it is important that loans should not involve repayment in this period. Therefore, I would urge potential donors to ensure that their aid carries as long a grace period as possible, and also that long amortization periods are allowed.

Sixthly, I wish to stress the general need for concessionality in the assistance which is given to Zambia. In recent months both the World Bank and the African Development Bank have granted Zambia access to their concessional facilities. This is an acknowledgment of Zambia's present economic difficulties. It may also be seen as a recognition of the inadequacy of per capita income as an indicator of the level of development. Although Zambia has a relatively high per capita income, this fact disguises very large inequalities in income distribution, and the large drain on economic resources arising from the importation of skills and the sophisticated technology required by the country's industrial structure. In order to stimulate economic growth it is essential that financial assistance should be given on concessional terms, particularly where such assistance is directly beneficial to the poorer sections of the community or is linked in any way to rural development.

Finally, in this discussion of the need for terms appropriate to Zambia's needs I wish simply to lay before this group, the observation that in the past certain donors have been willing to convert loans given under official development assistance to outright grants. As I have already stated Zambia is fully able to meet her contractual debt obligations, but obviously such a gesture in Zambia's case would remove a further drain on the country's limited resources.

TECHNICAL ASSISTANCE

I have already emphasized the importance of agricultural development in the third national development plan. My government recognizes the need to strengthen the key institutions charged with the development of the agricultural sector. Although Zambia is not presenting at this stage a package of projects for financing, there is an immediate requirement in this regard for technical assistance on a large scale to assist Zambia in the identification, preparation and execution of projects in the agricultural sector. There is a significant manpower gap which must be filled by permanent staff in the key Government and parastatal agricultural institutions in order to provide stability in the development of the sector.

Therefore, I wish to appeal to donor governments to place this requirement high on their list of priorities in providing assistance to Zambia. In addition, I would also request that donor governments should consider meeting the manpower needs of our parastatal institutions, in the fields of engineering and other technical areas and in financial control. Many governments are often reluctant to give technical assistance to non-governmental organisations. However, I wish to emphasize, that, due to inadequate financial resources, Zambia is not able to effectively compete on world labor markets for the type of expertise which we require in such large numbers.

PROBLEMS IN THE UTILIZATION OF FOREIGN ASSISTANCE

Before concluding my statement I wish very briefly to outline some of the problems which Zambia has encountered in making use of the foreign financial and technical assistance made available to it.

Firstly, I have stressed the urgent need for quick disbursing balance of payments support as opposed to assistance tied to projects. Project financing is of course vital to any developing country, and the assistance Zambia has received in this regard has been invaluable. However, there are certain aspects of development which are not amenable to consolidation into projects which are suitable for financing in this conventional form. For instance, the requirements of small scale farmers for implements, tools and inputs of seed and fertilizers, or the limited capital inputs of small scale or cottage industries are not easily formulated into projects of the relatively large size involved in aid programs. Such import requirements are best covered by the ready availability of foreign exchange for the purchase of the necessary items by the commercial distribution outlets. In periods of foreign exchange shortfalls such assistance is often more valuable than project aid.

Secondly, project related aid often requires development programmes to be formulated into forms attractive to external donors, which would not otherwise be undertaken. More general support would allow the recipient country to pursue development objectives more in line with its overall strategy.

Thirdly, aid is usually restricted to the foreign cost component of projects. It is my belief that a much greater proportion of aid should be allocated to local cost financing, since one of the major problems in utilizing foreign funds is the inability of Government to provide sufficient counterpart funds because of the familiar constraints on the Government budget. This is one of the principal reasons for Zambia's apparent slowness in drawing down loans and credits which are already available. I would, therefore, ask potential donors to consider giving assistance that will also include a greater proportion of local cost financing.

Fourthly, in the area of technical assistance, many practical problems arise in the effective utilization of the experts provided. There are often very lengthy time lags in the placement of personnel in projects after a request has been made. Many such delays are inevitable because of administrative problems, and the unavoidable time periods which elapse in moving an individual from one job to another. It is also certainly true that some of the delays occur in Zambia itself. Thus in an attempt to improve the system the Government has created the Ministry of Economic and Technical Co-operation to act, inter alia, as a focal point for mobilizing technical assistance. It is my hope that co-operative action between Zambia and donor countries will remove some of these delays.

Further, problems are often encountered in providing the services required by the personnel, in particular housing. The Zambian Government encounters great difficulty in housing its employees both Zambian and expatriate, and the delay in providing housing has been of great concern to some donors. However, the Zambian Government is examining ways and means of resolving this problem.

Finally, most agreements for technical assistance provide for an element of on-the-job training of Zambian personnel. Very often it proves impossible to allocate counterpart personnel to understudy the experts provided. This is a result of the acute shortage of skilled indigenous manpower, and the need to allocate such manpower as is available to the most urgent vacancies. I simply wish to appeal to donors to appreciate this particular problem, and to continue to provide experts for as long as is reasonably needed before Zambian staff can be allocated and trained to acceptable levels.

CONCLUSION

Mr. Chairman, I have in my statement attempted to highlight the major economic problems which Zambia is facing, their causes, and some of the steps which the Government is taking to resolve them. I have indicated that Zambia still requires a very large volume of quick disbursing financial assistance to help the country over the next 12 to 18 months to establish a sound financial base for economic growth. I have tried to demonstrate that Zambia is now fully committed to finding short and long term remedies to its problems. Through the medium of this Consultative Group and the two-stage strategy which I have outlined, it is my hope and conviction that the countries and institutions represented here will be able to provide a large proportion of my country's needs, and to ensure the long-term economic stability and prosperity of its economy.

I am convinced that our discussion of Zambia's economic problems and prospects will be highly constructive. I anticipate that most, if not all, delegations will express freely and frankly their assessment of Zambia's economy and Government economic policy. This is naturally most welcome to my delegation, and I trust that the exchange of views on which we are about to embark will be mutually edifying and beneficial. For our part we can expect and hope that those comments and observations will assist us in devising answers to our problems.

Mr. Chairman, Ladies and Gentlemen, I thank you most sincerely for your kind attention.

Thank you.

ANNEX VI—CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

PARIS, TUESDAY TO THURSDAY, JUNE 27 TO 29, 1978

Statement on technical assistance (Mr. Doo Kingue)

1. In this brief presentation of problems of Technical Assistance in Zambia I intend to cover the following points:

(a) The importance of Technical Assistance in Zambia's development;

(b) Some indications on the Evolution of Technical Assistance since 1972;

(c) A review of problems concerning the use of Technical Assistance in Zambia;

(d) Some recommendations for the future.

The Importance of Technical Assistance in Zambia's Development

2. Several considerations explain the importance of Technical Assistance in the development of Zambia. First, the inadequacy of educational facilities at the time of the country's independence. In 1964, Zambia had

only about 100 men and women with standards higher than secondary school education to run the country. As a result, the Government implemented a vigorous programme of education expansion, thanks to which, within a decade, primary school enrollments more than doubled while secondary school enrollments quadrupled. A University was established in Lusaka and a great effort was made to develop technical and vocational training. Notwithstanding the intensive training policy adopted by the Zambian Government, the number of expatriates in the wage earning population has not changed significantly since independence. Thus, from 1972 to 1974, it has only declined by 2.5 percent, from 34,140 to 33,300 while the total wage labour force increased by 4.6 percent from 368,000 to 385,000.

3. The second consideration which explains the importance of Technical Assistance in the development of Zambia relates to the structure of the country's economy. At the time Zambia became independent on October 24, 1964, the country could claim to be the most industrialized and urbanized independent country in black Africa, although the vast rural areas containing about 70 percent of the population were hardly exposed to any significant socio-economic development. The sophisticated nature of the modern sector of Zambia's economy on the one hand, the need to develop such neglected sectors as education, infrastructure and agriculture on the other hand, enhanced the need for Technical Assistance, and that need is still great.

4. Yet another consideration to be borne in mind is the land-locked nature of the country and the consequences thereon of the geopolitical situation of Zambia. The need to implement a new transport and communications policy has led to a significant development of this particular sector for which a combination of large-scale training and Technical Assistance is required.

5. Last, but not least, in a country where the private sector is more attractive than the public sector and where a policy of retaining high level cadres in the civil service is still to be adopted, Technical Assistance is needed as a substitute to unavailable Government officers.

Some Indications on the Evolution of Technical Assistance since 1972

6. Zambia's propensity to seek aid was not high from the date of independence until late in the 60s. This was mainly due to the fact that, at the time of independence, the country inherited a seemingly healthy economy due to high copper prices. As a consequence, the volume of aid following into Zambia was relatively low compared to what has been happening since 1970.

7. With reference to Technical Assistance, it is estimated that its volume has nearly doubled between 1972 and 1977 from at least $23 million in 1972 to more than $40 million in 1977. These figures are being quoted with some caution in view of the fact that some of the Technical Assistance received by Zambia was not valued in monetary terms. Furthermore, the quoted monetary value of Technical Assistance is in current price while everybody knows that there have been significant fluctuations in the values of the various donors' currencies during those years. Be what it may, it is calculated that out of a total value of Technical Assistance estimated at $170.4 million for the period 1972–1977, bilateral aid accounts for $134.26 million (78.8 percent), aid from the UN organizations for $28.96 million (17 percent) and aid from Non-Government organizations for $7.18 million (4.2 percent).

8. Regarding the use made of that assistance, it appears that the highest percentage went to the sectors of Education ($42.96 million) and Agriculture ($42.61 million) each receiving more than 25 percent of allocated resources. These two sectors are followed by Transport and Communications ($24.38 million) with 14.3 percent, Health ($17.95 million) with 10.5 percent and General Economic and Social Policy Planning ($15.41 million) with 9 percent. Industry ($8.89 million), Labour/Management/Employment ($8.76 million) and Natural Resources ($8.04 million) come next with 5.2 percent, 5.1 percent, and 4.7 percent respectively.

9. During the last six years, UNDP has approved two Country Programmes for Zambia. The first one covered the years agriculture (24.3 percent of programmed resources), transport and communications (20.2 percent) and manpower development (16.9 percent). The majority of funds (around 70 percent) were used for the provision of expert services, the rest being equally divided between fellowship training and equipment. The second Country Programme covers the years 1977–81. It put emphasis on rural development (55 percent of programmed resources), manpower development (22 percent) and on public administration (19 percent. In view of the situation now being faced by Zambia it is envisaged to have a major review of that Country Programme in October of this year with a view to contributing to the solution of these problems. Both Country Programmes involve UNDP expenditure totalling $31 million.

Problems Concerning the Use of Technical Assistance by Zambia

10. The proper use of Technical Assistance provided to Zambia faces several problems. The very first one concerns the planning for and management of that assistance. Hon Mrs. L. A. W. Monze, Minister of State for Economic and Technical Co-operation, summed up the situation in February 1978 in the following words: "A point of major importance is the administrative set up which Zambia employs in regard to the identification of the need for and coordination of the utilization of foreign financial and technical assistance. It is obvious that lack of such coordination must have contributed to the comparatively lower level of assistance received by Zambia in the past. It is for this reason that 2¼ years ago His Excellency the President created the Ministry of Economic and Technical Cooperation to perform this important function. This decision has already begun to yield results, even though the Ministry is still in the process of being established. A system of full and effective coordination is still being developed with the cooperation of sister Ministries and parastatals." Minister Lily Monze also added that there was "need for more personnel to man this Ministry so that its coordinating role can be played even more effectively."

11. Another problem concerning the use of Technical Assistance by Zambia and which is related to the previous one is the lack of proper consultations between donor countries and organizations with a view to enhancing the use of that assistance. The present meeting of the Consultative Group is a step forward in the right direction. However, as it can be witnessed in some other countries for which such a Group has been established, the existence of a Consultative Group in itself is not sufficient. There is need for periodic reviews (for instance on a monthly basis) between the donor representatives and the Government to ensure that the country's needs are covered adequately.

12. A third problem worth mentioning is the problem of relations between the respective levels of investments on the one hand and of technical assistance and pre-investment resources on the other hand. It is a well-known fact that in Zambia "the overall efficiency of investments is low because of the predominance of infrastructural developments which are not yet fully exploited" (D. A. Simonda). While the problem is more complicated than it is stated, the fact remains that attention should be paid to a better balance between the volume of technical assistance and the volume of capital investment with a view to maximizing the investment productivity.

13. A few other problems have yet to be mentioned: lack of flexibility in the regulations of donor countries and organizations, insufficient counterpart support on the part of the Zambian Government, slow Government's response to aid proposals, increasing difficulties in inducing experts to come to Zambia due to more and more difficult living conditions, etc.

Some Recommendations for the Future

14. In view of the foregoing, it is recommended that:

(a) The Government should endeavour to increase its capacity for planning for external aid, establishing and/or strengthening the machinery for project identification, formulation and evaluation. The Government may wish to request Technical Assistance for this purpose from such donors as UNDP or the IBRD.

(b) The Government should adopt a more effective policy regarding aid coordination. Regular meetings between the representatives of the donor community and the Government are recommended in addition to the establishment of the World Bank Consultative Group. The Resident Representative of UNDP is most willing to assist the Government in the organization of local donor coordination meetings.

(c) The Government should make every effort to attract to and keep in the Civil Service well trained Zambians.

(d) Donor countries and organizations should adopt a flexible approach in providing assistance to Zambia. In particular, the donor countries should be encouraged to meet the expenses for training Zambians in countries other than their own, especially in other developing countries.

Recognizing lack of Government staffing and funding capability, at this critical time, donor countries and organizations should also design assistance projects in such a way as to make them self-sufficient and for a long enough duration to allow time for Zambian staff development.

ANNEX VII—CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

PARIS, TUESDAY TO THURSDAY, JUNE 27 TO 29, 1978

Statement on agricultural development and policies by Zambian delegation

In the opening statement yesterday, it was stressed that Zambia's development strategy is to devote increasing attention to the growth of agriculture. Also the background statement already circulated by the Government of Zambia spells out in considerable detail the various measures taken by the Government to meet the challenge of the recent economic crisis and these, inter alia, include the steps taken to increase the production and efficiency of the agricultural sector. I, therefore, wish to recapitulate salient points made in that background paper and to further highlight the pivotal role which the party and the Government have assigned to rural development in the country's Third National Development Plan (TNDP) which is to start from January 1979.

I can only repeat here what has been stated in the Government's position paper. "The Zambian economy is a classic example of a dual economy," in which a small, wealthy, highly industrialized urban sector based on the copper mining industry, exists side-by-side with a large poor rural subsistence sector. This economic structure is characterized by an extremely large disparity between urban and rural incomes. Growth rates in the two sectors have differed widely. The Government has pursued in the Third National

Development Plan, which I shall discuss shortly, attempts to correct the past inadequacies of Government policy in this regard.

Past Policies and Performance

The objective of the First National Development Plan was to remove some of the structural imbalances in the economy, notably the gap between rural and urban incomes. Its other objectives included the concentration of development effort in the more neglected regions of the country and the provision of basic services and infrastructure to all areas of the economy.

To provide some background, the country's Second National Development Plan (SNDP) had postulated an average annual rate of 5–6 percent for value added from agriculture during the period 1972–76. In actual practice, the agricultural sector was able to record an annual rate of increase of 3.6 percent over the SNDP period. However, there were three important aspects of the performance of this sector which are noteworthy.

Firstly, there has been a significant shift in the relative shares of commercial and subsistence efforts in the economy. For instance, between 1971 and 1976 while the subsistence sector recorded an annual rate of increase of a bare 1.1 percent, the commercial sector was able to expand at an annual rate of 9.5 percent.

Secondly, there has been notable diversification in the form of increase in types of crops grown as well as in an increase in the share of traditional farmers in the total production. For instance, in the case of maize in which the country has attained self-sufficiency, the share of traditional farmers in marketed production has gone up from 40 percent during FNDP to over 50 percent in SNDP. The share of traditional farmers in cotton is as much as 90 percent.

Lastly, this involvement of the traditional farmers has resulted in achieving and even excelling targeted production in the SNDP. For example, the SNDP targets fixed for maize and poultry products were more than surpassed. It is only recently that the poultry industry has experienced a major setback due to non-availability of stockfeed as a result of a combination of factors, mainly, the scarcity of foreign exchange and transportation problems.

Particularly outstanding has been the dramatic expansion in cotton production. In 1975, before the Government created the appropriate environment for cotton production, we were able to produce approximately 2 million kilograms. In 1978 it is estimated that production which was 8 million kilograms last year will be 12 million this year.

We have, however, not been as successful in developing the tobacco and beef industries. This failure is all the more serious because of the important foreign exchange earning potential of these industries. To give only the example of tobacco, production has fallen from an all time high of approximately 11 million kilograms to 4.8 million kilograms this year. This fall in production has partly been the result of departures of commercial farmers as a result of unfavourable producer prices and, of late, the strained foreign exchange situation which has made remissions of earnings more difficult.

We will continue to do our best to attract commercial farmers through more favourable pricing. The real answer lies in motivating the traditional farmer to produce more. A campaign to induce them to produce more tobacco during the coming season is just about to start. Under this scheme, the traditional farmer will be provided with inputs and the extension service will deliberately concentrate on him. We are satisfied that, with an impending price review, next year's tobacco crop will show a substantial increase over this year's.

On the livestock side where the situation has been static, we are now taking extraordinary but well-thought out measures to redress the situation and achieve expansion as quickly as possible. With the assistance of the EEC a large dairy cross-bred heifer supply scheme is being set up at Batoka in the southern province. It will supply dairy cross-bred heifers to the traditional farmers and the steers will provide improved beef. In addition to this, the EEC is assisting us in the establishment of cattle development area projects in western, central and eastern provinces.

The rural development corporation, the largest cattle owning Government enterprise, is in the process of securing expertise in the field of beef and dairy farming management and ensure maximum productivity. My main interest in focusing attention on this aspect of the agricultural performance is to stress the fact that this sector has the potential and ability to attain an average annual rate of 5.5 percent during the TNDP.

In fact, in response to production incentives provided to farmers in the form of remunerative producer prices, value added by agriculture increased by 7.2 percent in 1975 and 5.8 percent in 1976. Since 1974–75, agricultural producer prices have been raised significantly, for example, maize by 36 percent, groundnuts by 68 percent, wheat by 67 percent, sunflowers by 33 percent and soybeans by 63 percent. The Government is further committed to review all producer prices annually and to announce them well in advance of the growing season.

Some other areas of agriculture, however, have shown a declining or static trend. Tobacco production in 1977 was considerably below the level achieved in 1965, and has fluctuated about a fairly constant trend in the intervening period. The marketed production of cattle is still at a level only slightly higher than in 1965, although it has been increasing in recent years. The output of dairy products has declined.

Constraints

The development of agriculture has taken place against a background of numerous constraints. Some of the major ones are:

(i) shortage of skilled and experienced manpower to plan and execute development programmes;

(ii) insufficient trained workers to provide extension services to small scale farmers;

(iii) shortages of agricultural equipment and other inputs caused by the lack of foreign exchange;

(iv) the inadequacy of credit facilities for borrowing, particularly by small scale farmers.

Finally, it must again be stressed that Zambia's current transportation problems have imposed a severe restraint on agriculture as on other sectors. The re-routing of Zambia's external trade and the subsequent congestion at the port of Dar-es-Salaam have resulted in cost escalation and increasing delays in the delivery of agricultural capital equipment and other inputs.

Future Development

Zambia's Third National Development Plan gives the highest priority to rural development in general and to increased agricultural production in particular. While the overall growth of the economy is expected to yield an average annual rate of 4.8 percent, the sectoral growth pattern suggests that the mining sector will grow at an annual rate of 1 percent, agriculture at 5.5 percent and manufacturing at 8 percent.

In the light of the agricultural sector's performance during the SNDP, an annual rate of increase of 5.5 percent may not be difficult to achieve provided appropriate policy measures are taken and the necessary infrastructure is built. The strategy for this sector brings out clearly that the Government is fully committed to take all measures necessary to accelerate agricultural growth and to re-orientate the entire development strategy around rural development.

The Government intends to stimulate agriculture at three levels. Firstly, the largest section of the population, the small scale farmers will receive financial assistance and incentives together with technical advice in the form of extension services, in order to encourage them to produce cash crops. This group of farmers is by far the largest and will form the backbone of the rural development strategy. Secondly, existing medium scale commercial farming will be encouraged. For this group, the most important incentives are the provision of reasonable prices and the availability of adequate credit facilities. Thirdly, it is envisaged that very large scale estate type-farming will be undertaken for crops such as wheat, coffee and sugar which are suitable for this type of development. For all these groups of farmers, it is essential that basic services are provided, including marketing, input supply, land clearing, mechanization, and so on.

The TNDP strategy for the agricultural sector is primarily focused on achieving a higher level of self-reliance and self-sufficiency in staple foods and provide adequate supplies of raw material for the needs of the country's domestic agro-based industries. In addition, export potential will be exploited where feasible. To attain these objectives, the following policies will be pursued:

(i) a greater proportion of Government expenditure allocation will go to agriculture. The proportion is expected to rise from 8 percent in the SNDP period to 16 percent during the TNDP;

(ii) producer prices will be used as a means of stimulating production, a policy which is being pursued at present through the practice of annual price reviews;

(iii) the availability of credit facilities will be improved particularly by rationalizing the agricultural finance company and by taking various measures to increase its loan funds;

(iv) extension services will be substantially improved, by an increase in the number of technical and professional agricultural officers. It will also be necessary to provide better supporting services for these officers such as transportation and housing;

(v) agricultural research will continue to be undertaken on all commodities to ensure that production is increased by all types of farmers. Multidisciplinary research teams for all commodities will be established during the TNDP. These will work much more closely with the extension services than has been the case in the past;

(vi) the manufacturing sector will be encouraged to produce intermediate inputs, such as fertilizers, tools and equipment required by the agricultural sector;

(vii) it is part of the overall TNDP strategy to establish small-scale local resource based industries in the rural areas which would use the products of agricultural projects in the vicinity. This marks a departure from the present situation in which most industry involves large-scale, high technology production and is based almost exclusively in urban centres on the line of rail;

(viii) the Government intends to strengthen various key institutions in the agricultural sector, including the Ministry of Lands and Agriculture and its associated parastatal institutions, particularly with regard to the planning and project preparation and implementation capacity.

While agriculture will play the central role, the TNDP visualizes a coordinated programme of rural development which, besides agriculture, will also cover establishment of small-scale and village industries, rural electrification, construction of feeder roads and spread of health and educational facilities in rural areas. The essence of the whole approach is to make agriculture and allied

activities more rewarding and to build a strong and self-reliant rural society.

Mr. Chairman, I wish to elaborate on the point, namely, the strengthening of key institutions. Government has not finalized a comprehensive programme in this regard, but in doing so it will consider a number of objectives:

(i) to strengthen the planning functions of these institutions, by recruiting more experienced personnel, while at the same time increasing the level of training of Zambians;

(ii) to improve the efficiency of the marketing and distribution systems;

(iii) to allow a greater degree of decentralization in project implementation, but maintaining planning and policy-making functions at the central Government level;

(iv) by improving the provision of credit facilities to farmers at every scale of production throughout the country.

Mr. Chairman, the potential for agricultural development in Zambia is enormous. Environmental conditions are conducive to a wide range of agricultural activities, and the country desperately needs a stable agricultural base which can only be provided by securing the strategies which I have already referred to above. We have many projects both in train and on the drawing board; projects such as coffee in the north and north western provinces, tea in the Luapula province, cotton in the eastern, central and southern provinces, rice in the northern, Luapula and western provinces, cashew nuts in the western province, livestock (beef and dairy) in the southern, western, central and eastern provinces. But all these projects cannot achieve permanent success unless the basic infrastructure is firm, and this does not only mean roads, but also the inculcation of a level of agricultural awareness which is only possible through better trained personnel, more efficient marketing and credit facilities and the decentralization of the execution of plans to attain maximum efficiency.

To implement the objectives set out above the aggregated investment requirement in agriculture during the TNDP will be in the order of K 404 million plus K 95 million for related water and irrigation programmes. The annual average requirement will therefore be in the region of K 100 million. The TNDP will set out clearly projects in which these amounts will be invested. These programmes can only come to fruition if a large volume of external assistance, both technical and financial, is forthcoming. These amounts are regarded as the very minimum to remedy the past distortions in the investment pattern and to promote a growth process which will imply an increase in the overall rate of GDP as well as fuller generation of employment for the poorer segments of the Nation.

Thank you.

ANNEX VIII—CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

PARIS, TUESDAY TO THURSDAY, JUNE 27 TO 29, 1978

(Statement on transportation (Mr. Bickers))

ZAMBIA'S TRANSPORT CRISIS

1. A number of differing reasons have been given for Zambia's current international transport predicament, but as a starting point two important observations can be made with confidence. First, an analysis of traffic patterns (attached) shows that the country's lifeline to the sea is essentially through Tanzania; all other available routes are currently giving only marginal support to the Zambia-Tanzania corridor. Zambia has been the victim of events in neighboring countries which, one after the other, have reduced or eliminated other transport alternatives. It was particularly unfortunate that, just as the new Tanzania-Zambia Railway (TAZARA) was beginning to offer some additional relief some three years ago, yet another important railway route, via Zaire and Angola, was severed.

2. Secondly, the transport crisis along the TanZam Corridor has now reached such proportions as to cause major disruptions to Zambia's international trade. Imports are worthless until they can be moved from Dar es Salaam, and equally, of course, copper is not an earner of foreign exchange if it cannot be moved from Zambia. Until recently the number of wagons and road trucks offloading imports in Zambia provided much more than sufficient capacity for the better-loading exports, but now the level of imports able to find transport to destination has sunk so low that exports are being stockpiled involuntarily on the Copper Belt, which is a new phenomenon.

TAZARA

3. The prime reason for the current shortage of transport to and from Dar es Salaam is the failure of TAZARA to achieve the performance expected when it first began full operations in August 1976. Attempts to restore the position by once more strengthening road transport have so far been unsuccessful: trucks on the TanZam Highway actually carried one-third fewer imports in the first four months of 1978 than in the same period last year.

4. In focusing on TAZARA's present difficulties, we are not implying criticism of the basic construction of the railway; indeed, all the available evidence indicates TAZARA was built to excellent standards. But, since operations began, TAZARA has been plagued by interlocking problems due to new and unseasoned staff, shortages of spare parts, inadequate maintenance of locomotives and rolling stock and difficulties associated with the onward offloading of goods.

5. To illustrate TAZARA's initial troubles, the best single measurement is in the statistics of average wagon turnaround time—the time it takes for a wagon to load at Dar es Salaam, travel to Zambia and return ready for loading with imports once more at the Port. Original planning expected this to take about 22 days, but in the first four months of 1978 it was taking about 40 days. If a wagon takes twice as long to complete a round trip it can only carry half the annual traffic it was expected to carry; and this in a nutshell is TAZARA's problem.

6. One of the major reasons for this poor wagon turnaround lies not with the wagons but with TAZARA's locomotives. The number of mainline locomotives stopped for repair has now reached very high proportions: in December 1977, 71 percent of the mainline locomotive fleet was available for work; by March of this year the figure had slipped to 61 percent, and on a later sample day (May 15) only 48 percent were available. These unsatisfactory results are due essentially to the problems encountered in maintaining the locomotives, rather than to the design or construction of the locomotives themselves. This, to repeat, is a new railway which, for some time to come, will need help from staff with a thorough knowledge of this particular equipment.

7. A second major reason for poor wagon turnaround time lies in the protracted time required to unload and load them at the terminals. To illustrate the situation, trainloads of perishable traffic arrive in Zambia to be unloaded essentially by manual labor, but even this slow process is delayed even more by the lack of proper storage facilities. In effect wagons are being used to some extent as expensive warehouses for storage. At the other end of the route there is a similar offloading problem for copper, within the port of Dar es Salaam. Again the prime solution is adequate storage and handling facilities outside of the Port area.

8. At Dar es Salaam empty wagons are sometimes delayed to await loading of urgent cargoes which have not yet arrived in the Port, in spite of the many thousands of tons of other imports ready for immediate loading. The selection of imports priorities—and the logistics of moving them to Zambia—is a complex operation, but one simple fact is clear: if wagons spent less time awaiting cargoes in Dar es Salaam, the total off-take of imports from the Port would be increased and the overall problem would be eased accordingly.

ROAD TRANSPORT BETWEEN ZAMBIA AND DAR ES SALAAM

9. A permanent improvement in TAZARA's performance is unlikely to be achieved quickly as many of the problems, such as to developing a seasoned corps of railway staff, or constructing adequate storage facilities, cannot be quickly achieved. In the immediate future, relief must be sought by building up road trucking capacity once again on the TanZam Highway, but this is a much more expensive solution, and should not be allowed to divert attention from the imperative need to increase TAZARA's effective capacity.

It is fortunately also a "flexible" solution, in the sense that the optimum life of a road truck is only about five years, and if TAZARA improves more quickly than expected there are ample opportunities for diverting the vehicles to other work in either Zambia or Tanzania. It is understood that a major step to replenish the vehicle fleet has just been taken by ordering 200 new trucks for the Zambia Tanzania Road Services, with deliveries starting this month.

THE PORT OF DAR ES SALAAM

10. Let me turn now to a related problem—operations at the port of Dar es Salaam. During the decade ending in 1975, Dar es Salaam developed from a purely lighterage harbour to a much larger port with eleven deepwater berths. But traffic demands, particularly from Zambian cargoes, have expanded to such an extent that the port is now once more seriously congested, with ships awaiting berths for up to 25 days and a resulting liner conference surcharge of 15 percent.

11. The capacity of the existing berths would be fairly adequate for present traffic if berth occupation time were kept down to reasonable levels. The immediate problem stems from the congestion and resulting confusion caused by the large amounts of cargoes stored all over the port area. This in turn slows down the servicing time for ships and causes the back-up outside the harbour. The first need is for a quicker off-take of imports from the port, particularly those destined for Zambia. A solution to TAZARA's problems would thus also help in part to solve those of the port and to keep the whole of its operations more "fluid." A massive effort is needed to clean up the port; first, to be sure, by a faster off-take of imports but also by removing the considerable amounts of imports which are now valueless due to damage or decay, which is in turn due to unduly long detention, inadequate storage facilities, or simply to careless and multiple handling in the congested port.

12. Congested conditions slow down operations and thus, in a vicious circle, create more congestion. This is well illustrated by the fact that for the port as a whole, productivity in terms of tons handled per gang-shift is now about one-third lower than when the last three berths and their back-of-port areas first became available in 1975, and the Port received a substantial increase in its room to maneuver. But congestion is not the only reason for low productivity; the Port itself provides another example where effective mechanical handling equipment (which also demands effective means for its maintenance) is badly needed to speed the movement of cargoes. Here again, more storage is also an urgent requirement; outside of the Port to reduce the amount of cargo "warehoused" rather than in transit within

the Port, as well as bulk transit storage close to the berths to allow faster offloading of bulk-carrying vessels.

SHORT-TERM SOLUTIONS AND LONGER-TERM NEEDS

13. In conclusion, let me review the necessary actions which should be taken both to improve the transport situation in the short-term and to bring about more efficient operations in the sector over the long-term. For the short-term, an action program should be prepared and implemented to speed up the flow of goods along the TanZam corridor. The program should first include provisions for additional trucking capacity, including new trucks (some of which have already been arranged), improvements in the supply of spare parts and the availability of maintenance personnel to keep the trucks operational, and additional emergency road maintenance expenditures to improve the road link on sections where it has deteriorated. Our estimates on trucking costs alone indicate it would take an additional fleet of 750 trucks at a cost of $25–30 million to increase import flows from their 1977 level of 670,000 tons to one million tons. Second, it should be possible to improve TAZARA's performance in the short-term by using technical assistance to improve maintenance of locomotives and equipment, by acquiring spare parts and additional mechanical handling equipment to improve loading and unloading, and by improving the scheduling of TAZARA's operations to minimize turnaround times and effect a higher utilization of available rolling stock.

14. For the longer term, substantial investments are required to expand storage facilities along TAZARA in order to minimize bunching problems at Dar es Salaam. Better storage facilities at Dar es Salaam (particularly outside of the Port), at terminals in Zambia, and perhaps close to TAZARA's southern exchange point with Zambian Railways, would all help to introduce more flexibility into the whole transport operation. Also, over the longer term, both the Zambian Railways and the Port of Dar es Salaam will require assistance with their investment programs. Zambia Railways will need to expand its fleet of wagons and locomotives as well as provide replacements for older equipment, and for track renewal; the Port of Dar es Salaam will eventually require additional berths and improvements to the entrance channel. In addition, the Port's efforts to encourage container traffic and other unitization of cargoes should be strengthened by a gradual build-up of adequately planned terminal facilities.

15. Finally, successful efforts to remedy the transport crisis will require a coordinated approach by all the relevant parties. Physical improvements obtained from new investments will not solve the transport problem on a lasting basis, unless accompanied by efficient logistical planning for the system as a whole. The basic aim is to increase the effective capacity of available facilities as one of Zambia's most critical priorities.

ZAMBIAN EXPORTS AND IMPORTS BY ROUTE

[Thousands of tons]

Year	Tanzania		Zaire/ Angola	Mozambique			Kenya	Botswana	Air	Total
	Rail	Road		Via Rhodesia	Via Malawi	Direct road route				
1970		253	187	398	6				4	848
1971		221	176	390	9				2	798
1972		210	170	467	7					854
1973		284	438	5	41		45			813
1974		319	509		10		86			924
1975	46	349	309		66	10	2			782
1976	349	323	131		48	35	12			898
1977	524	181	131		34		1			871
1970		248	118	1,293	18				4	1,681
1971		295	269	1,048	29				7	1,648
1972		202	144	864	39				8	1,257
1973		200	418	35	109		68	4	25	859
1974	18	271	438		125		86	15	29	982
1975	69	311	257		129	30	22	41	20	879
1976	326	248	4		71	58	22	9	21	759
1977	413	156	1		25	9	3	47	18	672

ANNEX IX—CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

PARIS, TUESDAY TO THURSDAY, JUNE 27 TO 29, 1978

Statement on bank group operations (Mr. Wiehen)

1. The World Bank Group's operations in Zambia span more than two decades, and financial commitments during this period from the World Bank itself and from IDA total over half a billion dollars. Mr. Alizai will make a separate statement on the International Finance Corporation. Since 1953, when the first loan was made to pre-independence Zambia, the Bank has approved 24 loans for about $520 million and the International Development Association has just made its first credit of $11.3 million. The fact that we have begun to use IDA resources in Zambia and intend to continue providing a portion of future Bank Group lending to Zambia on IDA terms underscores the concern with which we view Zambia's current economic situation.

2. The Bank has disbursed more than $375 million, or 72% of total commitments. Twelve loans have been fully disbursed, while twelve projects are still under implementation. In the early years of our operations in Zambia, disbursements were quite rapid. More recently, with the Government facing severe financial problems, disbursements under World Bank supported projects also have been affected. Nevertheless, the Bank Group today is Zambia's largest creditor with a 24 percent share of Zambia's total external debt; its share of disbursed loans is about 28 percent and of current debt service, about 14 percent.

3. Turning to the specific direction of World Bank lending, almost $350 million, or 70% of the total, has been for infrastructure projects—primarily for hydro-electric schemes and for improving Zambia's highways. Two large power projects, the Kariba project on the Zambesi River and the second phase of the Kafue River project, have accounted for some $200 million, helping Zambia to develop generating capacity which not only meets its own power demands, including those of its energy-intensive mineral sector, but also enables the country to export power to neighboring countries. In the highway sector, the Bank has financed three projects; the most recent one, which was signed just a few days ago, will help Zambia improve the maintenance of its rapidly deteriorating road network through providing equipment and technical assistance.

4. In the key agricultural and rural development sector, the Bank Group's involvement in the past has been limited, much to our regret, comprising five loans totalling about $40 million. Two of the loans were for industrial forest plantations, which promise to be an important source of wood for both domestic and industrial uses. One loan for livestock was cancelled in 1973, mainly because of pricing and management problems. The other two loans, made in 1970 and 1973, were for commercial and family farming. To help identify Zambia's agricultural potential and to determine how it might be realized, the Bank, at the Government's request, made an in-depth study of the agricultural and rural sector in 1974/75. The report has stimulated discussions about agriculture and rural development at all levels of Government, and is playing an important role in increasing cooperation between Zambia and the Bank Group in the development of this sector.

5. To assist in Zambia's industrial development, the Bank, in 1976, opened a line of credit for the Development Bank of Zambia. Due to the depressed state of the economy since then, the DBZ has begun only slowly to make subloans from this credit line, but based on the Government's newly formulated policies and incentive programs for stimulating manufacturing and industrial development, we hope that these resources will be utilized effectively in the near future.

6. In education, the Bank has lent $69 million for four projects, helping provide new or improved facilities for over 70,000 secondary and university students, create additional capacity for improving technical and business education, and expand and upgrade Farm Institutes and Farmer Training Centers under the Ministry of Lands and Agriculture.

7. Lastly, the Bank has made two program loans to Zambia, of $30 million each, the first to help Zambia cope with the copper price decline in 1973, the second one at the beginning of the present crisis in 1976. The first one was drawn down rather slowly, and when copper prices recovered, the undisbursed balance was cancelled. The second loan was fully disbursed in record time.

8. Turning to future World Bank operations in Zambia, we anticipate the following pattern. First, we expect to continue lending to Zambia for some time on a blend of IDA and Bank terms. Second, while it is difficult for us to be precise as to the amounts the Bank and IDA will be able to commit, our present indicative lending program for the next few years envisages an average annual level of up to $50 million, provided the Government of Zambia can prepare a sufficient number of high-priority projects to absorb such a large amount. Third, in support of the Government's new priorities, Bank Group lending will, in future, be less for infrastructure and social services and more for directly productive investments, especially in agricul-

ture and industry. Agricultural investments may well account for as much as half of our total commitments over the next several years. Projects to expand coffee and cotton production are in advanced stages of preparation, and identification of additional agricultural projects has begun. In the industrial sector, preparation work has focused on developing projects based on local resources. At the same time, however, the Bank Group expects to continue supporting selected high priority projects in infrastructure (including roads and rural water supply) and in education.

9. In addition to providing financial assistance for these projects, we also plan to help Zambia, in more general terms, strengthen its capability to identify, prepare and implement projects through technical assistance. We are presently discussing with the Government how we can assist in this urgent task. The Government's limited ability to prepare projects suitable for external capital assistance in the past has constrained its absorptive capacity, and we are prepared to offer technical help as well as some financial resources, if needed to complement technical assistance from bilateral and other multilateral sources.

10. Finally, while the bulk of our future assistance will continue to be directed to specific development projects, we also expect to extend some further program assistance to Zambia to help alleviate the country's present economic plight. As you know, such assistance from the Bank will have to be exceptional and limited in amount; but, being united, it provides extra flexibility to the Government. Incidentally, the Bank has been made the custodian for a Special Action Fund set up by the EEC; we expect that a modest amount of that Special Action Fund will be allocated to Zambia, and we would most likely use it by attaching it to the proposed IBRD program loan.

11. In conclusion, then, the World Bank and IDA expect to build up lending activities in the years ahead to support a broad spectrum of essential investments, with increasing emphasis on agriculture and rural development. We are heartened by the fact that the Government has taken, or is initiating, a number of the steps—some very difficult indeed—which are needed to stabilize and diversify the economy and to realize its development objectives. The Government now is also embarking on a program to strengthen its institutional framework. The World Bank fully supports the Government of Zambia in these endeavors and intends to offer significant technical and financial assistance to it. We look forward to continue working very closely with the Government and now also with the members of the Consultative Group in this challenging task.

ANNEX X—CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

PARIS, TUESDAY TO THURSDAY, JUNE 27 TO 29, 1978

Statements by delegations[1]

(Statement by the Delegation from the African Development Bank (Mr. Girma))

Thank you very much, Mr. Chairman.

Due to some problems, mainly operational in nature, our operations in Zambia have not been picking up momentum for some time. For the future, we hope to be able to sufficiently increase the volume of our operations in Zambia. As a matter of fact, we have identified several projects in the agricultural sector which fall within the priorities of the Government's program. We are happy to see that these projects have already been discussed with the Government and found to be acceptable, although their preparations are either at an early stage or we have only preliminary information. Provided preparation can be done as quickly as possible, we hope within the 1978–81 period to finance—and I must bring out here these are very indicative levels—a program amounting to about US $30–36 million. But, I must emphasize that this will depend on the availability and the preparedness of projects.

We could prepare some of these projects ourselves; but we feel, more than anything else, the most important element in the recovery of the Zambian economy will be project preparation, and we also feel that this will be the major bottleneck. Apart from the institutional aspect, the state of project preparation will also affect disbursement. This is a very crucial element, and we would like as much assistance as possible to be provided to this aspect of the recovery program.

Because of the problems Zambia is facing, we consider Zambia to be in a particularly delicate situation. For that reason we have proposed to our Board that they deserve special treatment, and, therefore, some of the projects we finance, especially those of a commercial nature, will be on ADB terms; but those of a soft nature, such as infrastructure or agricultural projects which have a long gestation period, will be funded from ADF resources. Thank you very much.

Statement by the Delegation from the European Economic Community (Mr. Foley)

Mr. Chairman, may I apologize for my lateness in getting here. I was in the Caribbean till yesterday. It certainly does not reflect any lack of interest in Zambia, which is a country I know well, and which is a country, I think, if we examine its history and its geography, we must feel sympathy.

In the pre-independence period of the Central African Federation, we find basically the beginning of a distortion of a sovereign state in terms of its balanced economy. Southern Rhodesia became the bread basket for the Federation, and Northern Rhodesia, as it was, was the copper industry. And so this over dependence on copper, or the emphasis on copper in the economy of Zambia at the time of independence, was part of the legacy of its past. Indeed, there were so many distortions in the economic field at that time for political reasons. I can recall that the decision taken as to where the hydro-electric dam should be located was not taken on the economic grounds; if it had, Kafue would have been selected. It was taken on political ground and that is why it was Kariba. Zambia has been punished over the years, and deserves all the support, sympathy and interest that we can give. In this connection, realities, and the difficulties it has had as a of course, too, we must look at its present front line state and. in particular. because of its adherence to UN sanctions, linked to the closure of the Zambian and Mozambique border with Rhodesia. And, of course, Zambia has had to deal, too, with the closure of the Benguela Railway, raids from Zimbabwe and with the influx of refugees from five or six neighboring countries. This of itself has placed an intolerable burden on the country, which we must not ignore.

We think, too, that in establishing criteria and guidelines for the distribution of international aid, particular regard should be given to the special circumstances of countries with large mining sectors such as Zambia. In the case of such countries, we believe it would be inappropriate to rely too heavily on the per capita income criteria, which may fail to reflect the real economic circumstances and needs of the country concerned. This is particularly true in the case of Zambia which depends for some 90 percent of its export earnings on copper sales. Although, it has a per capita GDP of the order of some US $400, practically all its foreign exchange is currently used to maintain the mining sector and related services. Virtually nothing remains of Zambia's foreign exchange earnings to cover the needs of development and maintenance in other sectors. This is a situation very rare in the world which we must fully take account of.

We believe these considerations suggest that particular account must be taken of the special circumstances confronting Zambia both in the economic and political fields when its status as an aid recipient is under consideration at an international level. We think this is a matter of considerable importance and that is why, frankly, I want to stress it here at this meeting.

Insofar as the indicative aid program that the Community has with Zambia, this is through the Lome Convention, and in this respect, Zambia is in receipt of something of the order of US$84 million over a period of 4 years. At least two thirds of that is in outright grants. Of course, in addition to Lome, there are bilateral arrangements between the member states of the Community and Zambia. The major emphasis on the EEC indicative aid program is in the field of agriculture and infrastructure. Clearly when I referred earlier to the agricultural development being largely in the Southern Rhodesia, as it then was, there was also agricultural development along the line-of-rail in Northern Rhodesia, and there is no question whatsoever that from the point of view of soil, from the point of view of climate, Zambia can be a potential exporter of maize, wheat, and a whole series of other crops.

In the past, disbursements have not been as high as they should; this, I think, is a matter of concern to all of us, and we should say this: that there is the art of development in spending the money that is available to you, not sitting on it, spending it. This is certainly a matter of concern, I would have thought, to our Zambian friends as well as to those of us who wish to work with them, and this does reflect then the need for skills, abilities, administration and so on. One cannot ignore this reality.

In the agricultural sector, our major emphasis up to now has been on basic studies as a take off for further activity. We now believe that we have at our disposal studies in key sectors of agricultural development: wheat, tea, cotton, rice, oilseed production, livestock and dairy development. We would wish to put this information at the disposal of anyone who is interested in working with us in joint financing schemes of this order in Zambia, both international agencies and individual countries. We will wish to look again with Zambia at the earliest possible moment at the indicative aid program and see how far it reflects the priorities of today and what alterations we can make in order to move into this area of quick disbursement in projects.

Reference was made yesterday to the area of transport, and clearly anyone who has in recent months looked at the port of Dar-es-Salaam, or looked at the port of Beira, will realize that there are immense difficulties, bottlenecks and inadequacies in port handling and unnecessary delays. We would be interested, if the governments of the area were also in providing technical assistance for port management and we would be quite happy to work with others in this regard. We believe of particular importance is the involvement of the Economic Commission for Africa. Its economists, statisticians and administrators ought to be involved with us in managing projects and providing technical assistance in this area.

Lastly, I would say that in the area of food aid, Zambia has a potential for, and indeed now has, a surplus of maize which might well be used in the neighbouring provinces

[1] The statements by the Delegations were presented orally and, in the process of being transcribed from tapes, have received minor editing.

of Zaire and elsewhere to help provide their basic needs. We have an aid program with Zambia in areas where there are deficiencies, such as butter oil, wheat, milkpowder, and clearly we would hope to improve our performance in this area.

In conclusion, Mr. Chairman, along with the European Investment Bank which has opened a line of credit to the Zambian Development Bank, we are anxious to participate and collaborate, firstly, with our friends in Zambia in revising, if necessary, the indicative aid program and bringing forward projects for quick disbursements, and secondly, in putting at the disposal of any other aid donors the detailed studies that we have now completed in the agricultural sector. We have done the studies. They are completed. We have committed money ourselves, and we are quite willing to sit down with others in a joint effort to meet some of Zambia's needs. My final point is that this is a country which because of history and geography needs and deserves all the support and energies and efforts we can put together. Thank you.

Statement by the Delegation from the International Finance Corporation (Mr. Alizai)

Mr. Chairman, Mr. Minister, Ladies and Gentlemen:

The statement on the Bank Group's operations refers to my making a separate statement on the work of IFC, the private enterprise arm of the World Bank.

We, in IFC, were very pleased to note the remarks of the Minister of Finance, highlighting Zambia's support of private initiatives, as evidenced by the Industrial Development Act of 1977. IFC's role is to seek to assist the development of the Zambian economy by initiating and promoting ventures in the private sector and by mobilizing capital for such ventures to supplement scarce domestic resources.

IFC has so far made three investments for some $4 million, in conjunction with domestic and foreign partners. These investments include the manufacture of shoes, a packaging materials plant and a development finance company. In the future, we stand ready to expand our activities considerably. We are looking particularly at the agrobusiness sector and into the mining field.

IFC's capital is in the process of being increased substantially and so now IFC feels better able to undertake larger financing operations for its own account. However, its basic task remains: namely to work with others with a view to establishing sound enterprises that will assist the economy of Zambia. We hope very much that any private bankers, industrialists or entrepreneurs from any of the countries represented here will feel free to consult with us to this end. For our part, we stand ready to do whatever we can, within our terms of reference, to assist the development of the Zambian economy.

We and the Government agree that, to make an effective contribution to the economy, ventures must be soundly conceived, with adequate capitalization and with satisfactory arrangements for management. It is by our support of such ventures that are intrinsically worthwhile, both economically and financially, that the interests of Zambia will be served.

Statement by the Delegation from the Saudi Development Fund (Mr. Biyari)

Thank you Mr. Chairman. I would like to start by expressing my gratitude for being invited to this meeting by the Zambian Government and the World Bank. This is very important to us because there has been virtually no contact in the past between the Saudi Fund and the Zambian Government.

While we realize how serious the problems facing Zambia are, unfortunately, the Saudi Fund does not operate in the short term, but it certainly can be involved in the medium term. I am sure that there will be good opportunities for cooperation in the very near future, especially in areas requiring technical and financial assistance. Undoubtedly, the Saudi Arabian Government will be involved in assisting Zambia through the other agencies in which she is a major member, such as the Arab Fund for African Development and the ADB. So really, at this point, there is not much to say except that I am sure that more contact through the World Bank and through other organizations will be made and further discussion with the Zambian Government will be forthcoming shortly.

Thank you, Mr. Chairman.

Statement by the Delegation from the United Nations Development Programme (Mr. Doo Kingue)

Thank you very much, Mr. Chairman.

First of all, I would like to say that the cooperations between UNDP and Zambia has to be looked at under two headings: the country program side, which covers the years 1977 to 1981, with an allocation of US$15 million; and the multinational program, which is subject to understanding between various governments, including Zambia, on a special problem that could be handled on a multinational basis and for which (with the exception of the figure I gave yesterday of US$10 million for the whole of Southern Africa in the coming three years) projects have to be looked at on an ad hoc basis. On the Country Program side, as I said yesterday, more than half of the resources (55 percent) are concentrated on rural development and agriculture. There is a particular feature here which I think the distinguished delegates may wish to note, which is that, of the US$6.5 million for which agricultural projects are going to be financed under the Country Program, there is about US$5 million for new projects which should normally start this year. I think that this gives scope for coordination of our efforts in this area with the efforts of the others.

I would like to mention three of these new projects because they are large ones, and they absorb more than US$1 million each (two of them absorb nearly US$2 million). The first one is the In-Service Training in Agriculture Project for which US$1.8 million is earmarked during the Country Program period. Another one is the Animal Disease Control Project for US$1.9 million, and the third one is the Repair, Maintenance, and Manufacture of Agricultural Implements Project, for which US$1 million is earmarked. In the other sectors, manpower, as I mentioned yesterday, absorbs 22 percent of our resources; here most of the projects are ongoing, the main one being the Management Development and Advisory Services Project for which nearly US$1.5 million is earmarked for the years 1977 to 1981. On Administration, which is the third major sector of our program, and which absorbs 19 percent of the resources, the main project is for assistance to the Ministry of Planning, for which US$1.3 million is earmarked for the period under review.

As I said yesterday, we intend, in the light of the discussions here and in the light of the new development plan for Zambia, to have a major review of our program in October. I do hope that by that time we will have either the development plan itself or elements which would help us in the assessment of the program and its review. I would simply express the hope that, if it is not already envisaged, the Government attempt to identify in the development plan the total requirements for technical assistance, so that we can see what role our inputs can play in that particular respect.

With regard to the multinational program of the regional program, particularly after listening to various speakers yesterday, I feel that I should make two points on transport which I did not have the opportunity of making yesterday. The first one concerns the landlocked country's project I mentioned yesterday for which UNCTAD is the executing agency. UNCTAD has been sounding out various governments with a view to formulating the project, but the project has not yet been formulated in detail. As I said yesterday, I will request the UNCTAD team to get in touch with those donors who are interested in this particular sector, to make sure that whatever projects are designed do not duplicate other efforts. I am thinking in particular of the EEC's program which we heard about yesterday. The second point is marginal and relates to the perspective for the future. I have the feeling—I might be wrong—that even if the problems are easily resolved in Zimbabwe, it will certainly take some time to utilize fully the infrastructure available in these countries in providing routes for Zambia to the ocean. Therefore, let me diverge somewhat from the statement we heard yesterday, that we should not put emphasis on new infrastructure, by saying that I am not completely sure that even if Zambia regains access to old routes in the near future, the infrastructure which is there could be utilized one hundred percent overnight. Thank you, Mr. Chairman.

Statement by the Delegation from Canada (Mr. Johansen)

Thank you, Mr. Chairman.

As this may be our last opportunity to intervene at this meeting, I wish to express on behalf of the Government of Canada, our appreciation to the Government of Zambia and to the World Bank for the invitation to attend this inaugural meeting of the Consultative Group. Recognising the considerable effort which is being made by the Zambians, by the Bank, and by others in preparing the documentation for this meeting, we appreciate the full and frank manner in which they, as well as the other delegates have discussed the formidable problems which Zambia is facing and to which we individually and collectively are trying to find a solution.

Since Zambia became independent, Canada has made a number of efforts to assist Zambia in the development of its economic and social structure. We intend to maintain these initiatives in the future. Recognizing the problems that can arise in a country which is dominated by one resource, Canada's program for development assistance for Zambia has for a number of years been oriented towards the longer term development of the rural, agricultural and transportation sectors. With respect to the agricultural and rural sectors, the objectives of the Canadian program are to undertake investments in economic and social infrastructure, to promote agricultural production, to improve the planning and operational capacities to those Ministries and parastatals responsible for rural development, and to support the education of Zambians, particularly in the agricultural disciplines. Projects which have been approved and which Canada has allocated over Can$35 million during the coming five year period include: 250,000 tons of capacity for maize and fertilizer storage costing approximately Can$18 million; Can$13 million for the construction of rural roads, and for fisheries development in the Northern and Luapula provinces; approximately Can$5 million for the development of wheat production, Can$2.5 million for technical assistance to strengthen the planning capacities of the Ministry of Lands and Agriculture and the National Commission for Development Planning, and Can$2.8 million for technical assistance to the University of Zambia School of Agriculture. Whereas the project documents for the two technical as-

sistance projects just named have been signed, we have encountered delays in the launching of the other three. But, as a result of our discussions with the Zambian Government yesterday afternoon, we anticipate that these problems will be overcome shortly. In addition to the above, we are also planning an integrated project to improve the institutional capacity of the Ministry of Water and Natural Resources in the Northern and Luapula provinces and to provide potable water supplies in certain areas of these two provinces.

As regards the transportation sector, Canada is supporting Zambia's railway sector in recognition of several factors: the geopolitical and landlocked position of Zambia, and the essential requirements to maintain an effective railway system to permit the effective flow of imports and exports, particularly in view of the closure of the rail routes through Angola and through Rhodesia for which Zambia, in response to the U.N. sanctions, is paying a heavy economic price. Within the railway sector, CIDA is supporting the management of Zambia's railways with Canadian railway personnel and is currently providing in excess of 400 rial wagons under a Can$16.5 million development line of credit, bringing our total commitment in this sector to approximately Can$28 million. Further developments in this sector, including possible extension of the Malawi railways to Chipata, are under construction.

Should all the project documents be signed, total anticipated Canadian involvement in Zambia, in terms of committed projects, is in the order of Can$60 million during the coming five-year period. Of this, approximately 28 percent would be in the form of grants and 72 percent, in the form of loans which have zero percent interest, a 10 year grace period and a repayment period of 50 years. In terms of this fiscal year, disbursements are estimated at between Can$14 and Can$17 million.

So much for the present, Mr. Chairman. As regards the immediate future, other than to try and speed up disbursements of current projects, Canada is not likely to be able to respond immediately to the present balance of payments situation. The reason for this is that the available funds allocated for use in Zambia are at present fully committed. The Canadian Government, however, is fully aware of Zambia's present predicament and will be dealing with the subject of future allocations in the very near future. Meanwhile, as a matter of policy, we will continue to actively support those sectors in which we are currently involved. In this respect we are particularly keen in examining further developments in the agricultural and transportation sectors.

I should point out, Mr. Chairman, that our ability to attract further funds for Zambia will be conditioned to a certain extent by firstly, the record of disbursements and, secondly, by the effectiveness through which Zambia utilizes the aid funds currently at its disposal. In this respect, we are particularly pleased to learn of the plans which Zambia has to strengthen its administrative organization and, as a consequence, to speed up the process of project identification, approval and implementation. And we are willing to consider providing additional external assistance to put these plans into effect.

At the political level, Canada will continue to strive through international and other fora to bring about satisfactory solutions to the various political and other problems affecting Zambia's neighbours. In this respect, the opening of traditional transport routes is particularly important. We also will continue to assist Zambia indirectly through our other bilateral programs, by helping to overcome transportation problems on existing routes. Here I wish to refer specifically to the TAZARA rail system, Dar-es-Salaam port and Malawi railways. Thank you, Mr. Chairman.

Statement by the Delegation from Finland
(Ambassador Korhohen)

Thank You, Mr. Chairman.

I will only make a brief statement to summarize some of the ideas put forward here and outline the Finnish standpoints on these issues. First of all, we also appreciate the thorough background papers prepared by the Bank, and the open and willing attitude taken by the Zambian delegation. We really appreciate the dedicated and frank efforts of the Zambian Government to develop the country in accordance with the principles of humanism.

It was quite correctly pointed out by the Honorable Mr. Mwanakatwe that, and I quote, "the donors must accept the financial consequences of the political stand they have taken on the situation in southern Africa". Accordingly, Finnish assistance to Zambia must not only be viewed as an appreciation of the development policies pursued by Zambia, but also in the context of Finland's consistent policy towards opposing apartheid and racism. As was pointed out Tuesday, by the distinguished delegate from Sweden, Mr. Palmulund, and I cannot but agree, restrictions followed by or agreed upon in the implementation of assistance given by some of the donors may affect the future distribution of benefits and development in Zambia. It should be a high priority in all countries, whether developed or undeveloped, to increase the wealth of the masses or, to put it in other words, to minimize the gap between different social groups. Therefore, we should all agree on the standpoint taken by Zambia to concentrate its development efforts in the rural areas and the subsistence sector.

Finally, I will, in short, describe Finnish bilateral assistance policies, with special reference to the Zambian case. Because Zambia is one of the main recipient countries of Finnish assistance, the planning of the assistance is done within a three year rolling country programming procedure. Any other consultations are held between representatives of both governments, in the last quarter of the year in order to mutually agree upon a concrete program of assistance.

The program is based on the priorities chosen by Zambia. We feel that any independent country must decide on her own development priorities and organizational structure. It is for no one to impose restrictions because some of the policies may not suit its own interests. The Finnish assistance program is reviewed quarterly, and, in that context, changes and possible additions of new projects can be made within the financial frame. In the Zambian case, it can be mentioned that in the last quarterly review of the program, a considerable reallocation was planned to the transport sector as suggested by the Zambian Government.

Finnish assistance to Zambia consists of both grants and credits. So far, 5 credit agreements have been concluded with Zambia for a total value of approximately U.S. $20 million, of which approximately U.S.$7 million later have been converted into grants as suggested by the Zambian Government. The terms of the credits have normally been a 25 years maturity, with a 7 year grace period, and an interest rate of 0.75 percent. The planned disbursements for this year will be approximately U.S. $3.5 million as grants and U.S.$4.5 million as credits.

Because of the severe economic situation in Zambia, the Government of Zambia has again requested Finland to consider converting an additional proportion of the credits to grants. This request also has some other additional possibilities to help Zambia and will be considered by my Government. Mr. Chairman, unfortunately, I am not in a position to inform the group of increased assistance to Zambia. The Ministry for Foreign Affairs in Finland has recently submitted the budget proposals for 1979, but only at the end of the year will it be known in what way the implications of the overall financial position of Finland will affect her positive attitude to assisting Zambia. Thank you very much, Mr. Chairman.

Statement by the Delegation from France
(Translation from French) (Mr. Cellier)

Thank you, Mr. Chairman.

First of all, Mr. Chairman, I should like to speak to my friends of the World Bank on a matter which has nothing at all to do with the substance now under discussion. I have noted with some regret the total absence of documentation in the French language—I am referring to the documentation which was distributed for this Consultative Group. Of course, I would not be so presumptuous as to challenge the important role of the English language in international organizations, more particularly that of the Bank where English is, of course, the working language. But, I personally believe that in its move toward unity, which I think Africa will achieve one day, this move toward unity must go through a closing of the contacts among the African nations themselves. In order to strengthen these contacts the African countries will be compelled to use part of the colonial heritage including, of course, the imprtant role played by the French language. I believe, therefore, that the Bank could make its indirect contribution to the effort toward African unity, by making a small effort to provide greater importance to the French language with respect to its documentation. Mr. Chairman, I think that you will forgive me for the frank words that I have spoken, nevertheless, I must express my profound appreciation for the kind welcome that has been extended to us and the excellent manner in which this work has been organized.

Mr. Chairman, Mr. Minister, ladies and gentlemen. This Consultative Group from Zambia was very helpful to the French delegation, because it has made it possible for us to give further thought about our system of aid in general within the frame work of our present concerns for improvement in our assistance techniques, the level of which is nevertheless quite important. In actual fact, our direct aid to Zambia is quite modest. It consists mainly of budgetary grants, which in 1978 have reached a total amount of F3.5 million. That is, much less than US $1 million. However, the fact that this assistance has gone in the form of budgetary grants is, I think, fully in line with the requirements of the Zambian economy, since this is used for medical aid, agricultural development, educational aid, and management training.

This effort, of course, will be continued. I cannot advance any figure at present, in view of the fact, as was the case for Finland, our budget for 1979 is now being prepared. I spoke about the fact that our direct aid was modest, but I could, in passing, mention France's participation in multilateral assistance, particularly the European Development Fund. In this respect, the representative of the Community has just made a very interesting presentation. This group has made it possible for us to re-establish contact with the Zambian authorities in order to play a more active role in the assistance that Zambia now requires and to which the Bank has drawn our attention.

The conversations that the Bank has facilitated between us and the Zambian delegation will make it possible for us to shed further light on the modalities and the level of our bilateral assistance. I am in a position to announce that this will take a new turn in the future. France is prepared to grant Zambia a new form of aid which will be

mixed credits. This type of assistance associates public treasury loans, which are long term at a low level of interest, with commercial credits, which are guaranteed. The total amount of these treasury loans and guaranteed commercial credits could reach a level of between F 56–60 million. It was agreed with the Zambian delegation that our two countries would meet in order to work out the modalities for this assistance. Therefore it is our firm hope that during the course of these meetings, we shall, with respect to this new type of credit, be able to find points of application which would be satisfying for both parties. That is what would be in conformity with our customary grant systems and, of course, would also be able to meet some of the requirements which have been referred to by the Zambian delegation during the course of this Consultative Group meeting. In making this extra effort, we are conscious of the fact that we are, on the one hand, responding to the appeal made by the Bank and the Zambian Government. On the other hand we also are aware of the fact that we are participating in the effort made by Zambia to cope with a very difficult situation with respect to its economy as well as the conflicts in the area.

I should like to avail myself of this opportunity to hail the humanitarianism of President Kaunda and his concern to bring about peaceful solutions to the conflicts from which his country has been suffering so directly and so painfully. His concern has always been to have the black majority recognized and given power in Zimbabwe; to have an internationally accepted solution, in accordance with the resolutions of the Security Council, be found for the independence of Namibia; and, of course, to have a peaceful solution, which would put an end to the apartheid regime which has been condemned unanimously by the international community. Thank you very much.

Statement by the Delegation from Germany (Mr. Kirchoff)

Mr. Chairman.

On behalf of the Government of the Federal Republic of Germany, I should first of all like to say thank you for this Consultative Group, whose invitation we were pleased to accept and which hopefully will continue its work. As we learned in the last few years, and especially through this meeting, the economic situation in Zambia has become increasingly critical as a result of the fall in copper prices on the world market, and, I would like to point out, due to the effects of the political developments in Southern Africa.

It is now in a serious state. For these reasons, we welcomed the initiative of convening this conference which had to address itself to the problem of how to support quickly and effectively, as well as structurally, the Zambian Government's own efforts in the next years.

May I repeat that the documents and reports compiled by the World Bank, and I would like to also include the information given by the Zambian Government, and the IMF, were exceptionally useful in preparing the Consultative Group. They also provided a good basis for programming our future bilateral cooperation with Zambia.

Permit me to begin by dealing with past bilateral German assistance to Zambia. The Federal Republic of Germany has so far provided Zambia with credits amounting to a total of DM 184.0 million at 2 percent interest rate with a maturity of 30 years including 10 grace years. Added to this are grants totalling approximately DM 31.0 million. However, may I illustrate the problems which existed up to now in the otherwise very good development cooperation with Zambia by giving some figures. Of the DM 184.0 million mentioned above, only DM 44.0 million have so far been disbursed, of which again is some DM 33.0 million in commodity aid. But hopefully we will succeed in diminishing the pipeline with the help of the Zambian Government, so that within the next year, by 1979, those amounts can be disbursed.

The problems resulted from an acute lack of feasibility studies and documents that were ready for appraisal. In addition to setting up a two-year program, we have established a study fund for the Zambian Government in order to plan projects earlier and more carefully in reply to the disbursement and pipeline problems. Our experience so far has been good. The indicative program for 1979 and 1980, which was worked out recently in collaboration with the Zambian Government, now contains a number of attractive and promising projects both in the area of financial and technical cooperation.

The Consultative Group also should be convened at regular intervals with a view to helping solve and improve the disbursement and pipeline problems by more intensive coordination on the part of Zambia's various partners. This could make a useful contribution towards allocating the development assistance funds available to the focal points of Zambian planning or channeling them towards the bottlenecks which the IBRD and the IMF have so clearly shown.

The Government of the Federal Republic of Germany believes that the harmonization of the bilateral programs between the donors and the Zambian Government could lead to a substantial increase in the effectiveness of aid contributions with a view to bringing about in the medium term an improvement in the structure of the Zambian economy. It will therefore give its active support to all efforts designed to achieve this end.

Since 1977, we have switched to a two-year cycle for our cooperation with Zambia, in order to be able to make more funds available for larger projects, and, in particular, to gain time for the early preparation of the projects. In the field of financial cooperation, DM 140.0 million alone have been set aside for the period 1976 till the end of 1978. The proportion of commodity aid has been raised twice in 1977 and 1978.

So in the 1977/78 two-year program, DM 19.0 million had previously been aside as commodity aid. The Government of the Federal Republic of Germany is now ready, in addition, to convert with immediate effect, an amount of DM 20.0 million in committed project aid into commodity aid. So the total amount for commodity aid will come up to DM 39.0 million. That means that for the current two-year program which runs until the end of 1978, DM 90.0 million are available for financial cooperation and some DM 10.0 as technical assistance.

The Government of the Federal Republic of Germany will endeavor to continue and further intensify cooperation with Zambia in 1979 and 1980 on the basis of another two-year program. The indicative program, which, along with the report of our Chancellor's office, will hopefully be proposed immediately to Parliament for the 1979 budget approval, should include a high proportion of commodity aid. The main aim of a further two-year program on our side, and the Zambian Government has given its agreement to that, would be:

(a) to extend existing development facilities in the rural sector in view of the need to improve agriculture and especially to increase productivity in agriculture and here we are willing to concentrate about 60 percent of our means to that target; and

(b) to help increase the efficiency of the parastatal organizations, with special regard to the transport sector, and here we will concentrate about 35 percent of our resources. By doing so, Mr. Chairman, we hope that we shall coincide with the priorities of the development plan being prepared and take up some of the recommendations of the IBRD which we consider so extremely important.

Thank you very much.

Statement by the Delegation From Italy (Translated from French) (Mr. Leonini)

Thank you, Mr. Chairman.

Very briefly, I should like to say how interested the Italian delegation was in the evaluation presented by the representatives of Zambia, the World Bank, the IMF and the other institutions here today. I would like to associate myself with all those who have expressed their gratitude for having convened this meeting. More particularly, we are very much interested in the information provided about that measures that have been adopted or that will be adopted by the Lusaka Government in order to check consumption, improve productivity in the mining sector, rationalize resources for investment and stimulate the agricultural sector. The determination expressed by the Lusaka Government to meet its commitment to pay its arrears and to meet its obligations in the middle and long run will undoubtedly make a decisive contribution to strenthening confidence in ecomonic circles, and at the same time facilitating trade, which is so essential for the country's economic recovery.

The Government of Italy has made important contributions to the development of Zambia in key sectors such as energy, infrastructure, transport, communication, industry and defence. Italy wishes to continue doing whatever it can along these lines in a spirit of solidarity and understanding. This has been confirmed at a very high level last year when President Kaunda visited Italy. We are certain that the economic problems now faced by Zambia are related, not just to international copper prices, but also to the difficulties of Zambia's being landlocked and the political problems involved in the decolonization process in Southern Africa. On the occasion of President Kaunda's visit, we indicated that at this important time, which is not an easy one for our economy, we have agreed to examine the possibilities of credit facilities so that our level of cooperation with Zambia would remain appropriate. And, in this context, we have recently granted credit facilities of about US$33 million, earmarked for initiatives in transport infrastructure.

Mr. Chairman, this is part of the past or, if you will, part of the present; but now, I should like to turn to the future. The Italian delegation has listened very attentively to the points made during the course of this meeting regarding the level of financial assistance required by Zambia, and we shall certainly inform our Government of the situation. At present, I can confirm the willingness of the Italian Government to continue participating in the economic development of Zambia and to meet, in so far as we can, some of the requirements of Zambia. We, for example, are considering with sympathy the granting of assistance for the priority sectors in accordance with our national legislation, provided that the Zambian authorities will do what they can to prevent excessive debt service burdens. We also shall bear in mind Zambia's requirements with respect to the development of a technical assistance program, and we shall also take into account the interesting information which has been provided by the Zambian delegation. We now are negotiating a technical cooperation agreement, and, in accordance with the wishes of the Zambian authorities, we have identified interesting projects regarding mineral research and agricultural mechanization. We believe this meets the requests of Zambia to bring about the diversification of production, a desire which is one of the key points emerging from this meeting.

Furthermore, Mr. Chairman, I would like to say that we are prepared to provide Zambia with food aid within the context of a bilateral food assistance program.

From the above, Mr. Chairman, you can see the desire of the Italian Government to develop, during coming months, our contracts with the Zambian authorities with a view to giving concrete form to a number of initiatives, which are now under way, and to identify other possible initiatives in light of the priorities which have been expressed by the Zambian authorities during this meeting. We are convinced that our assistance in the implementation of appropriate economic development programs is concrete testimony of our sympathy and our support not only for the efforts Zambia has taken to overcome her economic difficulties, but also for the attitude of the Lusaka Government towards the peaceful solution of the problems of the geographical area in which the country is located. Thank you.

Statement by the Delegation from Japan (Mr. Jinma)

Thank you very much, Mr. Chairman.

First of all, I would like to express my great pleasure at being able to participate in this meeting. My delegation and I greatly appreciate the efforts undertaken by the Zambian Government to stabilize the economic situation of the country.

I would like to describe, briefly, the position of the Japanese Government concerning economic cooperation towards Zambia. First, as a whole, the financial cooperation we have offered to Zambia amounts to ¥11.1 billion in project financing, mainly involving a railroad project and the extension of a telecommunications project. In addition, in December 1977, we approved credits for commodity assistance amounting to ¥4.5 billion. Consequently, the total amount of assistance we have already offered to Zambia comes to ¥15.6 billion. Secondly, in terms of future financial cooperation and, taking into consideration the debates and results of this meeting, we are ready to study the possibility of providing for Zambia's balance of payments needs. Thirdly, as for grant aid, Japan, in general, will provide grant aid in connection with programs related to basic human needs. We are ready to study the possibility of providing grant aid in the areas of medicine, health, education, agriculture, etc. Finally, regarding technical assistance to the Zambian Government, we have provided experts to do training or to undertake studies, of which the total amount comes to ¥69 million. Our technical cooperation program in the future will focus on those areas which meet Zambia's development needs. Thank you very much.

Statement by the Delegation from the Netherlands (Mr. Wessels)

Thank you very much, Mr. Chairman.

Mr. Chairman. Mr. Minister, dear colleagues. Netherland's bilateral cooperation with Zambia in the development field dates back only to 1975, when Zambia received the first aid allocation from our country. We realize that we are still a very modest donor with regard to Zambia. Over the period 1975–78, the total regular allocation, apart from additional aid, has been f. 46 million, that is, around US$20 million, of which f. 19 million was in grant form to be utilized for technical assistance which is untied. The remaining f. 27 million were provided on a long term basis. Up to and including 1977, almost 40 percent of the aid was allocated for rural water supply schemes, 25 percent for infrastructural activities and 20 percent for the development of agricultural and livestock activities.

Then in 1976, the serious effects of the border closure with Zambia's southern neighbor, Zimbabwe, became apparent, especially with regard to the sharp increases in the prices of imported food. Our Government decided to extend an additional loan of f. 5 million to the Government of the Republic of Zambia to be fully utilized for the import of essential agricultural implements and supplies. This effort was repeated on a larger scale in 1977 when an additional loan of f. 12 million was made available again for the import of essential commodities and minor capital goods for the agricultural sector. All loans since 1976 carry an interest rate of 2½ percent per annum and a redemption period of 30 years, including an 8 year period of grace. Those loans are untied with regard to procurement from development countries.

Although our cooperation program with Zambia is still fairly young, the activities under this program are quite numerous. Assistance is being given for preparing the plans for dairy farming to be included in the Third National Development Plan. Assistance is also being provided for the further developmen of artificial insemination programs, the improvement of agricultural and livestock production in scantly populated and isolated areas, and in support of the National Irrigation Research Station and rural settlement schemes. Some of these programs are in close cooperation with World Bank, EEC and FAO. Rural water supply projects are major elements of the program and may be followed by small-scale irrigation schemes. Technical assistance is being provided in connection with domestic water supply schemes in provincial capitals and the modernization and extension of existing water supply corporations in smaller towns. As regards infrastructural development, we are playing a supportive role in programs already being carried out in the rural areas by the Zambian Government. Assistance is being given, for example, for the construction and maintenance of waterways in marshy areas, and equipment has been bought from India under this program for some high voltage power lines between some major towns and rural areas. Our Government recognizes the essential need for strengthening and streamlining governmental organizations and procedures. On a request for the Zambian Government, therefore, technical support in this field is being increased in a cooperation program with some emphasis on the agricultural and rural sectors.

During our bilateral discussions with the Zambian authorities only one month ago, it was agreed to utilize the full 1978 financial assistance allocation for the roads and buildings departments of the Ministry of Public Works, for the procurement of essential construction and maintenance equipment. A small part of the overall program has been set aside for the financing of local costs. If the need arises, consideration may be given to increasing this in the future. In addition to that, we have some additional programs, quite apart from the regular bilateral allocations, to support the Regional Fellowship Program for Zambian fellows to study in neighboring countries. There is also the University Cooperation Program which dates back to 1970 where universities in the Netherlands cooperate with the University of Zambia, especially in the field of engineering. Then there is what we call the Volunteers Program which also dates back to the early 1970s, where a number of volunteers work mainly in the rural areas and in some technical institutions involved in the development of extension training offices for the rural areas.

Mr. Chairman, my delegation is not in a position to indicate as yet any further assistance this year, despite the fact that we realize the great problems Zambia has to overcome during the coming few months. We are, however, in a position to announce that our Government will continue in the the coming years to extend further its development cooperation program with Zambia, depending, naturally, on yearly parliamentary approval. Of course, it would help if disbursement performance would improve, since this is one of the elements on which our Government decides the division of allocations to what we call target countries. We are confident, even more so after what we have heard about the plans during this conference, that these problems will be overcome. Thank you very much, Mr. Chairman.

Statement by the Delegation from Norway (Mr. Hjelde)

Thank you, Mr. Chairman.

Norways' development cooperation with Zambia dates back to 1967, when the first agreement on technical and economic cooperation was signed. Technical assistance is predominant, covering about 40 percent of present bilateral program. All Norwegian assistance is given exclusively in the form of grants.

In 1977, Norwegian bilateral assistance to Zambia amounted to NKr 22.8 million, equivalent to approximately US$4 million. For the calendar year 1978, an amount equivalent to US$7 million is available. One-half of the financial assistance for this year will be in the form of commodity assistance, including as an interesting example of triangular development cooperation, the delivery of building materials from a new mill in Tanzania.

Projects assistance will be concentrated on water supply and rural development. It is our firm impression that projects identified coincide very well with the present development needs and aspirations of Zambia.

The development cooperation between Zambia and Norway operates under a rolling and flexible four year country programming system. Subject to governmental approval, the indicative planning figures for bilateral assistance for the period 1979–82 will be in the amount of NKr 140 million, equivalent to approximately US$26 million. In addition, continued assistance outside the country program is expected, primarily in the form of multilateral cooperation through various UN organizations.

It goes without saying, Mr. Chairman, that my delegation will report extensively on this meeting with a view to possible further consideration of the needs and requirements of Zambia in this trying period, taking also into account continued losses by Zambia due to well-known geo-political circumstances. Thank you.

Statement by the Delegation from Sweden (Mr. Palmlund)

Mr. Chairman.

Sweden has a long term development cooperation program with Zambia. The present level of our cooperation is approximately US$18 million a year. Parliament has approved an increase in this level by around 20 percent, adding a bit more than US$3 million, and this initial amount will be made available immediately after the first of July.

The Swedish Government is very sympathetic, as I have explained before, to the difficulties that the Zambian Government faces now and will be ready to consider a further contribution. We will indeed be happy if we can see that as a contribution from the whole group of countries here. It will function as oil in the machinery at home if I honestly can say that there will be contributions from many participants of this meeting.

Our next agreement with Zambia will, on the basis of decisions already taken with regard to resources, cover the period 1979–80, beginning July 1, 1979, and the amount, and this is on the basis of already taken decisions, will be in the range of US$40 million for those two years. The figures I mentioned are commitment figures, but at the same time they are very close to disbursement figures. The money is used for the estimated cost of projects during the period in question, and for import support or commodities. We have no difficulty in trans-

ferring money not used for projects to commodities, which makes it a good deal easier to reach the disbursement targets. I can say that already in 1977, when we have a considerable backlog of funds for projects, all this money was actually transferred to commodity assistance in recognition of the balance of payment problems that Zambia has.

From now on, all Swedish assistance will be on a grant basis; part had previously been provided on credit terms. All our project assistance is untied; part of the commodity assistance is tied, part is untied, and project cooperation is mainly concentrated on education, rural health and rural development, and we foresee—and judging from the discussions here we have good reason to hope—that there will be an increase in the cooperation with regard to the rural development efforts directed to the small farmers. We have no difficulty with local cost financing. Our impressions have been previously that Zambia has considered local cost financing as a sort of "sinning" more or less, but the statement from the Honorable Minister of Finance made it clear that Zambia now accepts this sort of "sinning". In the present situation, when expanding capacity seems less important than the full utilization of existing capacity, we accept the need to finance recurrent costs. Our commodity assistance will represent approximately 40 percent of the program. This has been the pattern for a number of years, although, as I said earlier, there is a possibility to increase it in case the projects will not absorb what has been planned for them. The tied part of the commodity assistance has largely gone to the telecommunication and transport sectors. I have no information about the untied part.

If I may add here a couple of points. Yesterday, I did not join into the discussions about the transport sector in which many have indicated an interest, and I would just like to say, first of all, that if the Zambian Government wishes our cooperation in this sector, we of course are available. Secondly, without looking for very diplomatic words, I would like to express the very sincere hope that Zambia will be able to establish effective cooperation with Tanzania to solve the transport problems and also that Zambia and Tanzania will take seriously the first point in the Bank's presentation yesterday about inviting the People's Republic of China to help with the TAZARA railway, so that this important development project can be fully utilized in the interest of the Zambian economy. Thank you, Mr. Chairman.

Statement by the Delegation From the United Kingdom (Mr. Lynch)

Thank you, Mr. Chairman.

Obviously from the remarks of other delegates, it is clear that this has been a most useful and informative meeting. I would like to add my thanks to those expressed by other delegates for the documentation provided by the Bank, the arrangements for the meeting, and, if I may say so, the frank and clear way in which the representatives of the Zambian Government described their present situation.

Until quite recently, United Kingdom assistance to Zambia was heavily on the side of technical cooperation. This, of course, was during the years of relatively prosperity or at least the prospect of orderly development rendered possible by the maintenance of a good price for copper. Those days have gone, and during those days the only capital assistance provided by the United Kingdom was in a program of emergency aid which followed immediately after the illegal declaration of independence by Southern Rhodesia. I should, perhaps, also mention that we have an arrangement whereby we have assumed certain repayment obligations by Zambia for the Kariba Northbank Power Station. This is an arrangement of such an infinite complexity that I think it would baffle delegates if I attempted to describe it.

In 1976, Mr. Chairman, in recognition of Zambia's growing economic difficulties, we offered special aid of £5 million in the form of a grant. All this has been allocted, I am very glad to say, and £3 million of it has been spent. After this, in the following year, there was further special aid in the form of a soft loan of £7.5 million for essential imports for the agricultural sector. To this was added, this year, a further £1.5 million for urgent requirements in the transport sector.

President Kaunda paid a highly successful visit to London a few weeks ago. On that occasion, in response to his urgent request for further assistance, our Prime Minister, Mr. Callaghan, announced that we would give a further soft loan of £15 million for essential imports, which would be our contribution to the international assistance, which was being mustered through the machinery of this Consultative Group. The President welcomed this offer, and I am glad to say that his Government has already put forward proposals, which appear to us at first reading to be acceptable. This, of course, is aid for essential imports, not project aid, and it will cover quite a wide range of raw materials, spares, components and other equipment for Zambian industries, particularly in the transport and agricultural sectors.

Well, Mr. Chairman, it would certainly be lese majesty to override my own Prime Minister, but I am very happy to announce that Her Majesty's Government has decided, in the light of a further study of Zambia's needs, to increase this amount of £15 million to £20 million. This allocation of program aid will cover roughly the first 2 years of the three year period we have been discussing. In short, it will go up to the end of March 1980. It does mean, Mr. Chairman, that there is a period of approximately nine months, within the period of assistance we have been discussing, in which it will, of course, be open to us in consultation with the Zambian Government to look further at their needs for this particular form of assistance.

Furthermore, when the Third National Development Plan is published, and I am delighted to hear that its drafting has progressed so far, we would like to seek the agreement of the Zambian Government to send a small mission to Lusaka to examine and to discuss with the Government the prospects of our participating in project aid related to the Plan in the medium and longer term. I know that these perpetual missions can be something of a diversion from the normal task of very busy Ministers and officials, but I know also that we can rely to the utmost on the cooperation of our Zambian friends in this matter.

I have no authority to make any commitments on the local cost question. I have never understood, as my distinguished Swedish colleagues have, that the Zambian Government considered it sinful to provide aid for local costs, but unfortunately my Treasury is inclined to regard it as sinful. However, the structure of many development plans is such, that unless a donor country, making project aid available makes part of it available for local costs, a kind of rigidity is imported into project financing operations. We should certainly want to consider whether a measure of British project aid assistance could be in this form, in the light of our examination with the Zambian Government of the Development Plan.

Well, Mr. Chairman, the summary of this—which again I would emphasize is for the period up to the immediate assistance I have been describing—apart from the possibility of project aid later, this means that the total United Kingdom assistance to Zambia during that period, including technical assistance and the complicated Kariba arrangement, should be in the region of £52 million. We hope that this, and any additional contribution which the Commonwealth Development Corporation is able to make (it is already active in Zambia), generally will be accepted as evidence of Her Majesty's Government's deep concern for Zambia's financial and economic recovery and as an appropriate contribution to it. Thank you very much, Mr. Chairman.

Statement by the Delegation From the United States (Mr. North)

Thank you, Mr. Chairman.

I have been to many of these sessions, and I have found this one particularly helpful in understanding a problem that we really had not gotten the full dimensions of the severity of the problem, or the dimensions of specific aspects of it. I also gathered a sense of spirit, of response and cooperation and willingness to tackle particular issues together that seem, to me, better than I have seen in other situations at times. I think we will go home from this meeting with a much fuller understanding of the depth of the problem and the extent of it, and we will need to reflect on it with our colleagues at home, as to how we might best respond even more effectively than perhaps we had thought to date.

Let me comment a little bit on some of this, but first of all I should say that we are particularly appreciative of the response of the Minister and his colleague, the Minister of Plans, our questions, and their patience and willingness to give thoughtful and careful response to questions that sometimes must appear a little prodding and poking and not always as tactfull as one would like. We do want to note that and appreciate their joining in the spirit of the occasion.

I also do want to note that clearly this is a situation that requires a very concerted and cooperative effort of all those participating, certainly on the part of the Zambian Government. They have an extraordinary task ahead of them, and though perhaps it need not be said, it is always very important to us and to others to note the extent to which they are able to maintain their performance in conjunction with the standby conditions and in the implementation of the programs that we have all been discussing. This is a very critical measure of the ability of the Government to carry out its part of the program, and therefore facilitates our willingness and our ability to respond in the years ahead. That is a very key consideration that we all have to bear in mind when we talk to our colleagues at home, and therefore I think needs to be emphasized. At the same time it is a two-way proposition, and I am sure the Zambian Government will be wanting to look very hard at us in terms of our performance and our responsiveness in that context. So it is very much a concerted and coordinated effort.

As far as U.S. assistance is concerned, I will talk essentially in the present and the future. We also had a very fine visit of President Kaunda to the United States. We were very proud to have him there and it was a very positive and effective exchange between our governments and our leaders. In that context there was discussion of future assistance in light of the very severe problems that the Government faces, and we have given our assurances, again, subject to congressional actions to be taken in the future, of something in the range of US$100 million, which has already been mentioned, over the 3 years of 1978 to 1980. This is entirely in the form of what we are now calling quick-disbursing assistance—commodity aid. Our experience to date—we have already had some of this in motion over the last year or two—has been very encouraging because the expenditures, the use of these loans, has moved very quickly, and it is very assuring for the future that this form of assistance can be responsible to the immediate problems. So that unless there is something that develops that I am not aware of, we anticipate that the full amount will be drawn down within this particular period we are talking about.

Most of this assistance is in the area of agricultural inputs, fertilizers and equipment, some is in the form of agricultural commodities and the terms are related to our normal concessional assistance terms. I should note also, related to the local cost question, that to the extent that these commodities in effect are resold into the economy, they do in fact generate kwacha that is available for the government's recurrent and development budget. In effect you get a double effect, a double impact, because you get also the benefit of local generations of kwacha as well as the foreign exchange input.

Beyond this commodity assistance, we are engaged in stepping up our program for manpower training and we anticipate, subject to availability of candidates in appropriate programs, anywhere from US$0.5 million to US$1.0 million annually for training of Zambians in the United States, in Africa and in Zambia in the technical fields that they feel are most important to their development effort.

We are discussing this with the Government, and wish to join in efforts of our colleagues in project design, particularly that related to the agro-industrial area and perhaps to small enterprise development as well. We share the experience and the problems that result from the lack of adequate projects and therefore we are prepared to join in that.

I have already mentioned that we are willing to join with others to address the immediate transport problem. It has a vital importance to the Zambian Government, and it has some very special interest to each of us in terms of movement of our own projects and our own commodities. There is a certain self-interest in joining in addressing this problem and we are perfectly willing to draw on available resources and supplementary technical assistance, if those who are taking a lead in this, wish to bring about a quick resolution to this problem which seems to be so important.

I have also mentioned that we have a keen interest in agricultural development related to the small farmer and also with a special emphasis on the institutional development dimensions of this. We think it is critically important, although it is a very long 10–15 year job, to show accomplishment, but has to start immediately on the long-term task of institutional improvement and manpower training so that the research work, the education work and the extension work is carefully integrated and in a way that is effective in addressing the practical problems of the small farming community. Therefore, we are very keen on joining with others in this kind of program as the Government of Zambia wishes.

My last thought is only related to the situation that Zambia faces. There is a general concern about the future of the southern Africa area and the interrelationships of the economy there, and we are giving some careful thought and undertaking some studies looking towards the longer term of that area, certainly with hopes about the efforts to bring about the peaceful transition to majority rule and the future economic cooperation of the countries in southern Africa. Therefore, we hope that in another year we will have a better perspective of how our assistance, and perhaps those of others, can be joined to bring about the kind of economic stimulus and support that the southern Africa area requires and deserves, particularly Zambia, to which, because of its rather unusual situation and problems, we wish to give a central emphasis in this effort. Thank you very much, Mr. Chairman.

ANNEX XI—CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

A first meeting of the newly formed Consultative Group for Zambia was held in Paris, from June 27 to 29, 1978, under the chairmanship of Mr. Willi A. Wapenhans, World Bank Regional Vice President.

Atttending the meeting were delegations representing Canada, Finland, the Federal Republic of Germany, France, Italy, Japan, the Netherlands, Norway, Sweden, the United Kingdom, the United States, Yugoslavia, the African Development Bank, the Arab Bank for Economic Development in Africa, the Commission of the European Economic Communities, the European Investment Bank, the International Monetary Fund, the Saudi Fund for Development, the United Nations Development Programme. Observers from Austria, Romania and OECD/DAC were present. The delegation of Zambia was led by the Honorable John M. Mwanakatwe, Minister of Finance, and included the Honorable J. M. Lumina, Minister for Development Planning.

The participants reviewed the current economic situation and development prospects and discussed the Government's resource requirement and ongoing stabilization program. The meeting received reports from the Government, the International Monetary Fund and the World Bank on Zambia's prolonged economic crisis. The meeting noted that this crisis was caused primarily by Zambia's overwhelming dependence on copper, which continues to suffer from depressed price levels. The meeting also noted that the heavy costs to Zambia of the closing of the border with Southern Rhodesia in keeping with the relevant United Nations resolutions, factors outside the Government's control relating to the unsettled conditions in neighboring countries and the disruption in the regional transportation network had exacerbated Zambia's difficulties. The Group reviewed the adverse impact that the current shortages of spare parts and raw materials, owing to the reduced availability of foreign exchange, have had on the economy's productive capacity. It further noted the short-run measures taken by the Government to deal with this situation. The Group received an outline of the Government's long-term diversification program which will be implemented in the forthcoming Third National Development Plan.

The Consultative Group discussed statements on the agriculture and transport sectors, presented by the Government of Zambia and the World Bank, and a report given by the UNDP on technical assistance. The meeting noted the central role agriculture will play in Zambia's future development and the associated external resource and technical assistance needed to carry out the proposed programs. In reviewing landlocked Zambia's external transport problems, the Group acknowledged the seriousness of the existing situation which threatens the flow of essential exports and imports.

The meeting agreed that Zambia needs and deserves the support of the international community in order to help it meet essential short-run requirements and, at the same time, initiate a long-term program of economic diversification.

The participants declared their general intention to support Zambia in its present difficulties as well as in its effort to implement a development program designed to diversify the economy.

The participants welcomed the initiative taken by the Government of Zambia and the World Bank in establishing the Consultative Group, especially as it was felt the Group could provide for better coordination, planning and deployment of technical assistance and financial resources. The Consultative Group agreed to consider a second meeting to focus on Zambia's long-term development requirements after the Government's Third National Development Plan, presently under preparation, has been finalized.

ANNEX XII CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

PARIS, TUESDAY TO THURSDAY, JUNE 27 TO 29, 1978

(Concluding Statement by the Head of the Zambian Delegation, Minister Mwanakatwe)

Mr. Chairman, distinguished ladies and gentlemen: Let me first thank you, Mr. Chairman, for inviting me to make a concluding statement on behalf of the Zambian delegation. Since last Tuesday, we have been engaged in a thorough examination of the very serious problems now facing my country. My delegation has attempted to explain the nature, origins and extent of the economic crisis facing Zambia today. We have tried to explain, firstly, how despite the efforts made in the past to diversify the economy, Zambia still remains an economy overwhelmingly dependent on the copper industry. We have, secondly, sought to explain how the price of copper has fallen over the last 4 years, and the consequences this has had on the following: (a) the government budget; (b) the mining industry; and (c) the balance of payments.

I have explained, Mr. Chairman, the efforts we have made to reduce the financing gap that has been created by the progressive reduction and eventual elimination of substantial revenues we have, in the past, received from the mining industry. I have also indicated the gap that has remained, and our desire to reduce it further through fiscal measures and restraint on expenditure.

Mr. Chairman, the papers prepared by the World Bank, and our own paper, have emphasized the serious problems we face on the balance of payments from, and the implications of these problems on Zambia's productive capacity, inflation and future prospects for economic development. In setting out these problems, we have also tried to point out the very serious complications that have arisen from the transport difficulties that have come about as a result of the nonavailability of our traditional routes of the sea, and the inadequate operation of the Tanzania-Zambia Railway and the transport routes by road.

Mr. Chairman, the message we brought to this meeting is one in which we asked for the urgent assistance of the international community in our present difficulties. As we have said in our previous contributions to the discussions, the assistance we require is basically of two types. We want assistance to meet our present crisis and we also seek help of a long-term nature to assist with the diversification of our economy.

I would, therefore, like to take this opportunity on behalf of my delegation, on my own behalf, and indeed on behalf of my country, to express our sincere thanks for the support that has been pledged this morning towards the objectives I have just outlined. It is our view that this assistance will go a long way towards reducing the problems we face. Ladies and gentlemen, we are most grateful.

Mr. Chairman, let me also take this opportunity to thank all the delegations that have taken part in this meeting. Their criticisms and suggestions have been most constructive and helpful.

On our part, we intend making rural development the cornerstone of our diversification strategy. To do this we shall need to strengthen the Ministry of Lands and Agriculture's project identification and preparation machinery, extension services and research. We shall also strengthen bodies such as National Agricultural Marketing Board, which are so crucial to agricultural development. We shall also continue to review regularly and in time, our pricing policies to reflect costs in the rural sector.

The process of diversification will not be complete unless the private sector is also

involved in this effort and the parastatals are working efficiently. These are the areas on which we will continue exercising our minds.

Many delegations have suggested that we examine ways and means of streamlining the administrative machinery responsible for receiving and utilizing aid. This is an important suggestion we shall take up with our Government. We are anxious that the aid you have made available to us be committed without delay.

Finally, Mr. Chairman, my short statement would be incomplete if I do not again record my delegation's gratitude to the Governments and institutions represented at this first and most important meeting of the Consultative Group for Zambia. Throughout the discussions, I observed a remarkable and welcome appreciation of the difficult economic situation now facing my country. The sympathetic responses expressed by many delegations are greatly appreciated. We hope that after this meeting more consultations will be made on a bilateral basis. It is important that the momentum which this meeting has generated should not be allowed to slow down in the coming months. My government will be ready after this meeting to participate in further talks on a bilateral basis even at very short notice. Any invitation extended to us by delegations for this purpose will be readily accepted.

Mr. Chairman, this is my last intervention in this meeting's deliberations. Allow me, therefore, to thank you personally for the able manner in which you have guided our deliberations. I know that you have spent many long hours preparing for this meeting and I would request you also to thank all the World Bank's junior and senior staff for working so hard to make our meeting successful and productive. I also wish to record my delegations thanks to the UNDP and IMF for their own contributions. Thank you ladies and gentlemen.

ANNEX XIII—CONSULTATIVE GROUP FOR THE REPUBLIC OF ZAMBIA

PARIS, TUESDAY TO THURSDAY, JUNE 27 TO 29, 1978

Closing statement by the chairman

The time has come for me to draw the inaugural meeting of the Consultative Group for Zambia to a close. In so doing I should like to thank the Governments and Agencies for their support and encouragement to proceed with its project of applied international cooperation. Of all the Governments we have invited only two are not represented here today—and one of them has already offered financial assistance on appropriate concessional term, in recognition of the difficult circumstances Zambia faces at present.

Your presence here and your thoughtful interventions over the last few days all attest to the importance you attach to making your programs relevant to the priority-needs of Zambia as they present themselves now and to meet the most urgent of them with resources at least sufficient to prevent any further gross deterioration and—if at all possible and subject to the constraints you face yourself—to enlarge the level of resources sufficient to lay the foundation for diversification and development so urgently required by Zambia. I want to thank you for the understanding and good will so amply demonstrated here throughout the meetings and especially this morning.

Of course, our meetings and the dialogue we have begun could not have been as purposeful and productive without the Government of Zambia sharing so fully—and without hesitation—with us the findings regarding the diagnosis, the change of policy direction contemplated—and at least in part initiated—and the means and instruments it intends to employ for implementation. The Government's paper on the "The Current Economic Crisis, Government Response and Approach to the Third Plan" represents a clear and practical assessment of the present situation as well as the need for future action—an assessment well worth for all of us to consider seriously as we shape the content of our existing and future assistance programs. The further elaborations by H. E. the Minister of Finance, supported especially by the comprehensive statement on agriculture by the Honorable Minister of Planning, could not have been more eloquent and persuasive as well as candid and focused. I should like to express my sincere aprpeciation and thanks to the representatives of Zambia for their presentations and their tireless efforts in responding to the many questions we have put to them. I have to thank all of you for making it so easy and comfortable for the chair to conduct this meeting. As we proceeded I wondered whether we were really conscious of the fact that what we were witnessing was an inaugural meeting rather than a working session of friends and partners grappling with the misfortunes of one of us.

We have amply dwelt throughout the meeting with the causes of these misfortunes. Let me briefly summarize them once again:

(i) dependence on a single export commodity which continues to face depressed market prospects in the near term;

(ii) a geopolitical constellation which exacerbates an already difficult and trying circumstances of a landlocked country;

(iii) a decline in access to external transport links so crucial to the economy of Zambia; and

(iv) the paucity of experienced and skilled manpower to devise, prepare, implement and operate policies, programs and projects of development over the very wide and highly diverse range of needs executed by the dualistic nature of the Zambian economy.

The international and inter-regional interdependence and its fragility could not have been more vividly demonstrated than in the case of Zambia. At the same time we need to remind ourselves of the tremendous potential Zambia offers. Her resource endowment including that of minerals, hydropower and high potential agriculture lands together with favorable climatic conditions, combine to make Zambia one of the potentially most attractive and prosperous countries in Africa. Continuity and stability have marked internal political processes. An unquestionable commitment to her international obligations has been present all along and has been again confirmed here during our proceedings.

So what we see is a liquidity crisis superimposed on imbalances, that is an economy unprepared to absorb sudden jolts of the kind the world has recently experienced. While in its essence the problem was emerging long before the recent crisis it has been made much more severe by the simultaneous occurrence of world-wide recession and inflation which has affected Zambia perhaps more seriously than most other countries. While the urgency, and the acuteness of the crisis is caused by the absence of earlier adjustment measures, the direction in which the solution must be sought has not changed at all. Fortunately, Zambia has the potential for such a solution and enjoys leadership that is determined to affect the necessary change in direction and strategy of development.

This meeting has, in the first instance, dealt with the short term situation and clarified the additional measures necessary for the restoration of normality.

I would just like to remind all of you that the gap analysis presented here represents a set of aggregate figures—aggregate in the sense that they do not distinguish between ODA and private financing. Nor does it allow for levels of development assistance historically made available and for the possibility of new borrowing from foreign commercial sources by Government and Government enterprises. Only commitments already made at the time the analysis was made have been taken into account. If the assumption was made that during 1978–80 aid would continue to flow at levels similar to the recent past that additional long-term borrowing from commercial sources would be sufficient to cover repayments from past borrowing, the resulting flows would substantially eliminate the gap under Scenario I. The commercial parts of such flows are by no means assured, however. It is important, moreover, to keep two facts in mind: first, aid flows to Zambia over the past few years have been constant in nominal amounts, implying a sharp drop in real terms because of international inflation. Secondly, the level of imports under Scenario I would not allow any progress toward nominal capacity utilization. Even imports implied under Scenario II would not give the Government much flexibility to expand investment during the first two years of the Third Plan. These considerations would call for additional efforts by donors and institutions to increase the flow of resource to Zambia. In addition, of course, there are commercial arrears for which Zambia will want to find consolidation and relief.

In this situation, I believe we all agree, only quick disbursing and/or commodity-type assistance can provide the necessary stabilizing effect. And I was glad to note that in addition to the Monetary Fund action already taken, consideration will be given by a number of governments and agencies— including our own—to provide this type of financing on appropriate terms. Its impact is, of course, dependent on a well-functioning transport link. We have heard the urgent call for assistance in this sector and we certainly intend to respond—perhaps in concert with others—to the best of our ability. The longer-term situation, of course, requires structural adjustment, i.e. diversification of the economy, especially promotion of agriculture and indigenous, resource-based manufacturing. The meeting has rightly been cautioned that such diversification should not be expected to bring quick results and it should be approached—most importantly—without sacrificing the high value Zambia places on an equitable sharing of the benefits of its development. We have also been reminded that there remain numerous areas in which performance can be improved in both the short and the long term. Let me just list some of the most important:

(i) better planning for and coordination of external assistance;

(ii) increase in the absorptive capacity of the economy through a larger and well focused preinvestment work;

(iii) more effective utilization of technical assistance;

(iv) improvement in parastatal efficiency; and

(v) even more emphasis on agricultural institutions and appropriate and practical training to sustain the shift in emphasis into this sector.

I have no doubt that the delegation from Zambia has taken careful note of all of these as well as other valuable suggestions made throughout the meeting. I am equally sure that they will receive careful consideration.

I also hope that the contacts established here during these few days will be deepened and followed up so that the resource base to meet short term needs can be established and we—as a Consultative Group—can turn our attention to development when we meet again hopefully in the not too distant future. You will recall that the Minister spoke of a two-stage strategy. We still believe this to be the best approach to follow. In preparation for the next meeting we will want to

put before you an appraisal of the TNDP. While plan preparation is well advanced we would not expect to be able to call for another meeting until early next year. I hope you all can be with us again at that time. Meanwhile I thank you once again for your attendance and the valuable contributions many of you were able to make. I wish you all a safe journey home.

Mr. HATCH. Finally, Mr. President, I have to bring this up again: This Zambian problem, I think, is a major problem, because here we are again rewarding those who commit terrorism, with those who sanction terrorism, those who have participated in shooting down a totally innocent airplane and then brutally murdering the passengers on the airplane, those who have continued to protect and incite the radical blacks of the Patriotic Front against the moderate blacks and moderate whites of Rhodesia, who could have brought about majority rule long before now, suddenly being helped by the taxpayers of the United States of America.

Mr. President, let me just say this: that I am concerned that we are supporting those who are totally antithetical to everything we believe in in this country, and I believe that the examples that have been given are supportive of the distinguished Senator from Arizona's amendment to the pending bill.

I support the amendment, and ask that all of my colleagues do the same. At this point, I yield the floor.

Mr. PROXMIRE. Mr. President, will the Senator from Hawaii, who is manager of the bill, yield?

Mr. INOUYE. I am very happy to yield.

Mr. PROXMIRE. Mr. President, I will not take long. The Senator from Hawaii has been extremely patient, and I know it has been very difficult for him to manage this bill on the floor.

I would like to ask him, the distinguished Senator from the Foreign Relations Committee (Mr. CHURCH) who has held hearings on this matter, or perhaps other Senators, this question: We held hearings on this matter in the Banking Committee, and the arguments for this facility were very persuasive, up until it came to the question of why we ever needed it at all.

That is not, I hasten to say, because there are not countries which need to borrow money from the International Monetary Fund. There are. But what bothers me is why the International Monetary Fund has to borrow $10.5 billion from various countries.

I raised the question in the hearings as to why the International Monetary Fund cannot do what various countries are doing in getting money for balance-of-payments purposes, borrow from the banks; and they did not have an answer to it.

We are told by the distinguished Senator from New York (Mr. JAVITS) and the Senator from Hawaii (Mr. INOUYE) that this is a safe exchange of assets on the part of the U.S. Government, that there is no way that there is any risk involved. I think that is very likely the case. But if it is the case, I do not understand why the Federal Government is involved at all. For the life of me I cannot understand why this is not a transaction that can be worked out between the International Monetary Fund, which has tremendously good credit, and the banking institutions that are now making available 80 to 90 percent of all money being loaned for balance-of-payments purposes.

Can the Senator from Hawaii suggest why this is not being done, and why, if the DeConcini amendment is adopted—and it will kill the International Monetary Fund Witteveen Facility, there is no question of that in my mind—why would it not be a good thing if it did force the International Monetary Fund to go to the private market and borrow money, and then make funds available to the various countries that may need balance-of-payments assistance?

Mr. INOUYE. The private banks, I suggest, would not be able to impose conditions upon the borrowing countries as effectively as those of the Witteveen Facility.

Mr. PROXMIRE. I agree with the Senator on that. I am not asking that the private banks make additional loans; I realize that would be a problem with the banks, although they are lending most of the money now.

My question is, Why can they not make loans to the International Monetary Fund? Just as we are assured by the manager of the bill that there is no risk to the Federal Government in making these funds available to the International Monetary Fund, why is it not also true, under those circumstances, that the banks could have the same assurance?

Mr. INOUYE. With the regular IMF loans the term of repayment is 3 to 5 years; under the facility, it is from 3½ to 7 years. This provides a longer period of adjustment for national economies.

Mr. PROXMIRE. I would think this would be an ideal transaction for a bank, because they are in the business, and the banks, in the aggregate, have an enormous amount of capital available. Indeed, they are lending hundreds of millions of dollars now to foreign companies. A loan to the International Monetary Fund is a sounder loan than loans to many of these countries.

Mr. INOUYE. There is another element here. For the first time, the Western industrialized countries have been able to convince the OPEC countries, especially Saudi Arabia, to make a substantial contribution to the stability of you know, in the Wittenveen Facility, Saudi Arabia's contribution is about 23 plus percent, and the OPEC countries put together put in about 47 percent. This, in and of itself, is quite an accomplishment, and something that should be encouraged. In the past, we have tried to encourage the OPEC countries to provide multilateral assistance. I believe OPEC was convinced that this is an area they should be involved in, because to some extent the economic condition we find ourselves in today was caused by the oil crisis.

So, if only to avail ourselves of this opportunity to involve the OPEC countries in a major international effort, I think it is well worth our investment.

Mr. PROXMIRE. I appreciate that, and I think that is a very good response, better than any other I could think of, except that the OPEC countries, as the Senator well knows, have deposited huge sums in the various banks around the world, and there is no reason why, indirectly, those sums could not then be borrowed by the International Monetary Fund.

I realize that this is a neat arithmetical invention that has been put together with $2.5 billion from Saudia Arabia, 47 percent from the OPEC countries, and only 17 percent from this country, which is probably the least portion we have had in any kind of international financial arrangement that I know of.

So, again, it has great merit on that score. But I think the fundamental issue is whether the governments ought to do it at all. It can be done in the private sector; and it seems to me whatever can be done in the private sector should be done in the private sector. It would be more efficient; it would be without reliance on the kind of procedure we are going through now.

It is true that we would not have had the delightful experience of some of the speeches we have heard this afternoon, but it seems to me to be a more orderly, economical, and efficient way to provide these funds to countries in balance of payments difficulties by using the IMF's own borrowing power, which they conceded, in hearings before the committee, that they could use; and they did not give any particular reason why they did not, or why they did not go to the private banks for the funds.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Arizona.

Mr. SCOTT. A point of order, Mr. President. Have the yeas and nays been ordered?

The PRESIDING OFFICER. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Alabama (Mrs. ALLEN), the Senator from Minnesota (Mr. ANDERSON), the Senator from Delaware (Mr. BIDEN), the Senator from Arkansas (Mr. BUMPERS), the Senator from Ohio (Mr. GLENN), the Senator from Colorado (Mr. HASKELL), the Senator from Maine (Mr. HATHAWAY), the Senator from Arkansas (Mr. HODGES), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from New York (Mr. MCINTYRE), the Senator from North Carolina (Mr. MORGAN), the Senator from New York (Mr. MOYNIHAN), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), the Senator from Mississippi (Mr. STENNIS), and the Senator from South Carolina (Mr. HOLLINGS) are necessarily absent.

I also announce that the Senator from Connecticut (Mr. RIBICOFF) is absent on official business.

I further announce that, if present and voting, the Senator from North Carolina (Mr. MORGAN) would vote "nay."

Mr. HANSEN. I announce that the Senator from Tennessee (Mr. BAKER), the

Senator from Oklahoma (Mr. BARTLETT), the Senator from Oklahoma (Mr. BELLMON), the Senator from Massachusetts (Mr. BROOKE), the Senator from New Jersey (Mr. CASE), the Senator from Nebraska (Mr. CURTIS), the Senator from Michigan (Mr. GRIFFIN), the Senator from North Carolina (Mr. HELMS), the Senator from Idaho (Mr. MCCLURE), the Senator from Illinois (Mr. PERCY), the Senator from Delaware (Mr. ROTH), the Senator from New Mexico (Mr. SCHMITT), the Senator from Vermont (Mr. STAFFORD), the Senator from Alaska (Mr. STEVENS), the Senator from Texas (Mr. TOWER), the Senator from Wyoming (Mr. WALLOP), and the Senator from North Dakota (Mr. YOUNG) are absent on official business.

The result was announced—yeas 18, nays 47, as follows:

[Rollcall Vote No. 390 Leg.]

YEAS—18

Burdick	Garn	Scott
Byrd, Harry F., Jr.	Goldwater	Talmadge
Cannon	Hansen	Thurmond
DeConcini	Hatch	Weicker
Domenici	Laxalt	Zorinsky
Eastland	Proxmire	
	Randolph	

NAYS—47

Bayh	Hatfield, Paul G.	Metzenbaum
Bentsen	Hayakawa	Muskie
Byrd, Robert C.	Heinz	Nelson
Chafee	Humphrey	Nunn
Chiles	Inouye	Packwood
Church	Jackson	Pearson
Clark	Javits	Pell
Cranston	Johnston	Riegle
Culver	Kennedy	Sarbanes
Danforth	Leahy	Schweiker
Dole	Long	Stevenson
Durkin	Lugar	Stone
Eagleton	Magnuson	Williams
Ford	Mathias	
Gravel	Matsunaga	
Hart	McGovern	
Hatfield, Mark O.	Melcher	

NOT VOTING—35

Abourezk	Griffin	Ribicoff
Allen	Haskell	Roth
Anderson	Hathaway	Sasser
Baker	Helms	Schmitt
Bartlett	Hodges	Sparkman
Bellmon	Hollings	Stafford
Biden	Huddleston	Stennis
Brooke	McClure	Stevens
Bumpers	McIntyre	Tower
Case	Morgan	Wallop
Curtis	Moynihan	Young
Glenn	Percy	

So the amendment (UP No. 1885) was rejected.

Mr. GLENN subsequently said: Mr. President, I was unavoidably absent earlier today when the vote on the DeConcini amendment on the Witteveen Facility occurred. I was at the White House for a meeting at that time and could not be here for the vote. Had I been here, I would have voted nay. I ask unanimous consent that this notation of how I would have voted occur in the RECORD at the appropriate place with the vote on that amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER OF PROCEDURE

Mr. ROBERT C. BYRD. Mr. President, may I have the attention of the Senators?

The PRESIDING OFFICER. The Senate will be in order so the majority leader may proceed.

Mr. ROBERT C. BYRD. I thank the Chair.

Mr. President, I rise at this moment to suggest that we attempt to get an agreement as to a final vote on the pending bill and to state that it is the intention of the leadership that on tomorrow, we do the countercyclical revenue sharing bill and the conference report on the second concurrent budget resolution. The distinguished Senator from Maine, the chairman of the Budget Committee, tells me there will be a rollcall vote on that conference report. There will, of course, be a rollcall vote or votes on the countercyclical revenue-sharing bill. These are two measures that we have to dispose of.

I make the request—I shall be glad to withhold for the time being. I suggest that we have a vote on passage of the pending measure no later than 6:30 p.m. today; that the distinguished Senator from Utah and others who are interested in specific amendments in the bill, possibly having votes on them, select those amendments, indicate which committee amendments they are, and let us get an understanding that we will vote on those amendments, and vote on passage not later than 6:30 p.m. today. Tomorrow, the business will be as stated—countercyclical revenue sharing and the conference report.

Mr. GOLDWATER. Will the Senator yield?

Mr. ROBERT C. BYRD. Yes.

Mr. GOLDWATER. Will he indicate what time we will come in tomorrow?

Mr. ROBERT C. BYRD. At the present time, the time for convening is 9 a.m. I shall be glad to set that earlier in order to accommodate Senators. There is no reason we could not come in at 8 o'clock and start on the conference report.

I wonder how long the Senator from Maine expects to take on the conference report?

Mr. MUSKIE. The outside limit under the law is 2 hours. I would be surprised if we needed an hour. My guess would be no more than half an hour. I know of no controversy. The House approved the resolution 225 to 162 yesterday and the big issues were on that side. I expect that, unless there are issues of which I am unaware, we would take no more than an hour and probably less.

Mr. LEAHY. Will the Senator yield?

Mr. ROBERT C. BYRD. Yes.

Mr. LEAHY. I wonder, in this case, perhaps it would be easier for some who, like myself, are staying over tonight, may possibly have to leave later tomorrow, if we might, when the leader propounds his request, set a specific time for a vote, say either at 9 or 9:30, something like that, for a vote on the budget resolution?

In this way, all Senators, whatever their plans might be, even those planning to leave tomorrow, would know specifically that relatively early, or by 9:30, that that is the time the vote would be.

Mr. ROBERT C. BYRD. I think that is an excellent suggestion.

Mr. MUSKIE. I suggest to the majority leader we agree on a time limit of 1 hour on the conference report.

Mr. ROBERT C. BYRD. Yes.

Mr. President, I ask unanimous consent that a vote occur on the adoption of the conference report at 9 o'clock a.m.

Mr. DOLE. Reserving the right to object, the Senator from Kansas may want to submit a motion to recommit the conference report.

If I did that late today or in the morning, what would happen to the agreement here?

Mr. ROBERT C. BYRD. I could get consent that the distinguished Senator from Kansas be recognized at 9 o'clock a.m. to make his motion to recommit. How much time would the Senator want to debate?

Mr. DOLE. We could vote on it, I assume, sometime tomorrow.

Mr. ROBERT C. BYRD. Why not do it this way? The Senator could be recognized before 9 o'clock and we could vote at 9 o'clock on the Senator's motion to recommit, followed immediately, if the motion does not carry, with a vote on the adoption of the conference report.

Mr. GOLDWATER. Will the Senator yield?

Mr. ROBERT C. BYRD. Yes.

Mr. GOLDWATER. On tomorrow, it is of such short duration, we have already exhausted any possibilities of any of us going home tonight, why would it not be better to say that we stay tonight and finish this one at 6:30, stay until 7:30 or 8 o'clock, and forget about tomorrow?

Mr. ROBERT C. BYRD. We cannot finish the countercyclical revenue-sharing bill today.

I would like the Senator from Maine to express his viewpoint on the conference report.

I think we will do well if we can finish the foreign assistance bill today, and may I say to my friend from Arizona, I think the rest of the program would be too much for today.

Is that agreeable with respect to the Senator's motion to recommit?

Mr. DOLE. I just wanted to say this to the majority leader, I understand there is a rather loose agreement we can go back to the conference report at any time.

Mr. ROBERT C. BYRD. Yes.

Mr. DOLE. I do not want to interfere with the vote on the budget resolution, but if the Senator from Kansas or anybody else decided after the vote to discuss the conference report on gas pricing, or to offer a motion to recommit, that would be in order, is that correct?

Mr. ROBERT C. BYRD. The Senator can offer a motion to recommit at any time, including today.

I merely ask an agreement which will allow the Senate to dispose of the budget resolution conference report tomorrow. That is a very highly privileged matter, and under the law we cannot adjourn sine die until that act has been completed.

I am also attempting to get an agreement on countercyclical revenue sharing so that as to that legislation, which is a

piece of legislation that is absolutely necessary for the Congress to dispose of on tomorrow, all Senators will know precisely what we are going to have up tomorrow.

Mr. MUSKIE. I take it the Senator's motion to recommit has nothing to do with the budget resolution?

Mr. DOLE. No. I am talking about natural gas.

Mr. MUSKIE. So we would still have the vote on the budget resolution at 9 o'clock.

Mr. DOLE. At any time, we could discuss the conference report or move to recommit, any time until Wednesday.

Mr. ROBERT C. BYRD. The Senator is correct.

Mr. DOLE. I would not want to interfere with the arrangement with the Senator from Maine. My question was, following that, would it be in order then to prepare and file and discuss a motion to recommit the natural gas conference report?

Mr. ROBERT C. BYRD. It certainly would be in order under the agreement already entered. But I would hope the Senate could dispose of the countercyclical revenue bill tomorrow and, if the Senator wished to make his motion to recommit the gas bill and debate it, certainly, that would be in order.

I would hope we could get an agreement, however, to dispose of these two other measures tomorrow.

So I am asking unanimous consent——

Mr. MUSKIE. A question on the time limit.

Mr. ROBERT C. BYRD. Yes. That the vote occur up or down on the conference report on the second concurrent budget resolution tomorrow at 9 o'clock a.m.

Mr. JAVITS. Will the Senator yield?

Mr. ROBERT C. BYRD. Yes.

Mr. JAVITS. We have not agreed yet on when we will vote on this bill. Has that been set aside?

Mr. ROBERT C. BYRD. No. But if we can get that agreement first, we will proceed further.

Mr. HATCH. Will the Senator yield?

Mr. ROBERT C. BYRD. Yes.

Mr. HATCH. If I understand the Senator correctly, we will decide this bill today, then two tomorrow, and then, if anyone wishes to talk on the natural gas bill, we will be able to do so tomorrow. But those are the only pieces of legislation.

Mr. ROBERT C. BYRD. The only pieces of legislation we would possibly call up tomorrow would be the conference report and, hopefully, there will be a vote at 9 o'clock a.m., and countercyclical revenue sharing.

Mr. HATCH. Is anything further to be called up today?

Mr. ROBERT C. BYRD. If we complete this bill today, if we can get an agreement to proceed with a firm time limitation on a final vote, I would not expect to call anything else up today.

Mr. HATCH. I would certainly agree.

As stated, reserve those sections, agree to accept the amendments en bloc of the committee through the end of the bill, except for those sections that Senator Byrd or anybody else, or I, want to try to amend.

Mr. ROBERT C. BYRD. Yes.

Mr. HATCH. And we will work those out in the next few minutes.

Mr. ROBERT C. BYRD. Yes.

Mr. HATCH. That is fine with me.

Mr. ROBERT C. BYRD. I thank the distinguished Senator. I appreciate his cooperation.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. ROBERT C. BYRD. I thank all Senators.

ORDER TO CONSIDER COUNTERCYCLICAL REVENUE SHARING BILL ON TOMORROW

Mr. ROBERT C. BYRD. Now, Mr. President, there is a time agreement on the countercyclical revenue sharing bill. The Senator who will be managing that bill tomorrow is Mr. MOYNIHAN, and I ask unanimous consent that immediately upon the disposition of the conference report on the second concurrent budget resolution, the Senate proceed to the consideration of the countercyclical revenue sharing bill tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Is there a time request for a vote on the countercyclical?

Mr. ROBERT C. BYRD. I have not made that request, but there is a time agreement on that bill already.

Mr. NELSON. What is the time agreement?

Mr. ROBERT C. BYRD. I just do not recall precisely the details, but they are 1 hour on the bill, 30 minutes on any amendment, and 15 minutes on any debatable motion, appeal, or point of order.

Mr. NELSON. And that would still mean following——

Mr. ROBERT C. BYRD. Excuse me, and 1 hour on an amendment by Mr. DANFORTH.

Mr. NELSON. I thank the Senator.

Mr. ROBERT C. BYRD. Will the Chair put the request?

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

SPECIAL ORDER FOR TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that on Saturday, Mr. CHAFEE be recognized for not to exceed 15 minutes, immediately after the prayer.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR RECESS UNTIL 7:45 A.M. TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stands in recess until 7:45 a.m. tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

FOREIGN ASSISTANCE APPROPRIATIONS, 1979

Mr. ROBERT C. BYRD. Mr. President, I wonder if I might have the attention of the distinguished Senator from Utah. Could we agree at this point on a final vote on the pending measure and leave the details with respect to amendments on which the Senator would want to have votes in abeyance until the Senator and other Senators may be able to confer to determine what amendments they wish specifically; can we do that?

Mr. HARRY F. BYRD, JR. Is that a unanimous-consent request?

Mr. ROBERT C. BYRD. I was going to ask unanimous consent, and will, but I will be willing to withdraw it if Senators would like a little more time to work it out.

Mr. President, I ask unanimous consent that a vote occur on final passage of the foreign assistance bill today no later than 6:30 p.m.

Mr. HARRY F. BYRD, JR. Mr. President, reserving the right to object, there are four or five committee amendments on which I would like to have the yeas and nays. I assume that the request of the Senator from West Virginia would not preclude that.

Mr. ROBERT C. BYRD. It would not preclude rollcall votes on amendments.

Mr. HARRY F. BYRD, JR. I have no objection.

The PRESIDING OFFICER. And that rule XII be waived?

Mr. ROBERT C. BYRD. That paragraph 3 of rule XII be waived.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARRY F. BYRD, JR. Would it be appropriate for the Senator from Virginia to ask unanimous consent to obtain the yeas and nays on certain amendments at this point?

Mr. ROBERT C. BYRD. Yes.

Mr. President, I ask unanimous consent that it be in order to order the yeas and nays on—how many amendments?

Mr. HARRY F. BYRD, JR. I am not certain, but I could list them.

Mr. ROBERT C. BYRD. If the Senator would.

Mr. HARRY F. BYRD, JR. The yeas and nays on the amendment on page 20, line 11.

Mr. ROBERT C. BYRD. Page 20, line 11.

Mr. HARRY F. BYRD, JR. Page 23, line 4.

Mr. ROBERT C. BYRD. Page 23, line 4.

Mr. HARRY F. BYRD, JR. Page 31, line 8.

Mr. ROBERT C. BYRD. Page 31, line 8.

Mr. HARRY F. BYRD, JR. There may be another one or two. I do not think so, but that could be covered later.

Mr. ROBERT C. BYRD. Yes.

Mr. HARRY F. BYRD, JR. The Senator from Utah (Mr. HATCH) probably would have several amendments on which he would want the yeas and nays.

Mr. GOLDWATER. Mr. President, will the Senator yield?

Mr. ROBERT C. BYRD. I yield.

Mr. GOLDWATER. May I suggest 10-minute votes?

Mr. ROBERT C. BYRD. Yes. I will put that request, also.

Mr. HATCH. Mr. President, if the Senator will yield, I would be happy to ask

unanimous consent with respect to the amendments I intend to call up.

Mr. ROBERT C. BYRD. Let me complete these three, at this time, with one show of seconds.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. HARRY F. BYRD, JR. Mr. President, I ask for the yeas and nays on those amendments.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. ROBERT C. BYRD. Will the Senator from Utah indicate the amendments?

Mr. HATCH. On page 19, line 3.

Mr. ROBERT C. BYRD. Page 19, line 3.

Mr. HATCH. Page 20. line 11.

Mr. ROBERT C. BYRD. Page 20, line 11.

Mr. HATCH. Page 23. lines 4 and 5. That is probably the same as the one mentioned by Senator HARRY F. BYRD, Jr., but it is just to protect the RECORD.

Mr. ROBERT C. BYRD. Page 23, lines 4 and 5.

Mr. HATCH. On page 24, strike out lines 9 through 13 and substitute.

Mr. ROBERT C. BYRD. Page 24.

Mr. HATCH. I ask for the yeas and nays on those.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the yeas and nays may be ordered at this time, with one show of seconds, on the amendments indicated.

Mr. HATCH. One other amendment—page 29, line 9.

Mr. ROBERT C. BYRD. And on the amendment on page 29, line 9.

The PRESIDING OFFICER. Is there objection? The Chair hears none and it is so ordered.

Mr. HATCH. Mr. President, I ask for the yeas and nays on all those amendments at this time.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. ROBERT C. BYRD. Mr. President, we have at least seven amendments on which there are going to be rollcall votes.

Mr. MELCHER. Mr. President, I have a very mild amendment that I think the managers of the bill will be delighted to accept; but in case they do not, I would want to ask for the yeas and nays on it.

Mr. ROBERT C. BYRD. Very well. The Senator may do that.

Mr. President, I ask unanimous consent that there be a 10-minute limitation on rollcall votes for the remainder of the day.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. ROBERT C. BYRD. I yield.

Mr. JAVITS. Senator CHURCH and I will have an amendment with respect to Nicaragua. It may or may not be accepted: I hope it will. If not, we reserve the right for a rollcall vote.

Mr. ROBERT C. BYRD. Very well.

Mr. Presdient, did the Chair get the request for the 10-minute rollcall votes?

Mr. HARRY F. BYRD, JR. Mr. President, reserving the right to object, I assume that what the Senator from New York said applies to all Senators, not just the Senator from New York and the Senator from Idaho.

Mr. ROBERT C. BYRD. Yes. The Senator may call up amendments. When 6:30 arrives, Senators may call up amendments, without debate.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request for 10-minute votes? The Chair hears none, and it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, obviously, in order to complete the bill by 6:30 p.m. today, Senators will want to talk with restraint on amendments that are called up in the meantime.

Mr. HARRY F. BYRD, JR. Mr. President, will the Senator yield?

Mr. ROBERT C. BYRD. I yield the floor.

Mr. HARRY F. BYRD, JR. Mr. President, I ask for the yeas and nays on final passage.

Mr. ROBERT C. BYRD. The yeas and nays are requested on final passage.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

ORDER OF PROCEDURE TOMORROW

Mr. CHAFEE. Mr. President, I wonder whether I could direct a question to the majority leader.

Mr. ROBERT C. BYRD. Yes.

Mr. CHAFEE. As the majority leader sees the schedule tomorrow, we are going to vote at 9. Then we will take up the countercyclical aid, with a time limitation on amendments, and so forth. As the Senator from West Virginia sees it—of course, he does not know exactly—how late does he think it will be before we vote on countercyclical?

Mr. ROBERT C. BYRD. It would depend upon how many amendments are going to be called up. Mr. DANFORTH has one amendment on which there is an hour, a half-hour to be under his control. It also would depend upon how much of the time is used by the offerers of the amendments and the manager of the bill.

Not knowing how many amendments are going to be called up, I cannot answer the question. However, we would begin on the bill at 9:15 a.m., and it would seem to me that this would allow for several amendments to be called up and disposed of bv 12 or 1 o'clock.

Mr. CHAFEE. The majority leader has not had brought to his attention other amendments than Mr. DANFORTH'S?

Mr. ROBERT C. BYRD. I have not. My Policy Committee staff members are indicating in the negative, to the effect that they have not.

Mr. CHAFEE. I thank the Senator.

Mr. ROBERT C. BYRD. I thank the distinguished Senator. I thank the distinguished Senator from Utah again, and all Senators. I also thank the managers of the bill, the ranking members, Mr. INOUYE and Mr. SCHWEIKER, respectively.

Mr. CHURCH. Mr. President, a parliamentary inquiry. Is it in order at this time for me to offer an amendment to the pending bill, asking unanimous consent that the consideration of the committee amendments be set aside momentarily for this purpose?

The PRESIDING OFFICER. Without objection, it is so ordered.

FOREIGN ASSISTANCE APPROPRIATIONS, 1979

The Senate continued with the consideration of the bill.

UP AMENDMENT NO. 1886

Mr. CHURCH. Mr. President, I send to the desk an amendment on behalf of myself, Senator JAVITS, Senator SARBANES, Senator MELCHER, Senator KENNEDY, and Senator CLARK.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Idaho (Mr. CHURCH), for himself and others, proposes an unprinted amendment numbered 1886:

On page 30, between lines 18 and 19, insert the following:

"SEC. 609. None of the funds appropriated or otherwise made available pursuant to titles I and II of this Act shall be obligated or expended to finance directly any assistance to Nicaragua except that the President may waive this provision by certifying in writing to the Speaker of the House of Representatives and the Chairmen of the Senate Committee on Foreign Relations and Appropriations that such funds will serve to promote democratic processes in that country."

Mr. INOUYE. Mr. President, will the Senator yield?

Mr. CHURCH. I yield.

Mr. INOUYE. Mr. President, I ask unanimous consent that the committee amendments which were not specified by unanimous consent be considered and agreed to en bloc, and that the bill as thus amended be regarded for the purpose of amendment as original text, provided that no point of order shall be considered to have been waived by reason of agreement to this order.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CHURCH. Mr. President, this amendment would delete some $8 million in development assistance to Nicaragua and would prohibit funds in titles I and II of this bill from going to the regime in Nicaragua unless the President of the United States certifies that such funds will promote democratic processes in that country.

The amendment would delete some $8 million in development assistance to Nicaragua, and would prohibit the use of reprogramed funds in other accounts included in titles I and II. Programs not affected by this amendment are Public Law 480, the Peace Corps, Mutual Education and Cultural Exchange, and International Red Cross. I would also note that the authority of section 491(b) of the Foreign Assistance Act will still allow the President to provide disaster relief funds to Nicaragua, should they be deemed necessary.

Mr. President, for over 40 years, Nicaragua has been a captive country ruled by the Somozas as a family fiefdom. They

have subverted the economy to serve the family's interests. Those years spawned the revolution taking place in Nicaragua today, which is not simply a movement of poor against rich, of communists against capitalists, or of the military against a civilian government. Rather, it is a national mutiny in which almost every sector of the country has united against a dynasty which has plundered the country for nearly half a century. It is not the young radicals, the Sandanistas, who form the bulk of the opposition to Somoza. Rather, Somoza's antagonists span the political spectrum, embracing all parts of the Nicaraguan society. It is the moderates—the farmers, workers, bankers, businessmen, even the chambers of commerce—that have combined in a united front against Somoza.

The question is not whether Somoza falls from power, but when. If it occurs after a protracted guerrilla war, then the chances are that the extremists will take over.

The longer Somoza resists the will of his people and uses his armed guard to quell resistance, the more likely it is that another Castro-type revolutionary government will eventually emerge.

Press accounts indicate Somoza's National Guard is already killing indiscriminately throughout the country.

How did Somoza get into such trouble? Many trace the beginnings of his present plight to December 23, 1972, when an earthquake reduced Managua, the capital of Nicaragua, to rubble. In response, countries throughout the world, including the United States, sent aid to Nicaragua: food, medicine, clothes and cash. General Somoza placed himself in charge of an all-powerful national emergency committee which received and distributed the relief supplies. Much of this relief, it has been charged, was stolen by Somoza's cronies and National Guardsmen, Somoza's private military force. But stealing is said to have been mere child's play compared to the schemes of the Somoza circle. The earthquake had leveled most of downtown Managua, but instead of using aid funds to reconstruct the city on land owned by thousands of Nicaraguans, including many victims, Somoza decided to construct a new Managua on the outskirts of the old city. Somoza's intimates first bought up, at bargain prices, the land on which the new city was to be built. Then the government repurchased the land now owned by Somoza's cohorts. For example, the military Aide de Camp to General Somoza paid $71,428 for a parcel of land on June 4, 1975, and sold it, on September 24 of the same year, for $3,342,000.

The impoverished refugees of the earthquake were squeezed out. They were forced to remain in the crowded refugee camps where they had been temporarily housed.

These practices were exposed by U.S. investigators but our aid continues, nonetheless.

Responsible Nicaraguans were infuriated and alienated, the middle class was aghast, while the poor, for whom our aid was intended, remained destitute.

But Somoza's sins against the Nicaraguan people extend beyond gigantic swindles of this kind. On the twin issues of political rights and civil liberties, the record of the Somoza dictatorship could not be clearer.

In May 1976, Amnesty International reported:

> There is considerable evidence supporting allegations of torture of prisoners in the custody of the National Guard. . . . Furthermore, the delegates saw no evidence that responsible authorities have taken measures either to investigate allegations or halt the practice of torture, or to sanction, according to the law, members of the National Guard who might be found to order or to practice torture.

In June 1977, the Washington Post in a story headlined "U.S.-Trained Guard Said to Kill Peasants," reported:

> More than 200 peasants have been killed in Nicaragua's northern jungles in a "reign of terror and unjust extermination," according to the country's Catholic bishops.

The story goes on to say that—

> Most of the victims, including women and children, were killed by Nicaragua's National Guard, which doubles as army and police . . .

Despite these travesties, the United States has poured over $300 million in military and economic assistance into Nicaragua since the end of World War II. And American aid continues to flow today. Somoza is using this fact to claim that he still enjoys full U.S. support. Unless this amendment is approved, cutting off further aid, many Nicaraguans will link the United States with the hated Somoza regime, thus diminishing our influence, both now and in the future.

There is still time for the United States to make its position clear. We should disavow the discredited Somoza, and join with other governments in the region to encourage the formation of a moderate government in Nicaragua that respects human rights and free enterprise. The more we delay, the greater the chance that the revolution will fall into the hands of the extremists. Then, we will regret our paralysis at a time when a truly democratic government could still have been established in this tortured country.

Mr. President, I add to these remarks an article that recently appeared in the Catholic Standard on Thursday, September 21, 1978. I ask unanimous consent that this article, in its entirety, be printed here in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

PRIESTS DEMAND END TO NICARAGUA AID

MANAGUA, NICARAGUA (NC)—Nicaraguan priests and foreign missionaries working in Nicaragua—including 34 from the United States—have written a letter to President Carter demanding an immediate end to all U.S. aid to the government of President Anastasio Somoza.

"The people of Nicaragua are suffering a degree of repression never felt before," they told Mr. Carter in a letter. "We are greatly concerned that the regime of Gen. Somoza will continue, because in its inability to effect structural changes of significance in this country, the only way it can stay in power is by resorting to bloody repression."

The letter was signed the members of the Managua archdiocesan priests' council and the National Conference of Religious. The council has 132 members. The conference represent 900 Religious.

Although Congress has placed restrictions on U.S. aid to Nicaragua because of Gen. Somoza's record of human rights violations, some educational and agricultural grants continue to reach his government. Some military programs involving training and weapons worth $5 million have been frozen for 1977 and 1978. In June, however, Congress lifted a freeze on $12.5 million earmarked for nutrition and schools.

After that a letter by Mr. Carter to Gen. Somoza encouraging him to increase observance of human rights was publicized in Nicaragua as an endorsement of Somoza by the United States, to the dismay of the opposition, observers said.

The priests and missionaries told Mr. Carter that "even the non-military aid in the long run is used for repression."

Mr. CHURCH. Mr. President, I see the able Senator from New York, a cosponsor of the amendment, on his feet. I am glad to yield to him at this time.

Mr. JAVITS. Mr. President, Senator Church and I decided that this must be done, notwithstanding that it does not represent, as yet, a coherent policy by the United States on the political and diplomatic as well as the aid front, but at least it does pledge us to a line of action which seems under the circumstances absolutely undeniable, and his arguments on that score are complete, and I shall not delay the Senate by repeating them.

I point out that we find ourselves confronted as a democratic country, believing in democratic institutions, to find a way to deal with a situation of this character where we know that, though the forms of democratic institutions seem to be followed, the substance is completely lacking and completely undermined and cheated.

We have directed our attention toward what to do in these cases.

The most obvious course is collective action by the American States and under whatever leadership we can afford, together with other nations. That is a proper way in which to bring the strong public opinion of the Americas to bear upon what is happening in this country.

But there may be more that needs to be done. There is a self-defense pact which a few of these nations have in Central America which might conceivably be invoked.

It seems inconceivable that civilized peoples have to stand by while the rank and file of people are massacred in a country solely because they have no means for otherwise expressing what they really feel and want except by some form of civil action which they have taken.

So, Mr. President, I wish to assure Senators of my purpose in speaking, that while we thoroughly believe that this is the right step that is by no means an answer, and our State Department and President have not come up with an answer. In situations of this character, it is very essential that we find a course. This may not by any means be an isolated situation in that area of the world or in any other area.

We will address ourselves to this problem as a Foreign Relations Committee.

But we invoke the aid of the Senate and the support of the Senate in taking this first step of repudiation of all that is going on down there in respect of an effort to repress the fundamental human right of the people to express themselves, and this is the immediate handle, the immediate bill before us, and the immediate way in which to begin to put our policy on the right road.

I hope very much that the Senate will support decisively this amendment.

Mr. INOUYE. Mr. President, it is with great reluctance that I rise to speak against the amendment, because I fear that by doing so one may get the impression that I am in support of the Somoza regime. I wish to have the record show that I am against the Somoza regime.

Looking at this amendment I note that about $8 million is involved. Of that amount $3.5 million has been set aside by AID to help small farmers in Nicaragua, to provide them with much-needed loans so that these farmers can purchase seeds, fertilizer, and farming equipment.

I do not believe this was the intention of the authors of this amendment to deny those already suffering to suffer even more than they are now.

Furthermore, Mr. President, earlier this day the Senate did take action by demonstrating to the Somoza Government by unanimous vote that we, the Members of the U.S. Senate, were not only concerned but against the action taken by its military.

Granted the amount involved was a small one. It was just $150,000, but it was part of the international military education and training program. We deleted that amount, and in the dialog we indicated our concern and the fact that we are against the actions now being taken by Nicaragua national guard.

The amounts in title I and title II were never meant to directly assist the regime or the family but, in effect, to assist those, I believe, whom all of us want to assist. For example, in the AID-financed inputs, small farmer loans are $3.5 million; technical assistance $175,000; campesino training $525,000.

The AID loan funds will finance technical assistance and training and provide credit for small business enterprises and home improvement.

If there is anything that is needed at this time of turmoil, where buildings have been destroyed and farms have been uprooted, it is this type of program I believe the people of Nicaragua, the suffering people of Nicaragua, would welcome it.

So I hope that the authors of this amendment would reconsider their action.

The PRESIDING OFFICER (Mr. PAUL G. HATFIELD). The Senator from Idaho.

Mr. CHURCH. Mr. President, if conditions in Nicaragua permitted the orderly administration of the programs to which the Senator has referred, I would certainly reconsider the amendment we have offered. But it is not possible in Nicaragua today for such programs to be administered properly. The streets are filled with barricades; the people are engaged in a general strike against the Government; the guard is engaged in indiscriminate killings.

The priests who called out for some measure of understanding of the desperate plight of the people of Nicaragua have charged that the money we are placing at the disposal of the Somoza regime for the good purposes the Senator from Hawaii has described, is not being used for these purposes. It is not getting to the needy people, nor will it as long as the country is managed by such a corrupt dynasty, particularly at a time when open warfare is being waged in the cities and in the countryside by Somoza's guard against the Nicaraguan people.

Now, we have tried to take into account those programs which are so independent in character that they might not be corrupted by this regime, where the money might not be turned to other purposes, and we have excluded them from the scope of this amendment. That includes the Peace Corps administered directly by the United States; it includes Public Law 480 for food supplies which might be administered in such a way as to make certain that the food reaches refugees; and it includes the International Red Cross and its good work.

But I think the Senate takes too much for granted if it assumes that the Somoza regime, with its army engaged in active warfare against the very people who have demonstrated their contempt for the government by engaging in a general strike against it, would put the money we give it into the programs the Senator has mentioned. For this reason, I think we would be gravely mistaken to limit this cut to the $150,000 that had been earmarked for the guard itself.

We must go further. Every day President Somoza is telling the world he has the support of the United States. Every day he points to the various kinds of aid we continue to furnish. If Congress does not make it clear that we do not intend to continue to provide aid to his regime, in the face of the general rebellion of the people against it, then surely we are going to reduce American influence in Nicaragua in the future, and may even contribute to a prolongation of this revolution which could only work in favor of its most extreme elements.

I believe it is very short-sighted, Mr. President, not to adopt this amendment, as it is really tailored to meet the objection raised by the distinguished Senator from Hawaii, namely, it excludes those programs where we can be certain that our aid will directly go to the people for which it is intended.

Mr. INOUYE. Mr. President, will the Senator yield?

Mr. CHURCH. Yes, happy to.

Mr. INOUYE. I am certain the Senator, as a senior member of the Foreign Relations Committee, is well aware that these funds have been appropriated to the President of the United States for food and nutrition, and that it was authorized in this manner by the committee.

Furthermore, I am certain that we are all aware that the President of the United States does not have to provide this assistance if, in his judgment, the situation in Nicaragua further deteriorates. So I wish to suggest that the law as it stands today provides ample authority to the President of the United States to use these funds at his discretion, if he feels that it will further democratic processes of that country.

At the present time, we have been advised that the U.S. Government and the Agency for International Development are studying the situation in Nicaragua, to see if they should progress further.

Mr. CHURCH. Mr. President, I realize that the policy is under study. That is why I think it is so mandatory for Congress to furnish some guidelines to the State Department. The Ambassador of the United States to Nicaragua, and other spokesmen for the State Department, have briefed the Foreign Relations Committee on the situation inside Nicaragua. Based on those briefings, we have come to the conclusion that it is urgent for the United States to clarify its position on Nicaragua, and to do so now.

The State Department cannot make up its mind what to do. It came to us for advice. This amendment is the advice we seek to give.

Mr. President, it is true, as the Senator from Hawaii has said, that our aid, in its various forms, is administered by the President for the purposes designated by Congress. It is equally true that the ability of our administrators to see to it that these purposes are served by American aid in any given foreign land depends upon the nature of the regime and the conditions within the country in question.

Today, I submit, it is impossible for any AID administrator to furnish funds to the present regime with any assurance whatever that those funds will go for their intended purpose. Earlier in my remarks, I pointed out that the United States was but one of many nations that gave to the Somoza Government generous quantities of aid in the form of food, clothing, medical supplies, and cash, for the purpose of giving relief to the victims of the terrible earthquake that reduced Managua to rubble. And what happened? A corrupt regime took the money and pocketed it. Somoza and his henchmen grew rich on real estate swindles. They took money intended for the refugees and diverted it into the pockets of the chosen few who are fed at Somoza's table.

Yet our administrators did not stop the aid. Conscious that it was not going for its intended purpose, they made no effort to see to it that the enrichment of Somosa through the misappropriation of this aid was brought to a halt.

In view of that record, what confidence can we place upon the argument that the aid in this bill will go for its intended purposes? I think none at all.

Now is the time for Congress to enunciate a policy, not to wait upon the State Department, where no one can make up his mind as to what we should do. I would heed the plea of the priests who are calling out to us to clarify the American position against the claim of Somosa, asserted from his bunker, that he continues to enjoy American support.

I regret that the manager of this bill has seen fit to oppose the amendment, because I think it is very much the right thing to do.

Mr. JAVITS. Mr. President, will the Senator yield for one further inquiry?

Mr. INOUYE. I yield.

Mr. JAVITS. I think, if I may address the Senator from Hawaii, his heart is very much in the right place in his position here; I would like to assert and certify that. He is just as much opposed to this dictatorship as we are. I can see his difficulty, and I would address this plea to him: I believe that as this matter is considered in conference, the opportunity will be afforded to get whatever commitments are required from the administration. Probably that is the case. Or otherwise, obeying the principles upon which the Senate will act to implement what we intend, I do not think Senator CHURCH or I or any other Senator supporting this, if we felt some poor farmer would get some direct help, would seek to stand in his way.

But, as Senator CHURCH has stated, the history has been so bad I think it takes a little brains and a little time to get this implemented—not between now and 6:30—once we adopt this proposal, to get it implemented.

I hope the amendment will carry, because I think it will give the Senator the assistance he will need to deal with the pragmatic situation.

Mr. KENNEDY. Mr. President, I join with the Senator from Idaho in support of this amendment. Last August, the Senator from Idaho and I proposed an amendment to the Security Assistance Act appropriation to terminate the military assistance. I have introduced similar amendments over the period of the last 3½ years. Yet we were unable to get either the Senate or the conferees to accept them, and consequently we are now seeking armaments, paid for by the American taxpayers, being used for the wholesale slaughter of innocent women and children. I find that an enormously distressing situation, to say the very least, Mr. President.

I find arguments that by terminating assistance we are intervening in the affairs of another country very interesting, because they are always based on the premise that the continuation of U.S. assistance is not interference at all. We must acknowledge that our foreign aid, military or economic, is widely interpreted as support for the ruling regime. This is particularly so in Nicaragua, where President Somoza has specifically suggested that he has U.S. support "because economic assistance has not been cut off." I am delighted that the Carter administration has ended our program of military assistance. It is long overdue; and I admire both their courage and the reasons for that step.

I think this further step now being proposed by the Senator from Idaho and the Senator from New York is, therefore, highly justified, for reasons that have been very eloquently expressed by both of them. For humanitarian assistance can continue, basic human needs will still be dealt with, as they should be, and the United States will remain in the vanguard of the cause of human rights by demonstrating a sense of compassion for needy people at the earliest possible time. But President Somoza, in this past month, has stated:

The economic aid we are receiving from the United States has not been stopped.

By this he of course means:

The fact that we are getting the economic aid shows that we are still on pretty good terms with the U.S. Government and they are not so distressed by our action to terminate.

The arguments in favor of this amendment are compelling. They serve to prevent the identification of the United States with a dictatorial regime. Yet the humanitarian assistance will be continued, as it should be. The President will have the discretion to decide that, if it is in the national interest, this amendment can be overridden to bring economic assistance to the Nicaraguan people in a meaningful way. I think this is the kind of built-in protection that provides the President with the discretion necessary to meet any eventuality that may develop.

Mr. President, I heard the Senator from Idaho present several newspaper articles that describe the reactions of some of the members of the clergy. I, too, would like to submit a very important and powerful letter written to the President from the New York Province of the Society of Jesus. It is a lengthy letter. I will not include it in its entirety in the RECORD, but only selective portions. It is from Joseph Towle, S.J., who with his colleagues records in tragic detail the effective genocide that is taking place in that country today.

I ask unanimous consent that excerpts of that letter be printed in the RECORD. In addition, I ask that the full text of my written statement be inserted in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

AUGUST 10, 1978.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: We the undersigned, Jesuit priests, have just returned from spending five weeks in the country of Nicaragua. The purpose of our stay there was to study conditions relative to justice and human rights.

We speak Spanish. We all lived among and with the people in daily contact in the rural areas and in the city of Managua. We met with small groups of from twenty to seventy Nicaraguans at least four times a week. We ate with them in their homes and spoke with them on the roads and streets, all with the express purpose of learning what was happening in their country and what was happening within them as Nicaraguans. We dialogued with native Jesuits, teachers and pastoral ministers, with American missionaries, and three of us conversed with the political attaché of the American Mission, Mr. Jack Martin.

During the time of our study (June 24–July 30) we witnessed shocking repression of the people, such that one American businessman there described the country as being "occupied" by its own army. One of our number, Father Michael Reilly, recently returned from ten years of service in the Philippines, observed that the armed repression in Nicaragua is greater than he had experienced of the Marcos regime in Asia. Here were students and bystanders being machine-gunned on the streets, innocent people in barrios killed and wounded while literally asleep, when the Guardia Nacional fired through the walls of their homes in arbitrary reprisal for public protests.

We spoke firsthand with poor people who testified that their homes and means of livelihood had been confiscated by Guardia officials for personal gain. We saw arbitrary taxes imposed on the highways (the so-called "Colonel's tax") and observed tax legislation passed by the congress in the absence of a true quorum, establishing massive sales and business taxes that our Jesuit analysts in Nicaragua assured us are intended only to liquidate the national debt and not serve the poor in any form or fashion.

We watched with our own eyes young people hounded by soldiers with sub-machine guns. We spoke with priests and nuns who had been beaten with rifles while trying to protect young people during peaceful student protests. One of our number, Father Joseph Towle, was taken prisoner by the B.E.C.A.T. (*Batallon de Emergencia Contra Actividades Terroristas*) and forced at gunpoint to enter a jeep for questioning—without their requesting identification and with no other provocation than his having been at a church meeting in the vicinity of an anti-government protest. We were able to feel at firsthand, then, the terror the people of Nicaragua are experiencing under the tactics of General Somoza's police force.

In reality, as General Somoza himself stated on television the day after the episode at the Intercontinental Hotel (July 21), there is no other police force in Nicaragua but the Guardia Nacional. This is to say, there is no police force in the country dedicated to protecting the people and their interests. The Guardia has, in fact, proved itself totally at the disposal of the President and lamentably undisciplined in times of crisis. The people believe that the Guardia have not only a license to kill, but orders to kill, in order to physically smash any public opposition to the regime. We believe there is truth in that view.

Despite government press accounts, we observed little "outside" intervention or agitation on the Nicaraguan scene, neither among the students nor among the masses. The government can always point of course to such a Cuba-linked Sandinista as José Benito Escobar (killed July 17) and to Communist designs on Nicaragua in general. But this does not obscure the actuality that the intense resistance to Somoza has its roots in the people themselves, and is the fruit of a growing conscientization process both human and religious. We are willing to testify to this through our experience . . .

Respectfully yours,

Rev. Joseph C. Towle, S.J., Vice-Provincial for Social and Pastoral Ministries, New York Province, Society of Jesus; Rev. Charles J. Burton, S.J., Jesuit Residence, P.O. Box 7, Hot Springs, North Carolina 28743; Rev. Matthew C. Flood, S.J., Fordham Preparatory School, Bronx, New York 10458; Rev. Joseph J. McGovern, S.J., Wheeling College, 316 Washington Avenue, Wheeling, West Virginia 26003; and Rev. Michael C. Reilly, S.J., LeMoyne College, Syracuse, New York 13214.

THE UNITED STATES AND THE CRISIS IN NICARAGUA

Mr. KENNEDY. Mr. President, I am pleased to join the Senator from Idaho (Mr. CHURCH) in sponsoring the amendment to terminate assistance to Nicaragua, unless the President certifies that it will serve to promote the democratic process in that country. This amendment would make clear that the Con-

gress cannot support aid to President Somoza which simply strengthens his repressive regime. But at the same time, it gives the President flexibility to encourage forward movement toward democracy and human rights in Nicaragua.

We should clearly understand that this aid cut-off does not affect in any way the crucial efforts to provide humanitarian relief to the innocent victims of the Nicaraguan civil war. Specifically, the administration can and should use the disaster assistance fund in A.I.D. and the International Red Cross funds in the State Department to the maximum extent possible, to respond to the major humanitarian crisis occasioned by the civil war.

Mr. President, in Nicaragua a bloody civil war between rebels and the Somoza government's national guard has raged for many days. Hundreds of innocent people have died, and hundreds more will die, if a ceasefire agreement is not reached immediately. The saving of innocent lives is certainly the most important consideration at this time. In the name of humanity, I call upon both sides to enter immediately into a ceasefire agreement, and to make the concessions necessary to further negotiations for a lasting peace.

The Carter administration has correctly maintained a position of non-support for either belligerent in the ongoing crisis in Nicaragua. I commend the administration's efforts to mediate between sides as a prelude to negotiations.

Furthermore, the administration has taken the welcome step of ending U.S. military assistance to Nicaragua, a step Senator Church and I had advocated in August of last year. At this very moment, the organization of American States is meeting in an effort to bring an end to the violence in Nicaragua, and we must all wish the O.A.S. well in its efforts.

Yet that is not enough. After over forty years of political, economic and military support for successive Somoza governments, the burden is on the United States to demonstrate through positive action its commitment to human rights and democracy in Nicaragua.

We must acknowledge that our ongoing assistance to Nicaragua is widely interpreted as support of the ruling regime. Current economic assistance is intended solely to meet the basic human needs of the Nicaraguan people. Yet it does in fact serve to identify the United States with the recipient government. This is borne out by President Somoza's recent suggestion that he still has American support because "the economic aid we are receiving from the United States has not been stopped."

Although the administration has not asked for any military aid for Nicaragua this year, the flow of previously appropriated military assistance through the "pipeline", totally in unexpended funds, will continue to identify the United States with the Somoza government.

Furthermore, the presence of a four-man American military mission in Nicaragua links the United States with the ruling regime. Their professional role as advisers to the Nicaraguan national guard, the only military force and the mainstay of Somoza in the country, can only serve to identify the United States with forces which are clearly killing innocent men, women and children in their campaign against Sandinista guerrillas.

Therefore, in order to support a peaceful transition to democratic rule in Nicaragua, I call upon the administration to suspend our ongoing economic and military assistance, and to withdraw our military mission, until a peaceful solution to the current crisis is achieved.

At the same time, I welcome and support its efforts to organize humanitarian relief and provide for the thousands of refugees from the civil war.

Finally, a number of American citizens are reportedly being recruited as mercenaries to serve the Somoza regime. Besides being contemptible in moral terms, it is certainly damaging to our foreign policy and possibly in violation of U.S. law. I welcome the administration's strong warning against mercenary activity, and I urge it to do everything in its power to prevent potential American mercenaries from reaching Nicaragua.

The ending of United States assistance to Nicaragua, even at this critical time, should not be seen as "interventionism" by the United States.

It would be the opposite. It would end a situation that in fact reflects support for the status quo, the repression and violation of human rights by the Somoza government and its national guard.

Mr. KENNEDY. In closing, Mr. President, I hope the amendment of the Senator from Idaho will be agreed to.

The PRESIDING OFFICER. The Senator from Montana.

Mr. MELCHER. Mr. President, the description of these funds going for fertilizer, for seed, and equipment for the poor farmers of Nicaragua needs some explanation. There will not be $1, not 1 pound of fertilizer, not one seed, not one rake, hoe, or anything else from this money appropriated by the United States that will go to anybody in Nicaragua but a friend, a supporter, of Somoza.

That is not strange. That is not hard to believe. That is just the way it is played, and it has been played forever in those countries in Latin America which are dominated by dictators who have little regard for human rights and little regard for the people they govern. It is no wonder that the Latin Americans in Central America call us with disdain and dislike "gringos," because we prop up and we support the very people in their country who are massacring those poor people of Nicaragua.

Mr. President, I think the quote from the Washington Post of Sunday, September 17, by the opposition leader in Nicaragua is very apt at this time. I read from that article the statement of the opposition leader:

> The people of Nicaragua are fully aware of the role the United States has played in their history. They are conscious of the fact they are being massacred by an army and arms produced in the United States.

That is a very serious indictment of the United States. The very least this Senate can do today is to make sure that none of these moneys flow to that dictatorship for the continuation of that brutal massacre in Nicaragua.

I hope the amendment is agreed to if not by the manager, then by a large margin vote this afternoon.

Mr. ROBERT C. BYRD. Mr. President, I want to call attention to the fact that we have yeas and nays ordered, I believe, on six amendments, with 10 minutes to each rollcall. That is 60 minutes which will be utilized in rollcalls. That will leave only 1 hour 35 minutes. in other words 95 minutes, for debate on six amendments, which comes to around 16 minutes per amendment.

Mr. President, I ask unanimous consent that there be a time limitation on each amendment, after the disposition of the pending amendment, of 15 minutes on each amendment, to be equally divided in accordance with the usual form.

The PRESIDING OFFICER. Is there objection?

Mr. MELCHER. I do not want to object, but I want to be sure I am protected in one amendment which will not take too much time.

Mr. INOUYE. The Senator is protected.

The PRESIDING OFFICER. Without objection, it is so ordered.

THE UNITED STATES AND THE CRISIS IN NICARAGUA

Mr. KENNEDY. Mr. President, I am pleased to join the Senator from Idaho (Mr. CHURCH) in sponsoring the amendment to terminate assistance to Nicaragua, unless the President certifies that it will serve to promote the democratic process in that country. This amendment would make clear that the Congress cannot support aid to President Somoza which simply strengthens his repressive regime. But at the same time, it gives the President flexibility to encourage forward movement toward democracy and human rights in Nicaragua.

We should clearly understand that this aid cutoff does not affect in any way the crucial efforts to provide humanitarian relief to the innocent victims of the Nicaraguan civil war. Specifically, the administration can and should use the disaster assistance fund in AID and the International Red Cross funds in state to the maximum extent possible, to respond to the major humanitarian crisis occasioned by the civil war.

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Yet that is not enough. After over 40 years of political, economic, and military support for successive Somoza governments, the burden is on the United States to demonstrate through positive action its commitment to human rights and democracy in Nicaragua.

We must acknowledge that our ongoing assistance to Nicaragua is widely interpreted as support of the ruling regime. Current economic assistance is in-

tended solely to meet the basic human needs of the Nicaraguan people. Yet it does in fact serve to identify the United States with the recipient government. This is born out by President Somoza's recent suggestion that he still has American support because "the economic aid we are receiving from the United States has not stopped."

Although the administration has not asked for any military aid for Nicaragua this year, the flow of previously appropriated military assistance through the "pipeline," totally in unexpended funds, will continue to identify the United States with the Somoza government.

Furthermore, the presence of a four-man American military mission in Nicaragua further links the United States with the ruling regime. Their professional role as advisers to the Nicaraguan national guard, the only military force and the mainstay of Somoza in the country, can only serve to identify the United States with forces which are clearly killing innocent men, women, and children in their campaign against Sandinista guerrillas.

Therefore, in order to support a peaceful transition to democratic rule in Nicaragua, I call upon the administration to suspend our ongoing economic and military assistance, and to withdraw one military mission, until a peaceful solution to the current crisis is achieved. At the same time, I welcome and support its efforts to organize humanitarian relief and provide for the thousands of refugees from the civil war.

Finally, a number of American citizens are reportedly being recruited as mercenaries to serve the Somoza regime. Besides being contemptible in moral terms, it is certainly damaging to our foreign policy and possibly in violation of U.S. law. I welcome the administration's strong warning against mercenary activity, and I urge it to do everything in its power to prevent potential American mercenaries from reaching Nicaragua.

The ending of U.S. assistance to Nicaragua, even at this critical time, should not be seen as "interventionism" by the United States. It would be the opposite. It would end a situation that in fact reflects support for the status quo, the repression and violation of human rights by the Somoza government and its national guard.

UP AMENDMENT NO. 1887

Mr. JAVITS. Mr. President, I send an amendment to the desk, on behalf of Senator CHURCH and myself, and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from New York (Mr. JAVITS), for himself and Mr. CHURCH, proposes an unprinted amendment numbered 1887 to unprinted amendment numbered 1886.

The PRESIDING OFFICER. Without objection, the reading of the amendment will be dispensed with.

The amendment, as modified, is as follows:

On page 30, between lines 18 and 19, insert the following:

SEC. 609. "None of the funds appropriated or otherwise made available pursuant to titles I and II of this Act shall be obligated or expended to finance directly any assistance to Nicaragua except that the President may waive this provision by certifying in writing to the Speaker of the House of Representatives and the Chairmen of the Senate Committees on Foreign Relations and Appropriations that such funds will serve to promote democratic processes in that country or that effective and adequate provision has been made for such aid to move directly to the people for whom it is intended for their use and benefit according to its specific purposes."

Mr. JAVITS. Mr. President, I will not debate this amendment. I hope with that, the amendment will be accepted. It simply adds to the amendment proposed by Senator CHURCH as cosponsor the following:

or that, effective and adequate provision has been made for such aid to move directly to the people for whom it is intended for their use and benefit according to its specific purposes.

The purpose of the amendment, Mr. President, is to give the President an additional option: Either he can certify to the speaker and the chairman of the Senate Committees on Foreign Relations and Appropriations that the aid will serve to promote democratic processes in that country, or he can certify that it is going to move directly to the people for whom we intend it. That carries out our purpose. I hope very much the managers of the bill will accept the amendment.

Mr. INOUYE. Mr. President, I have conferred with the ranking minority member. We are please to accept the amendments as modified.

Mr. SCHWEIKER. Mr. President, I intended to oppose this amendment originally because I think this is one of the few program that directly does go to the rural poor. The data sheet very clearly shows that $3.5 million of this money went to small farmer loans and the backup sheet says the program was directed to the rural poor. By the end of fiscal 1979 it is estimated that 60,000 of the rural poor will have been directly reached by the program, with an additional 10,000 to 15,000 benefiting from the results of new credits, experiments, and training. In addition, they now have 16,000 loans outstanding for $3.8 million, and they have approved 8,500 participants.

It seems to me, with all the criticism we hear about foreign aid, this is the very kind of program we ought to be encouraging and not cutting off.

In view of the Senator's amendment to the amendment, which I am sure assures us that will still occur, I will not object to the amendment.

The PRESIDING OFFICER. The Senator from Utah.

Mr. HATCH. Mr. President, I send an amendment to the desk which is an amendment to the Church-Javits amendment. I ask for its immediate consideration.

The PRESIDING OFFICER. Will the Senator suspend until the Chair studies the pending amendment? It is being copied.

Mr. HATCH. I am happy to wait.

Mr. CHURCH. A parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. The Senator will state it.

Mr. CHURCH. Is the Senator's amendment in order?

The PRESIDING OFFICER. The amendment of the Senator from New York is in the second degree. Therefore, the amendment of the Senator from Utah is not in order at this time.

Mr. HATCH. A parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. The Senator will state it.

Mr. HATCH. My amendment will be in order as soon as this amendment is accepted, is that correct? Is that correct, that my amendment will be in order as soon as the modification is accepted?

The PRESIDING OFFICER. It will be in order after the pending amendment is disposed of.

Mr. HATCH. I intend to bring it up as soon as the modification is accepted by the distinguished Senator.

Mr. CHURCH. Mr. President, I move agreement of the amendment as modified.

The PRESIDING OFFICER. The first question is on agreeing to the amendment of the Senator from New York.

The amendment was agreed to.

Mr. CHURCH. Mr. President, I move the amendment as modified.

The PRESIDING OFFICER. The Senator from Utah.

UP AMENDMENT NO. 1888

(Purpose: To prohibit the use of funds for IMET in Afghanistan)

Mr. HATCH. Mr. President, I send my amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Utah (Mr. HATCH) proposes an unprinted amendment numbered 1888 to the amendment of Senator CHURCH as amended.

On line 4 of the language proposed to be inserted strike the word "Nicaragua" and insert in lieu thereof the words "Nicaragua and Afghanistan."

Mr. JAVITS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. JAVITS. Is this amendment in order?

The PRESIDING OFFICER. Yes; it is in order.

Mr. HATCH. Mr. President, I do not intend to talk very long about this. We chatted earlier this morning and I accepted the explanation of the manager of the bill that there is flexibility to handle both these countries. Since both of them are on the opposite end of the spectrum as far as irritation to various Members of this body is concerned, I should like to have them both treated within the same framework as the amendment of the distinguished Senators from Idaho and New York as modified.

Mr. INOUYE. Mr. President, I am prepared to accept the modification.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. CHURCH. I move to reconsider the vote by which the amendment was agreed to.

Mr. HATCH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The question now is on agreeing to the amendment of the Senator from Idaho as amended.

Mr. MARK O. HATFIELD. Mr. President, before we vote, I should like to comment briefly on that.

I have listened to my colleagues who sponsor this amendment talk today about the need to establish a clear signal to the Nicaraguan people as to what the American policy is. I think it is important to put that into the context of what action the Senate has already taken.

Earlier today, we addressed ourselves to the more specific item. That was military assistance to Nicaragua, $150,000 in this bill. We were able to remove that amount of money for military purposes. In addition to that, and I think this is probably even more significant, we were able to elicit from the administration a commitment to put a hold on everything in the pipeline of a military character, which is the actual weaponry that has been used in this uprising and the attempt to quash it. That includes $420,000 in weapons, aircraft, spare parts, et cetera, in the foreign military sales. It also includes $425,000 in grant aid for parts and supplies, and so forth.

I think it is very significant to attach that action already that has been taken to this now, because, taken alone, I am concerned that it is not clearly understood that we are not in any way going to make difficult getting economic aid to the poor people of Nicaragua by accepting this amendment.

I am satisfied now, with the new language offered by the Senator from New York, that we have given sufficient flexibility to the administration to get this kind of support to the people who have enjoyed it in the past and who have made use of it in a very constructive way, in small farms and rural development. That is basically what we are talking about. There is going to be a greater need for this than at any time in the past once stability has been restored, regardless of what regime is in power.

I want it clearly understood that my support for this amendment at this time is purely on a basis that we have already taken the action necessary to cut out the weaponry that would be used to kill people; at the same time, we are willing to give support to help restore and rebuild the lives of people.

Mr. CHURCH. Mr. President, I rise to commend the Senator from Oregon for having acted earlier this morning with regard to terminating further military assistance to the Somoza regime. I think the action the Senate is about to take completes the necessary statement of what the American policy should be, at least as envisioned by the Senate.

I hope that these two amendments will be finally written into law when the final vote comes on the conference report of the two Houses. I commend the Senator for his initiative.

Mr. President, I move adoption of the amendment as modified.

The PRESIDING OFFICER (Mr. RIEGLE). The question is on agreeing to the amendment, as amended.

The amendment, as amended, was agreed to.

Mr. JAVITS. I move to reconsider the vote by which the amendment was agreed to.

Mr. CHURCH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 1889

(Purpose: Restrict the use of Economic Support Funds appropriated for Zambia)

Mr. MELCHER. Mr. President, I have an amendment at the desk. I ask for its immediate consideration.

Mr. INOUYE. Mr. President, I ask unanimous consent that the committee amendment be set aside temporarily to take up this amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will state the amendment of the Senator from Montana.

The legislative clerk read as follows:

The Senator from Montana (Mr. MELCHER) proposes unprinted amendment numbered 1889.

Mr. MELCHER. Mr. President, I ask that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Add a new section under General Provisions as follows:

"The funds appropriated for Zambia under the Economic Support Fund shall be limited to purchases of materials and equipment for food production, and sha" not be made available until the State Department provides assurances to Congress that Zambia is meeting the conditions of the IMF Standby Agreement for correcting Zambia's balance of payments deficit which is a condition of the International Monetary Fund loan of $322.6 million to Zambia in March 1978."

Mr. MELCHER. Mr. President, this is a very simple amendment that would designate that the State Department will be checking to see whether Zambia is indeed working its way out of its economic crisis as they use the funds that are contained in this bill for Zambia. I hope the managers of the bill can accept it.

Mr. INOUYE. Mr. President, earlier today, we had much to say about the Zambian situation, the ranking minority member and I have studied the amendment and we are pleased to accept it and take it to conference.

Mr. MELCHER. I thank the Senator.

I yield back the remainder of my time and ask that the amendment be agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Montana.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next committee amendment.

The legislative clerk read as follows:

On page 19, line 2, strike "provided further, That none of the funds appropriated in this paragraph shall be used to pay for abortions.".

The PRESIDING OFFICER. The Chair advises that there is a 16-minute time limitation on this amendment. Who yields time?

Mr. KENNEDY. Mr. President, will the floor leader set this aside for a moment?

Mr. INOUYE. Mr. President, I ask unanimous consent to set aside the committee amendment so the Senator from Massachusetts can bring up his amendment.

The PRESIDING OFFICER. The Chair must ask, on whose time?

Mr. KENNEDY. On the time of the amendment I am introducing. There is a time limitation of 15 minutes on any amendment. I believe.

The PRESIDING OFFICER. The Chair advises that there will only be time applying to the six committee amendments that have yet to be disposed of. The time would have to come from some part of those six.

Mr. KENNEDY. I ask unanimous consent that I be able to proceed for 15 minutes, the way the leader asked for all amendments, and that the Senator from Kansas and I be accorded that.

The PRESIDING OFFICER. The Chair is advised that because we are under an agreement to vote at 6:30 p.m., there is only agreed time on the six specified committee amendments. The Chair is advised that the Senator may receive time from those six or he can seek unanimous consent.

Mr. KENNEDY. I ask unanimous consent that we be able to proceed for 12 minutes, evenly divided.

Mr. SCHWEIKER. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. SCHWEIKER. What is the amendment?

Mr. KENNEDY. It is amendment No. 3625, the Cambodian refugee amendment. I do not intend to take full time. It is a Kennedy-Dole amendment.

The PRESIDING OFFICER. The Chair inquires of the Senator from Massachusetts, will it be his intention, if 12 minutes are granted under unanimous consent, to move the vote at 6:30 back by 12 minutes?

Mr. DOLE. We can take 2 minutes from the time for each of the six amendments.

The PRESIDING OFFICER. The Chair is advised that we have to establish whose time is used to engage in the colloquy.

Who yields time?

Mr. KENNEDY. I will take 2 minutes off the 6 minutes and ask unanimous consent it be transferred.

The PRESIDING OFFICER. Is there objection to the request? The Chair hears none.

Without objection, it is so ordered.

The Senator from Massachusetts is recognized.

AMENDMENT NO. 3625

(Purpose: To provide certain assistance to Cambodian refugees in Vietnam)

Mr. KENNEDY. Mr. President, I have sent the amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Massachusetts (Mr. KENNEDY), for himself and Mr. DOLE, proposes an amendment numbered 3625.

Mr. KENNEDY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 19, lines 16 and 17, strike out "$110,044,200: *Provided,*" and insert in lieu thereof "$113,044,200: *Provided,* That $3,000,000 of this amount shall be available to the United Nations High Commissioner for Refugees only for the provision of assistance to Cambodian refugees in the Socialist Republic of Vietnam: *Provided further,*".

Mr. KENNEDY. Mr. President, this amendment is offered by the Senator from Kansas and myself. It is a $3 million add-on. It is targeted to the U.N. High Commissioner for Refugees to deal with Cambodian refugees that go to Vietnam in a similar way that we help Cambodian refugees that go to Thailand.

Few peoples of the world have experienced more tragedy, or have seen more death and destruction, than the people of Cambodia have in recent years. Few countries have ever experienced as much human turmoil and suffering as Cambodia today.

As chairman of the former Subcommittee on Refugees, I have closely followed developments in Southeast Asia, and the plight of hundreds of thousands of refugees displaced throughout the region. Among these refugees, few have greater claim upon our concern or attention than the refugees today from Cambodia.

Last year, I dispatched a special study mission to visit Thailand and other countries in Southeast Asia to assess the growing and continuing flow of refugees from Indochina, including those from Cambodia. Last month, at my request, another study mission visited the area to review a number of family reunion problems in Vietnam as well as study humanitarian issues among refugees and others in need in the area. What they found compels my action today in offering this legislation to help Cambodian refugees in Vietnam.

The study mission was composed of Archbishop Philip Hannan of New Orleans, Dr. Jean Mayer, president of Tufts University in Medford, Mass., Dr. LaSalle Leffall, president-elect of the American Cancer Society, Ms. Mildred Kaufman, chairman of the food-nutrition section of the American Public Health Association, and Jerry Tinker of my staff, and they had the opportunity to see firsthand the human crisis among refugees from Cambodia now in Vietnam.

What they saw and heard, and what they reported to the Judiciary Committee in a hearing last month, tells a tragic tale of human rights violations in Cambodia on a scale beyond comprehension—which has seen nearly a million people lose their lives, and hundreds of thousands flee as refugees to Thailand and to Vietnam. Countless more have been dispossessed of all they own or have.

The team visited two refugee camps in Tay Ninh Province, one only a few miles from the embattled Cambodian border. They spoke with scores of refugee families, and observed the relief efforts of the Vietnamese Government and the activities of the United Nations High Commissioner for Refugees. They heard the tragic tales of how families managed to escape from the Khmer Rouge troops, who have turned rural Cambodia into a massive forced labor camp. They heard the anguished stories of families divided, of husbands and fathers killed, of brothers and sisters separated, and families destroyed. And they heard the visible sigh of relief of these Cambodian refugees to be in a country of safehaven—which, today for 150,000 is Vietnam.

In fact, what our team reported they saw in Vietnam last month is strikingly similar to what last year's study mission saw in Thailand. Both countries have opened their doors to Cambodian refugees—albeit reluctantly. Both countries have established programs of assistance for them. And both Vietnam and Thailand have asked the United Nations High Commissioner for Refugees for international assistance—and in both cases the UNHCR has responded and established programs in their behalf.

To date, the only significant difference between the Cambodian refugee program in Thailand and Vietnam is that the United States contributes to one, but not to the other. We give to only one-half the problem. We currently contribute some $8 million each year to the UNHCR program in Thailand, but until now we have contributed nothing—not one penny—for UNHCR refugee programs in Vietnam.

Mr. President, one of the principal recommendations that our study mission to Vietnam made to me was that the United States should approach the needs of all refugees from Indochina equally, and immediately respond to urgent relief needs among Cambodian refugees in Vietnam. According to their report, at least 150,000 Cambodians are now in Vietnam as well as an equal number of Vietnamese and several thousand ethnic Chinese from Cambodia.

To date, the UNHRC has made an emergency contribution of $500,000, and has launched an appeal for approximately $5 million until the end of this year for a short-term program of relief for Cambodian refugees in Vietnam. However, it is very likely that the UNHRC program will be considerably more next calendar year, if the refugees situation fails to improve.

A comparable program in Thailand and Southeast Asia for about 150,000 refugees—for care and maintenance, plus transportation costs—has risen from an appeal of $18.3 million early this year, to a $25 million appeal this past June. The United States has contributed close to half the funding for this UNHCR program, and we should be equally forthcoming in support of the new UNHCR program for Cambodian refugees in Vietnam. The needs are just as real, and the refugees are the same as those in Thailand.

I believe a pledge now of $3 million would go a long way toward meeting the immediate needs of what may soon become a $10 to $15 million UNHCR program over the coming year. An American response now to the High Commissioner's appeal would also go a long way toward eliciting a more generous response from other donor nations, waiting to see whether the UNHCR program will get started soon.

Mr. President, I appreciate the dilemma of the Appropriations Committee and its Foreign Operations Subcommittee in not being able to anticipate this need, and for not having funds requested for Cambodian refugees in Vietnam. Not only have there been unfortunate legislative restrictions on our foreign assistance program relative to Vietnam generally, but until recently there has not been concrete information available on the scope or needs of Cambodian refugees in Vietnam.

Until the study mission I sent to Vietnam reported to our committee last month, bringing along a copy of a UNHCR report completed at the time of its visit to Vietnam, little information was known by our Government as to the dimensions of the Cambodian refugee problem in Vietnam. Furthermore, until the UNHCR's recent appeal, there was no vehicle nor international program to which we could offer humanitarian assistance for Cambodian refugees in Vietnam.

But these needs are now confirmed. The UNHCR has launched an international appeal in their behalf. A Senate study mission and a congressional delegation have both seen the needs of these refugees just last month. And assured mechanisms have been established to channel assistance to them.

What we need now are funds to respond, and to resolve any questions that might exist as to the intent of Congress as to whether the United States should respond to humanitarian programs in Indochina under international auspices—such as the UNHCR for refugees, as well as other United Nations agencies that have ongoing relief and rehabilitation programs in Vietnam, like UNICEF, the World Health Organization, the world food program of FAO, the U.N. development program, among others.

The specific purpose of the amendment we are offering today is to respond to the particular needs of Cambodian refugees in Vietnam, who are under the mandate of the U.N. High Commissioner for Refugees. But I hope that our action today will signal the concern of the Congress and American people over the many other humanitarian problems that remain in the aftermath of the Indochina war.

Mr. President, for the RECORD, I would like to submit the "Information Note" prepared by a team representing the U.N. High Commissioner for Refugees who visited Vietnam, outlining how the UNHCR and the international community could best help. Also, I would like to draw to the attention of Senators a strong appeal I have received from Church World Service and Lutheran World Relief for postive action on our amendment today, citing the report of

their own mission which visited Vietnam and Laos recently. I ask that these reports be made part of the RECORD.

There being no objection, the reports were ordered to be printed in the RECORD, as follows:

[United Nations High Commissioner for Refugees]

INFORMATION NOTE.—PERSONS FROM KAMPUCHEA IN VIET NAM

INTRODUCTION

1. Following a written request for assistance from the Government of the SRV dated 8 April 1978, a joint mission from UNHCR and WFP visited Viet Nam between 17 and 27 May 1978 to evaluate the emergency and longer term requirements of displaced persons from Kampuchea seeking asylum in Viet Nam.

2. According to the provisional estimates of the SRV authorities, there are at present about 331,710 refugees and displaced persons having arrived from Democratic Kampuchea since April 1975, broken down as follows:*

135.600 of Khmer origin
25.810 of Chinese origin
170.300 of Vietnamese origin

3. The persons in question are primarily living in the eight provinces bordering Democratic Kampuchea and in Ho Chi Minh City, either living dispersed among the local population or in concentrations ranging in size from a couple of hundred persons up to 7000. The majority of the persons, or some 60 to 70 percent, are children, the remainder being women and older people and limited number of able bodied men.

EMERGENCY ASSISTANCE

4. Following detailed discussions with the provincial authorities in two of the border provinces and with the Central Government in Hanoi, the Mission recommended that urgent consideration be given to the provision of assistance in food, medicine, clothing, blankets, mosquito nets and tents under an Emergency Relief Programme. The High Commissioner subsequently decided to make available US$500.000 for such assistance and medicaments, clothing and mosquito net material is now being shipped to Viet Nam On their part, WFP approved the provision of food to 150.000 persons during a first three months period.

LONGER TERM REQUIREMENTS

5. With regard to the prospects for longer term solutions, the Vietnamese Government indicated to the Mission that their policy was to accept all border-crossers from Kampuchea, or whatever origin, and grant them asylum. Furthermore, the Government was willing to facilitate the rural settlement in Viet Nam of those desiring to stay, while also co-operating with UNHCR in promoting emigration to third countries for those who might fulfill the necessary conditions.

6. Following the departure of the Mission, the UNHCR delegation in Hanoi has continued to hold discussions with the SRV authorities on the above as well as continued to visit the border areas where the refugees and displaced persons are staying with a view to assess the needs for aid and develop longer-term programme of assistance.

7. In view of the food deficit in Viet Nam the authorities have requested that primary consideration be given to feeding the persons in question estimated to number more than 300,000. Total requirements for 1979 exceed 60,000 tons of food stuffs such as wheat flour, vegetable oil, canned or dried fish or meat, sugar and powdered milk.

8. Secondly the SRV authorities intend to start a settlement programme where by initially some 50,000 persons would be settled in ten rural settlements in the affected provinces at a secure distance from the border. Each settlement will contain about 1,000 households for which will be allocated about 2,000 ha of land for cultivation. Assistance requirements for these settlements are in the sectors of health, clothing and shelter, sanitation, education, agricultural implements and seeds and infrastructure the cost of which is estimated at several millions of US dollars.

9. Thirdly, some urgent assistance for those living outside the proposed settlements would also be required specifically in the sectors of health, shelter and clothing.

MODALITIES OF IMPLEMENTATION

10. The SRV authorities have designated the committee for the Reception of Aid from Abroad as the agency with over-all responsibility for the emergency and longer-term programme. The design and implementation of individual projects will be confirmed to the competent technical ministries or departments.

11. Contributions in kind will be routed directly to the Port of HoChiMinh-City. In accordance with earlier agreements between UNHCR and the SRV Government, all contributions will be free of import duty. Arrangements for unloading and delivery to the affected areas will be undertaken by the Vietnamese Government.

12. With a view to speeding up the identification of needs and formation of projects, and providing continued co-ordination with the agencies responsible for local settlement projects in the South of Viet Nam, as well as facilitating arrangements for emigration from HoChiMinh-City to third countries, UNHCR will reinforce its staff in the SRV. The UNHCR Representative in Hanoi, together with other members of his staff, will make regular visits to the areas in which assistance projects funded by UNHCR are being carried out and would thus also be in a position to report to other contributing agencies who do not have direct representative in the SRV.

CO-ORDINATION OF ASSISTANCE MEASURES

13. UNHCR maintains close contact with other interested UN organizations regarding assistance to the above mentioned persons. As referred to above, WFP has already approved an emergency programme and possible assistance is at present being considered by UNICEF.

14. ICRC has recently launched an appeal for emergency assistance for six months for some 750,000 Vietnamese displaced in the border areas (see footnote 1 on first page). The requirements for these persons are not included in the needs as described above.

*In addition the Government estimates that there are some 750,000 Vietnamese who have been displaced from the border areas further inland.

CHURCH WORLD SERVICE/
LUTHERAN WORLD RELIEF,
Washington, D.C., September 20, 1978.

Hon. EDWARD M. KENNEDY,
U.S. Senate, Washington, D.C.

DEAR SENATOR KENNEDY: As you know, Church World Service (CWS) and Lutheran World Relief (LWR) have long been involved in ecumenical relief and development programs in Vietnam and, to a lesser extent, in Laos. We continue to be actively concerned over the enormous human problems faced by the peoples of the two countries. The years of devastating war have given way to new challenges of reconstruction, but the difficulties have been greatly compounded by severe food shortages resulting from a series of natural disasters.

Our agencies will continue to seek useful ways to respond to the resulting human needs. We would be assisted in our efforts by two measures which we have learned that you may introduce during the Senate consideration of the Foreign Aid Appropriations Bill (HR 12931) this week.

First, we understand that you are considering offering an amendment making available High Commission for Refugees (UNHCR) in its work with Cambodian refugees in Vietnam. Such an initiative would have our enthusiastic support. The plight of the more than 150.000 Cambodian refugees now in Vietnam is a source of the deepest concern to us all. A Church World Service delegation which visited one of the refugee centers last May made the following observations in its report:

"We visited the Ben San Camp (Tav Ninh Province), which was also visited by the U.N. agencies. The refugees, we were told, receive 5 kilograms of wheat and 5 kilograms of rice per person per month and oil for cooking, soap, salt, fish sauce and some medicines. The government has built individual thatched roof housing for them to live with their families. However, the majority of the people in the center that we visited appear to be women and children and after interviewing many of them, we found that most of them had come because their husbands had been arrested by the Pol Pot regime in Kampuchea. Nine thousand Cambodians are in this center and it was the first time (in our visit to Vietnam) that we witnessed severe malnutrition in children.

"CWS was asked for assistance in the feeding of the refugees including dried fish, dried milk, textiles for making clothes, and CSM (Corn-Soya-Milk). We were told that the rice rations for the people of this province have been cut by one kilogram per person per month in order to provide food for the new population.

"The refugees arrived first in 1977, and the second large group as recently as three months ago. They have established their own school and have a form of self-government for the center. The Vietnamese are not interested in keeping them in Vietnam. However, they are concerned that if they are sent back to Cambodia they will be killed."

We understand that in the intervening months the situation of Cambodian refugees in Vietnam has not substantially improved. In fact, it may have worsened.

Secondly, we understand that you are considering offering an amendment which would make available ocean freight reimbursement for humanitarian shipments of materiel donated by the American people made by U.S. private voluntary organizations to Vietnam and Laos. We would support such a measure in that it would facilitate our ability as agencies to respond to needs like those just described.

Earlier this year, CWS, with the support of Lutheran World Relief, sent to Vietnam a shipment of 10,000 tons of wheat donated by the American people in response to the severe food shortages there. As is our common practice, we requested U.S. government reimbursement of shipping costs. It was denied, although such reimbursement is granted for most shipments we make. The shipping cost of the wheat shipment alone (approximately $800.000) represents funds which would otherwise have been available for relief and development projects themselves.

Your amendment would help assure that ocean freight reimbursement for humanitarian shipments is granted without political considerations. It would acknowledge the principle that food, clothing, medical supplies and other emergency and development assistance items provided by private American individuals and organizations should not become the instruments of government policy.

In sum, we welcome your leadership on these two items and wish you every success.

Sincerely,

DR. BERNARD A. CONFER,
Executive Director,
Lutheran World Relief.

DR. PAUL F. MCCLEARY,
Executive Director,
Church World Service.

Mr. KENNEDY. Mr. President, in this legislation, there is approximately $7 million appropriated for the UN High Commissioner for Refugees to help Cambodian refugees that go to Thailand. All we are trying to do is to provide the same kind of assistance to the UN High Commissioner for Refugees in helping Cambodians, who have lived in a society that is practicing genocide, but who so happen to flee to Vietnam.

It seems to me to be a fundamental issue of fairness and humanitarian equity, Mr. President, that we deal with this problem, with these people fleeing a society experiencing genocide, in the same kind of way we do for those that come into Thailand.

Mr. President, I yield time to my colleague, the Senator from Kansas, who has been concerned over the Cambodian tragedy and who joins me in this amendment.

Mr. DOLE. I thank my distinguished colleague.

Mr. President, I am pleased to join with my colleague, Senator KENNEDY, in proposing this amendment to facilitate humanitarian aid to Cambodian refugees located in Vietnam. As the distinguished Senator from Massachusetts has already indicated, the amendment would earmark $3 million in this bill to support efforts by the United Nations High Commissioner on refugees to feed, clothe, and otherwise ease the suffering of thousands who have managed to escape the horrors of Communist Cambodia.

This humanitarian aid is channeled through the United Nations and directed solely toward those of Cambodian origin who are temporarily settled in refugee camps inside Vietnam's borders. It does not involve U.S. aid to, or trade with Vietnam. I remain firmly opposed to any type of American aid, trade, or "reparations" for Vietnam, and am pleased that President Carter extended the total U.S. embargo against trade with Vietnam on September 8 of this year. Earlier, I had written to the President urging him to extend this embargo against Vietnam, and I ask unanimous consent that the text of that letter be printed at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. DOLE. Mr. President, in this respect, my views differ from those of my colleague from Massachusetts. If I understand his position correctly, the distinguished Senator from Massachusetts supports "normalizing" relations with the Socialist Republic of Vietnam to the extent of providing economic aid, lifting the current trade embargo, and promoting other ties between our two countries. I do not share this opinion. So long as Vietnam's limited cooperation in accounting for our missing servicemen inspires skepticism, and so long as major questions remain regarding political persecutions of their own people, I will be reluctant to support "normalization" of U.S. relations with the Socialist Republic of Vietnam.

But that is not what is involved here. We are talking about earmarking a certain portion of the funds contained within this bill for a legitimate United Nations operation designed to relieve the suffering of almost 200,000 refugees—persons who have risked their lives to escape from a land of disease and death, and who now huddle together in neighboring Vietnam.

A HUMANITARIAN VENTURE

We know that the location of these 200,000 Cambodian refugees in Vietnam reflects no particular ideological disposition on their part. Their movement northward into Vietnam is a function of their proximity to that border, and the relative ease with which that terrain can be crossed. Many fewer Cambodians have been able to escape westward into Thailand, largely because of the difficult terrain.

At present, the United States contributes substantially to relief programs for Indo-Chinese refugees in Thailand. Is there any real justification, then, for denying the same humanitarian consideration for others, simply because they had the misfortune to locate in a country with which we have no political ties? I think not. Genuine humanitarian empathy knows no political boundaries. Knowing, as we do, the horrible conditions in Cambodia which motivated the exodus, we sympathize with all Cambodian refugees wherever they may reside.

CONCERN FOR CAMBODIA

My own concern for the situation in Cambodia, and for Cambodian refugees, goes back for more than a year. In November of 1977, I introduced a Senate resolution condemning the brutality by the Communist Government of Cambodia, and urging the President of the United States to join in an international effort to bring about an end to atrocities in that country. That resolution recently was the subject of hearings before the Senate Foreign Relations Committee, and a committee resolution based on the measure is now pending on the Senate calendar. More recently, I participated in a rally on the Capitol steps with a group of Cambodian refugees last June, intended to help focus national attention on the Cambodian plight. On July 31 of this year, the Senate voted to accept my amendment to the International Monetary Fund authorization bill opposing American support for IMF aid to the government of Cambodia, and in August, the Senate accepted my amendment to the justice appropriations bill urging the Attorney General to grant special parole authority to allow 15,000 Cambodian refugees to immigrate to this country over the next 2 years.

I know that the Senator from Massachusetts and the Senator from Kansas do not agree entirely on the issue of Cambodian immigration into the United States. Both of us feel that immigrant quotas for Indochinese refugees entering this country should be increased. But we part company on the question of whether or not special parole authority should be granted for a particular ethnic group. I feel that domestic conditions within Cambodia are so abominable, so utterly devoid of any civilized character, that special authority is justified to permit Cambodians to enter the United States on an immigrant-parole basis. I understand that the Senator from Massachusetts disagrees with that approach, but both of us share a deep concern about Indochinese refugees in general, and about the Cambodian situation in particular.

ADDRESS CONCERNS

And so we are jointly proposing this amendment today, to go a step further in relieving the suffering of those who have managed to escape a modern holocaust. Because of my own confidence in the efforts and capabilities of the United Nations High Commissioner on refugees, I have no doubt that this money will be put to good use.

The only concerns I do have, in fact, relate to potential cooperation by Vietnamese Government officials with the United Nations Relief Organization. For this reason, I would like to engage in a short colloquy with my distinguished colleague from Massachusetts, Senator KENNEDY, and pose certain questions regarding this relief program, which I am sure he is in a good position to answer, as a result of his study mission's recent visit with officials from Hanoi.

Mr. President, it seems to me this amendment does have the support of the administration. I am certain it has the support of the Congress.

EXHIBIT 1

U.S. SENATE,
Washington, D.C., August 2, 1978.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: It has come to my attention that the trade embargo which the United States currently maintains against the government of the Socialist Republic of Vietnam is due to expire on the 14th of September of this year. It is my understanding that this embargo, which has been in effect since the government of South Vietnam was overthrown in 1975, will be lifted unless you, as President of the United States, determine that it is within the national security interests of our country to continue it.

This embargo is a significant factor in our current relationship with the government of Vietnam, and I believe that its extension is justified by the deplorable state of human rights in Vietnam, the lack of full government cooperation in the location of missing American servicemen, and severe restrictions against emigration from Vietnam.

Extension of the embargo depends on an Executive interpretation of our national security interests and needs. With this in mind, a statement of your views on the matter would be instructive and appreciated; i.e., will the embargo be allowed to expire? Will the need for it be reasserted? Do we have a distinct policy in this regard?

As the deadline for this determination approaches, I would welcome your comments in this respect.

Sincerely,

BOB DOLE,
U.S. Senate.

Mr. DOLE. Mr. President, I would like to pose the following question to the Senator from Massachusetts: What has been the attitude of the Vietnamese Government during the past 3 years regarding accessibility to their refugee camps by outside groups, particularly international humanitarian organizations? Can we be sure that the United Nations High Commissioner for Refugees will at

all times have full access to all Cambodian refugee camps, and that he will enjoy the full cooperation of the Vietnamese Government in providing aid directly to Cambodians located in these camps?

Mr. KENNEDY. Well, the UNHCR has had a permanent office in Vietnam for 3½ years, and has had free access to all areas and programs of its assistance. In order to monitor and assist the relief effort for Cambodian refugees in southern Vietnam, UNHCR has signed an agreement with the Vietnamese Government to open an office in Ho Chi Minh City—which will be the first formal international agency invited to have an office outside Hanoi, and to be permanently represented in the South. In addition, other international organizations, World Food Program, WHO, and UNICEF, have had access, on request, to program sites, as well as several U.S. voluntary agencies.

My study mission reported that all the international, U.N. agencies they visited in Vietnam felt confident that they could, and did, monitor fully all their programs in the field.

Mr. DOLE. I have been troubled by reports, coming from several sources, that the Vietnamese Government is training able-bodied Cambodian refugees in military combat outside the camps, so that they may be incorporated into Vietnamese army units to fight against the Communist Cambodian regime. These reports seem to be borne out by the U.N. High Commissioner's own report that "the majority of the (Cambodian refugees in Vietnamese camps), or some 60 to 70 percent, are children, the remainder being women and older people and a limited number of able-bodied men." To the extent that Cambodian refugees may volunteer to participate in Vietnamese military training, I suppose we have no objection. But can we be sure that arbitrary conscription is not being employed on a regular basis? And if we cannot, then should we not register our strongest objection to this mistreatment of Cambodian refugees?

Mr. KENNEDY. There have been reports of Cambodians being trained for guerrilla or other fighting in Cambodia from Vietnam. These are all speculative reports. One thing is certain, any UNHCR program of assistance to refugees will only go to bona fide refugees: That is the mandate and the hallmark of the UNHCR's programs around the globe, and he has a high record in depoliticizing his assistance. He can and is doing so in Vietnam.

UNHCR programs are targeted especially for mothers and children in any case—since they are the most vulnerable population group in any refugee movement. Contrary to speculative press reports, my study mission did see evidence of young men in the refugee camps in Vietnam—so the reports cannot be completely accurate.

Mr. DOLE. On a similar note, I am troubled by reports that some Cambodian refugees are forced, under duress by the Vietnamese, to return to Cambodian territory. If this is the case, we can be sure that those refugees face certain death upon their return. Were you able to obtain any information about this matter, and should we not register our strongest objections to this practice?

Mr. KENNEDY. No such evidence has come to UNHCR's attention relative to Vietnam. There has been some reports of forcible return of refugees from Thailand to Cambodia. But, in either case, best evidence I have seen suggests it is isolated, if at all.

Mr. DOLE. Is the Senator from Massachusetts confident of the Vietnamese Government's willingness to aid in the resettlement of Cambodian refugees, either within Viet Nam itself, or in other countries which would be willing to accept them as immigrants? Should not we expect the U.N. High Commissioner to facilitate this resettlement, and to work with the Vietnamese Government in this regard?

Mr. KENNEDY. The situation in Vietnam among Cambodian refugees is totally analogous to that in Thailand. UNHRC clearly functions in both countries on the assumption that three options are open in all refugee situations: "Third country resettlement"; "local settlement;" and "repatriation." As in Thailand, all three options are open in Vietnam for Cambodian refugees—except to the U.S., unless we pass our amendment.

Mr. DOLE. Finally, Mr. President, I would ask the Senator from Massachusetts to specify for the RECORD the particular form of services the U.N. Commission will be providing to Cambodian refugees in Vietnam.

Mr. KENNEDY. It is my understanding that the UNHCR has proposed a very basic form of refugee assistance, not greatly different from that for refugees in Thailand. It will consist in its early stages of basic food, shelter, and medicines—the provision of outside relief supplies. Later, it will likely include programs to help the refugees normalize their lives, by providing agricultural equipment, training programs, et cetera.

For now, the program is entirely basic humanitarian aid: Food mostly, medicines, and shelter materials where needed.

Mr. DOLE. I appreciate the cooperation of the Senator from Massachusetts in responding to these questions. I believe this discussion will be a valuable contribution to the legislative record on this measure, and will provide guidance to the U.N. High Commissioner in carrying out the Senate's intent in this regard. I trust, also, that the Government of the Socialist Republic of Vietnam will heed the concerns expressed here, and will understand our expectation that they give full cooperation to United Nations efforts to assist Cambodian refugees within their country.

Mr. President, I am pleased to be a part of this humanitarian effort, and trust that my colleagues will provide appropriate support for the amendment.

Mr. DOLE. Mr. President, I do not believe any further discussion is necessary, unless someone has questions.

Mr. INOUYE. Mr. President, I find it extremely difficult to say anything against the proposal here, but the Appropriations Committee has been trying now for several years to urge the administration to make a major study of the refugee situation.

At the present time, we have the State Department, the Department of HEW, AID, and the United Nations, and even in the United Nations we have about three refugee organizations, plus about 12 PBO's that are involved in this business of assisting refugees.

Then when the refugees come within the United States, we have another problem.

Therefore, I hope the authors of this amendment could wait just a few months until the administration is ready to submit a budget request and, if they do so with a supplemental request, I can assure them the Committee on Foreign Operations will give it expeditious treatment.

Second, I have been assured by the administration that they have studied this problem and they will be coming up with a coordinated, rational refugee program.

To add this new element into the present crazy quilt situation would not help the problem. So I hope the Senator from Kansas and the Senator from Massachusetts will be a bit patient and wait for another 3 or 4 months.

Mr. KENNEDY. Mr. President, I yield myself a minute and a half.

I understand the frustration of the Senator from Hawaii. It is virtually impossible to be able to predict in advance the numbers of refugees who are going to flee these countries in Southwest Asia and get on boats and go to Malaysia or Hong Kong and be transferred to the United States.

We have talked about probably 175,000 to date that have come to the United States. But this is really a relatively small influx. The fact of the matter is, we have got about 1 million illegal entries into the United States every year that come across the Mexican border, that put all kinds of pressure on our various assistance programs, that are costing a great deal in terms of local, State and Federal resources.

I think that this problem—which is long term—has to be dealt with in a comprehensive and a humane way. I hope our Judiciary Committee next year will deal with it. But we are dealing with a particular emergency now, involving a small number of people, and with a particular situation of a country that is virtually practicing genocide, where we have people that are in need—not to come here, but to help them where they are in Vietnam.

But, today, if they flee west, they get food and they get rice and they get milk for their infants and children in Thailand. If they happen to go to the east, they do not get help in terms of the U.S. participation in the UNHCR Vietnam relief effort.

I agree with the Senator generally. If he would take maybe just half of this amendment and then let us come back and try and justify it under a supplemental, to show good faith and show an indication now to the world community,

that we are willing to participate in this program—take half and let us come back and justify the rest and see if we cannot work with the administration in terms of the justification. I would think that would be at least a fair undertaking.

Mr. INOUYE. Fine.

Mr. KENNEDY. If my colleague from Kansas will agree with that.

Mr. DOLE. I would agree. But I want to stress the emergency.

I understand the floor manager. But there are thousands and thousands of Cambodians who just cannot wait 4 or 5 months.

This $3 million will not be adequate. It would seem to me we are not talking about a great deal of money.

I know the great concern the Senator from Hawaii has. If it is the feeling of the floor manager and the ranking Republican that $3 million is excessive, then we probably should compromise and offer whatever help we can to people in great distress.

The PRESIDING OFFICER. The time of the Senator from Massachusetts has expired.

Mr. KENNEDY. Mr. President, I ask unanimous consent for 30 seconds to modify my amendment.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. KENNEDY. Mr. President, I modify the amendment by reducing it by $1.5 million, and I ask unanimous consent that the clerk make the necessary technical corrections.

Mr. INOUYE. Mr. President, the manager of the bill will accept the modified amendment.

Mr. KENNEDY. I thank the Senator.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment (No. 3625), as modified, was agreed to, as follows,

On page 19, lines 16 and 17, strike out "$110,044,200: *Provided,*" and insert in lieu thereof "$111,544,200: *Provided,* That $1,500,000 of this amount shall be available to the United Nations High Commissioner for Refugees only for the provision of assistance to Cambodian refugees in the Socialist Republic of Vietnam: *Provided further,*".

Mr. KENNEDY. Mr. President, at this point in the RECORD I would like to offer a statement in connection with another amendment I had intended to offer.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

Mr. President, in a relevant matter, I had intended to offer an amendment, No. 3624, to clarify the current prohibitions in the law regarding direct assistance to certain countries, and whether ocean freight reimbursement to private voluntary agencies falls under that prohibition. I believe it does not, that private voluntary agency programs, and any ocean freight reimbursement that might been given in support of those programs, are indirect assistance for the purposes of the legislative prohibitions enacted by Congress. I believe a longstanding feature of the foreign assistance law is the provision that encourages the participation and contribution of private voluntary agencies—by helping them meet the ocean freight costs of their foreign assistance projects and programs. Some $30 million is in the bill for this purpose, which I strongly support.

But because of current interpretations by A.I.D. on the prohibitions against direct assistance to certain countries, programs such as Church World Service's recent shipment of food to Vietnam did not qualify for ocean freight reimbursement. If it had gone to the Sahel or elsewhere, it would have.

Basically I believe it is a matter of principle, that voluntary agencies should have access to ocean freight reimbursement no matter what its destination, since it is indirect assistance not covered by the existing prohibitions in the law.

The PRESIDING OFFICER. The clerk will state the next committee amendment.

The legislative clerk read as follows:

On page 19, line 2, beginning with the colon, strike through and including "abortions" in line 3;

The PRESIDING OFFICER. Who yields time?

Mr. INOUYE. Mr. President, I believe that a Member of the Senate wishes to amend the committee amendment to restore the House language. Is the Senator from Utah present?

Mr. President, in anticipation that there will be an amendment, I wish to speak against any amendment to restore the House language.

The Peace Corps, since its inception, has had a policy of providing medical assistance to the members of the Peace Corps staff and volunteers, many of whom serve in remote areas.

If I should be in the Peace Corps and find myself with a broken leg, the Peace Corps medical officer would provide the necessary medical attention. If it calls for specialized care, he may take me to some hospital in the host country, or, if the host country cannot provide this medical care, to some other hospital in some other country.

In this respect, last year, a few of the women in the Peace Corps found that their circumstances required a termination of pregnancy. Many of these women were working in Africa, where hospitals were not readily available; so, in order to carry out the policy of the Peace Corps, the Peace Corps provided transportation to the nearest medical facility to bring about the termination of pregnancy. The medical expenses involved were less than $5,000.

Unless it provides full medical care, we have been advised, the Peace Corps would have some difficulty in its recruitment program.

Furthermore, under the Peace Corps policy, if a young woman—single or married—should find herself pregnant, the Peace Corps exercises the option of retaining her or terminating her employment or her association with the Corps.

I, therefore, hope the Members of the Senate will go along with the committee amendment deleting this House language.

UP AMENDMENT NO. 1890

Mr. HATCH. Mr. President, I send to the desk an amendment to that section and ask for its immediate consideration.

The PRESIDING OFFICER. The Chair advises the Senator that until the time expires on the amendment that is presently before the Senate, another amendment is not in order—an amendment to it is not in order.

Mr. INOUYE. Mr. President, I ask unanimous consent that that amendment be considered appropriate at this point.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment will be stated.

The legislative clerk read as follows:

The Senator from Utah (Mr. HATCH) proposes an unprinted amendment numbered 1890:

On page 19, line 3, strike out the period and substitute in lieu thereof the following: ": Provided further, That none of the funds appropriated in this paragraph shall be used to pay for abortions.".

Mr. HATCH. Mr. President, we do not have to spend much time on this.

Last year, more than $45,000 of Peace Corps funds were used to finance abortions on Peace Corps personnel. This was money which had been appropriated for the programs.

Representative YOUNG, of Florida, submitted an amendment during House consideration banning such use of Peace Corps funds, and it was approved by the Appropriations Committee by a vote of 60 to 8. It was agreed to on the floor by voice vote.

The PRESIDING OFFICER. The Chair is sorry to interrupt the Senator from Utah, but the amendment is not in order, and the Chair will explain why.

The language that the Senator is proposing is precisely the same as that which is proposed to be stricken.

Mr. HATCH. Mr. President, a parliamentary inquiry. In other words, the language in the bill has been modified by Senate amendment?

The PRESIDING OFFICER. The Chair advises that the language in the bill has not been changed. There is a proposed committee amendment to strike the language which is the same language as the Senator's amendment.

Mr. HATCH. Mr. President, a parliamentary inquiry. If I want to offer this amendment, in essence, what I should do is just argue against the committee amendment?

The PRESIDING OFFICER. The Senator is correct.

Mr. HATCH. Then, I withdraw the amendment, and I will speak against the committee amendment, and suggest that my colleagues vote against the committee amendment.

The PRESIDING OFFICER. Without objection, the amendment is withdrawn.

Mr. HATCH. Mr. President, I have in my possession a copy of a letter from Sam Brown, Director of ACTION, wherein he admits that they estimate that the abortion-related costs of Peace Corps volunteers were approximately $45,000 in 1977.

I ask unanimous consent that that letter, dated May 11, 1978, be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

ACTION,
Washington, D.C., May 11, 1978.

Hon. HAROLD L. VOLKMER,
House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE VOLKMER: Thank you for your letter of April 5, 1978, concerning ACTION's policy on abortions. I appreciate

your interest and hope this response will provide you with the information you need.

The health insurance that ACTION provides for full-time, domestic volunteers does not include coverage for elective abortions. In rare circumstances, however, ACTION would reimburse a domestic volunteer for the costs of a therapeutic abortion, if the requirements specified in Public Law 95–205 were met. ACTION does not pay directly, or indirectly through medical evacuations, the travel expenses of overseas staff members requiring abortions. However, it is the policy of the Peace Corps to pay all medical and transportation costs in connection with the pregnancy of any volunteer who, after becoming pregnant, wishes to continue Peace Corps service, and whose continued service has been medically and administratively approved. In accordance with this policy, the Peace Corps pays for either the termination of the pregnancy or the expenses incident to the birth of the child depending on the choice of the volunteer. We estimate that the abortion-related costs of Peace Corps volunteers were approximately $45,000 in 1977.

We believe this policy is in accord with the Supreme Court decisions which hold that women have a constitutional right to choose whether to bear a child or terminate a pregnancy free from any coercive influence imposed by the Government. We believe that the financial considerations imposed by the Peace Corps, if we elected not to pay for abortions but continued to pay birth-related costs, could be considered as a form of coercion designed to inhibit this freedom of choice.

We could, of course, elect to terminate any volunteer who becomes pregnant. This policy would achieve the same result of not influencing the volunteer's decision regarding her pregnancy, and was in fact, Peace Corps policy in the early days of its existence. However, we believe that such rule would be unduly harsh and deprive many qualified volunteers of the opportunity to complete their service.

We recognize that the area of abortions is an extremely controversial one which raises very emotional issues. However, we believe our policy provides Peace Corps volunteers with the greatest freedom to exercise their constitutional right to determine the future course of their pregnancy free of Governmental influence or coercion.

I understand your concern regarding this policy and hope that this response answers all of your questions. If not, please let me know.

Sincerely,

SAM BROWN,
Director.

Mr. HATCH. Mr. President. I ask unanimous consent to have printed in the RECORD an article by Patrick J. Buchanan entitled "What Makes Sammy Run to the Left?"

There being no objection, the article was ordered to be printed in the RECORD, as follows:

WHAT MAKES SAMMY RUN TO THE LEFT?

(By Patrick J. Buchanan)

WASHINGTON.—When last we encountered Sam Brown of ACTION—the Sammy Glick of radical politics—he was howling down the sewer of American journalism, Penthouse magazine: "I take second place to no one in my hatred of the intelligence agencies."

An interesting comment from a presidential appointee charged with oversight of the Peace Corps.

Further evidence continues to surface which raises questions as to where Sammy's ultimate loyalties lie. Last summer, for example, Brown was quoted as telling the Secretary's Open Forum at the Department of State:

"We know that workplace democracy is a concept ill-developed in American society. It is another of the places where we stand to learn from Jamaica, from Tanzania, from Cuba, from Yugoslavia . . ."

One wonders what free American labor, union and nonunion, can learn from the indentured servants of Marxist states.

One wishes, too, that Sammy and his subordinates would practice some of that proletarian virtue they forever preach.

According to the Enquirer, when Sammy takes home his thousand-dollars-a-week from Uncle Sam for fighting poverty at home and abroad, he rests his weary head in a $160,000 town house on Embassy Row.

Sam Brown is, in truth, the personification of that guilt-ridden anti-Americanism found on the extreme left of our national politics where there always existed enthusiasm for the Communist cause in Southeast Asia.

In his colloquy with Pat Moynihan on America's failure of nerve, in Public Opinion magazine, Henry Kissinger singles out Brown as symptomatic of the sickness within society.

"What I have difficulty understanding," noted Kissinger is the "relish" with which some Americans greeted our humiliation in Southeast Asia.

"When I see, for example, the head of ACTION going to a meeting where the North Vietnamese ambassador, upon joining the United Nations, castigates the United States, and this American official says, 'This is the proudest day of my life. This is what we've been working for all these years,' that raises to me really profound questions about the fundamental motivation from the beginning."

Sen. Moynihan: "That scene where the Vietcong flag was flown from the Peace Corps headquarters took place during a demonstration which that particular man organized."

Kissinger: "Exactly."

Brown's behavior should raise questions for President Carter, now visibly shifting toward a tougher line on the Russians and Cubans. Why does he retain upon his official premises this sycophant of a Communist movement which took the lives of 50,000 Americans?

Even if Sammy's sympathies did not reside with Hanoi, his performance at ACTION justifies a zone press by the General Accounting Office and the U.S. Congress.

Last month, for example, Brown conceded to a U.S congressman that last year the Peace Corps shelled out $45,000 to subsidize abortions for its volunteers.

Brown's thesis is that to deny those subsidies to pregnant volunteers is to interfere with their "freedom of choice" as guaranteed by the Supreme Court.

Is this what Jack Kennedy had in mind when he established the Peace Corps? That taxpayers should be shelling out 50 grand a year to execute the unborn children of upper-middle-class bimbos whose idea of bringing the blessings of Western Civilization to the Third World is to take a tumble in the hay with the local witch doctor?

Other ACTION funds have been shifted from one of Brown's subsidiaries, VISTA, to the Midwest Academy, a school for confrontation politics, and thence to Boston to help organize secretaries and clerical workers into unions—a clear violation of VISTA's charter.

This is not fighting poverty. It is advancing feminism. It is using tax dollars to promote the self-proclaimed agenda of radical Marge Tabankin and Brown from their super-salary posts, dropping them into that poverty class for whom they weep nightly from their respective town houses.

Mr. HATCH. Mr. President, in the last part of the article, Mr. Buchanan says this:

Last month, for example, Brown conceded to a U.S. congressman that last year the Peace Corps shelled out $45,000 to subsidize abortions for its volunteers.

Brown's thesis is that to deny those subsidies to pregnant volunteers is to interfere with their "freedom of choice" as guaranteed by the Supreme Court.

Is this what Jack Kennedy had in mind when he established the Peace Corps? That taxpayers should be shelling out 50 grand a year to execute the unborn children of upper-middle-class bimbos whose idea of bringing the blessings of Western Civilization to the Third World is to take a tumble—

And so forth.

For those of us who feel that abortion is taking innocent human lives. it is natural enough not to want abortions paid for by the Peace Corps funds and the Peace Corps program. But, in particular, when those funds are to be used to help underdeveloped nations, as is the major purpose of the Peace Corps, then it seems to me almost repugnant—well, totally repugnant—to allow this kind of payment pursuant to this particular bill; and I think that in this regard, a majority of the people in this country are against this type of thing.

Mr. RANDOLPH. Mr. President, will the Senator yield?

Mr. HATCH. I am delighted to yield.

Mr. RANDOLPH. Mr. President, I helped to draft the original legislation which created the Peace Corps. I believed in the Peace Corps and continue to believe in its purpose.

I recall when I talked with those young men and women on the night before they left Washington, D.C. They were the first group that moved from training in George Washington University, to Nepal. My sister's son, Randolph Carr, had taught them the language of a faraway place with a strange sounding name, Katmandu. They were volunteers who were not to work on matters of ideology, or of governing peoples. They were going as dedicated, mostly younger Americans, who had expertise in certain skills in health services. They had a knowledge that could be useful in helping to achieve greater productivity and strengthen the lives of the native populations in the countries in which they were to serve. They understood modern methods of farming, construction, housing, and transportation.

The PRESIDING OFFICER. The Chair is sorry to interrupt the Senator from West Virginia, but the time of the Senator from Utah has expired.

Mr. HATCH. Mr. President, will the Senator yield me some time on the bill?

Mr. INOUYE. Yes.

The PRESIDING OFFICER. The Chair advises that the floor manager has 2 minutes remaining.

Mr. HATCH. Mr. President, I ask unanimous consent that I be given 1 extra minute for the distinguished Senator from West Virginia (Mr. RANDOLPH) and 1 extra minute for the distinguished Senator from Pennsylvania.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The Senator is recognized for 1 additional minute.

Mr. RANDOLPH. Mr. President, I recall the young man from Iowa who was talking with me. He said:

I wonder whether I'm doing the right thing in going far away, rather than remaining in my own State. I understand agriculture. I know what it is to farm. I think I can help the people there to raise certain crops with nutritive value. Hopefully I can be a part of helping children and their parents in building better lives:

I remember how I worked here to bring the Peace Corps into being, meeting with other Senators early in the morning at breakfast and talking about it, and that is a prerogative, sometime a mission of Senators, other than to speak here in the Senate and to vote on pending amendments.

I shall vote for the position of the Senator from Utah in this matter.

Mr. HATCH. I thank my distinguished colleague.

Mr. RANDOLPH. That is because the moneys were not to be spent for the purposes that are intended as the bill brings it to this floor.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. SCHWEIKER. Mr. President, I expressed my opposition in subcommittee and full committee to the Peace Corps spending money on abortions. I strongly support the position of the Senator from Utah. I shall vote with him on the amendment and commend him for it.

Mr. HATCH. I thank my colleague from Pennsylvania.

Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. HATCH. As I understand it, the yeas and nays have been ordered on this committee amendment.

The PRESIDING OFFICER. The yeas and nays have been ordered. It is a 10-minute vote.

All time on the amendment has expired.

The question is on agreeing to the committee amendment. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Alabama (Mrs. ALLEN), the Senator from Minnesota (Mr. ANDERSON), the Senator from Delaware (Mr. BIDEN), the Senator from Arkansas (Mr. BUMPERS), the Senator from North Dakota (Mr. BURDICK), the Senator from Mississippi (Mr. EASTLAND), the Senator from Colorado (Mr. HASKELL), the Senator from Maine (Mr. HATHAWAY), the Senator from Arkansas (Mr. HODGES), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from New Hampshire (Mr. MCINTYRE), the Senator from North Carolina (Mr. MORGAN), the Senator from New York (Mr. MOYNIHAN), the Senator from Rhode Island (Mr. PELL), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Mississippi (Mr. STENNIS) are necessarily absent.

I also announce that the Senator from Connecticut (Mr. RIBICOFF) is on official business.

I further announce that, if present and voting, the Senator from North Carolina (Mr. MORGAN) would vote "yea."

Mr. HANSEN. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Oklahoma (Mr. BARTLETT), the Senator from Oklahoma (Mr. BELLMON), the Senator from Massachusetts (Mr. BROOKE), the Senator from New Jersey (Mr. CASE), the Senator from Nebraska (Mr. CURTIS), the Senator from Michigan (Mr. GRIFFIN), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Idaho (Mr. MCCLURE), the Senator from Illinois (Mr. PERCY), the Senator from Delaware (Mr. ROTH), the Senator from New Mexico (Mr. SCHMITT), the Senator from Vermont (Mr. STAFFORD), the Senator from Alaska (Mr. STEVENS), the Senator from Texas (Mr. TOWER), the Senator from Wyoming (Mr. WALLOP), and the Senator from North Dakota (Mr. YOUNG) are necessarily absent.

The result was announced—yeas 30, nays 32, as follows:

[Rollcall Vote No. 391 Leg.]

YEAS—30

Bayh	Humphrey	Metzenbaum
Bentsen	Inouye	Muskie
Chafee	Jackson	Packwood
Chiles	Javits	Pearson
Clark	Kennedy	Riegle
Cranston	Leahy	Sarbanes
Culver	Magnuson	Stevenson
Glenn	Mathias	Talmadge
Gravel	Matsunaga	Weicker
Hart	McGovern	Williams

NAYS—32

Byrd, Harry F., Jr.	Garn	Lugar
Byrd, Robert C.	Goldwater	Melcher
Cannon	Hansen	Nelson
Church	Hatch	Nunn
Danforth	Hatfield, Mark O.	Proxmire
DeConcini	Hatfield, Paul G.	Randolph
Dole	Heinz	Schweiker
Domenici	Johnston	Scott
Durkin	Laxalt	Stone
Eagleton	Long	Thurmond
Ford		Zorinsky

NOT VOTING—38

Abourezk	Griffin	Percy
Allen	Haskell	Ribicoff
Anderson	Hathaway	Roth
Baker	Hayakawa	Sasser
Bartlett	Helms	Schmitt
Bellmon	Hodges	Sparkman
Biden	Hollings	Stafford
Brooke	Huddleston	Stennis
Bumpers	McClure	Stevens
Burdick	McIntyre	Tower
Case	Morgan	Wallop
Curtis	Moynihan	Young
Eastland	Pell	

So the committee amendment was rejected.

Mr. HATCH. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. MARK O. HATFIELD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Senate is not in order, and I would ask that the Senate be in order. We are under a time limit. There are amendments awaiting consideration.

Let me ask if Members who are standing in the aisles will find seats. I ask the staff members in the Chamber to find seats. The Senate cannot proceed until we have order. I wonder if I might appeal again to Senators who are engaged in conversation. If those conversations could end, we could have order in the Chamber so we can hear the Senator from Hawaii.

UP AMENDMENT NO. 1891

(Purpose: Require that resettlement of Soviet and other refugees within the United States be handled by HEW on a basis comparable to Cuban and Indochinese refugee resettlement programs)

Mr. INOUYE. Mr. President, I send an amendment to the desk and I ask unanimous consent for its immediate consideration. I further ask unanimous consent that each side be given 2 minutes on the amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The clerk will report.

The second assistant legislative clerk read as follows:

The Senator from Hawaii (Mr. INOUYE) proposes an unprinted amendment numbered 1891.

Mr. INOUYE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 19, line 18, after the word "Africa" and before the colon, insert the following: ": *Provided further*, That funds made available for resettlement assistance in the United States to refugees not covered by other Federal programs shall be made available for obligation only through the Department of Health, Education, and Welfare for the same purposes and under the same conditions as for resettlement of refugees from Cuba and Indochina".

Mr. INOUYE. Mr. President, with reference to refugee assistance, in its report (p. 121) the committee stated:

Operating under the direction of three major federal agencies and through more than a dozen independent organizations the United States refugee assistance effort has become a "crazy quilt" assemblage of overlapping and frequently competing programs that have resisted reorganization, central direction and reform at least since 1972. Ongoing programs bear little relationship to established need and have perpetuated inexplicable inequities in the types and levels of assistance to which individual refugees are entitled. In fact, it is difficult to escape a conclusion that some programs do not discriminate by race or religion or by ethnic identity or national origin. All of these problems did not originate in the Executive Branch, but the time has come not to assess blame but to establish a rational and coherent refugee policy for the United States.

My amendment would assign to the Department of Health, Education, and Welfare responsibility for carrying out the new program of U.S. resettlement assistance to Soviet and other refugees. It would also require that the funds be available for obligation for the same purposes as for resettlement of Cuban and Indochinese refugees. The Department of Health, Education, and Welfare has been responsible for domestic resettlement programs since the inception of the Cuban program almost 20 years ago. My amendment would keep it there rather than start up a new program in the Department of State. To do otherwise would, in my opinion, expand and perpetuate the many inequities now in the several programs.

The committee believes that U.S. assistance to refugees is an international

responsibility and should be evenhanded on the basis of need both overseas and during resettlement for those coming to the United States. We first called for consolidation of refugee activities in fiscal year 1972 but virtually nothing has been done and programs are scattered through AID, HEW, and the Office of Migration and Refugee Affairs of the Department of State, plus more than a dozen private and voluntary agencies.

We should not, indeed, cannot continue to establish entitlement according to race, religion, or national origin. Comparisons are admittedly difficult, but the President's original budget proposed $1,111 per refugee for private and voluntary agencies resettling Soviet (85 percent of total), Eastern European, and other refugees in the United States, and $350 per refugee for PVO's resettling Indochinese in the United States, while Cuban refugee assistance through PVO's equals only $200 per refugee. It should be noted that both groups are eligible for additional assistance through ongoing HEW programs. Fixed funding levels also shift with changes in estimates as to number of refugees.

There are even greater differences in the level of United States assistance for basic support of refugees overseas. How can we possibly justify $351.14 for a Soviet refugee in Italy or $2,5000 for a Soviet refugee in Israel when we provide only $42.30 per Indochinese refugee in Thailand or $28.88 for a Palestinian, or $26.68 for a South African refugee, or $2.50 for a Bengali refugee in Burma, or 70 cents for a Kurdish refugee in Turkey?

The justification as to how the $20 million would be spent in the United States was not very specific but would be available for such vague and undefined objectives as "technical and professional training, including activities supportive of professional and skill adaptation such as recertification and remedial or equivalency education" and "services which materially contribute to acculturation in order to assure employment and earnings objectives." I submit that there is virtually no type or level of assistance that could not be provided under such justification.

Mr. President at the conclusion of my remarks, I ask unanimous consent to reprint a table prepared at the request of the committee by the Office of Migration and Refugee Assistance of the Department of State. This table graphically points out the many and varied programs of U.S. refugee assistance and the levels at which they are funded.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. INOUYE. Mr. President, this amendment is a first and vital step toward the committee's goal of "evenhanded" assistance to individual refugees based on the needs of that individual rather than his race, creed, color, or national origin.

EXHIBIT 1.—BUDGET ANALYSIS: HA/ORM FISCAL YEAR 1979—I. REFUGEE PROGRAMS WHICH ARE DESIGNED TO PROVIDE BASIC SUPPORT WITHIN COUNTRIES OF FIRST ASYLUM

Program name	Number of refugees involved	Source of funding	Amount of USG contributions	USG expenditure per capita
1. Africa	832,735	AID	$14,000,000	$26.68
		ORM	8,225,000	
2. Indochinese	130,000	ORM	5,500,000	42.30
3. Burma/Bangladesh	200,000	AID	[1] 500,000	2.50
4. Latin America	7,000	ORM	800,000	114.28
5. Soviet and Eastern European	35,000	ORM	12,290,000	351.14
6. Soviets to Israel	10,000	ORM	600,000	60.00
7. Palestinians	[2] 1,800,000	IO	52,000,000	28.88
8. Cypriots	70,000	AID	5,000,000	71.42
9. Other refugees	750,000	ORM	525,000	.70
Total	3,834,735		[3] 99,440,000	25.93

[1] Fiscal year 1978 contribution from AID foreign disaster relief funds; fiscal year 1979 requirements will probably be at least as high.
[2] 600,000 Palestinians in camps.
[3] Does not include Public Law 480 contributions from Department of Agriculture estimated for fiscal year 1978 at $15,000,000 (see attached notes).

Note: Total program costs equals $99,440,000. Total number of refugees equals 3,834,735. Average per capita cost equals $25.93.

NOTES TO TABLE I

1. Statistics in Table I often include estimated refugee populations. All programs are included which provide basic support in countries of first asylum. In some cases, the country of first asylum may also be the country of final resettlement and some of these funds may be used for resettlement purposes.

Differences in per capita expenditures need to be viewed with extreme care since each refugee situation is different. The following are some of the factors which can lead to differing per capita costs:

Proportion of refugees in transit. Temporary arrangements are generally more expensive. Thus, per capita care and maintenance costs in Indochinese boat cases are generally higher than those in camp cases in Thailand. Soviet and Eastern European refugees are almost all in transit.

Actual cost differences in area of maintenance. Soviet refugees are largely located in the Rome area which is very expensive. Care and maintenance costs for Indochinese boat refugees in Hong Kong is much higher than for similar refugees in Malaysia.

The standard of living of the general population of the host country sometimes places a constraint on the amount of assistance which can be given. Assistance to refugees in a number of African and Asian countries is below levels which would be considered acceptable in the United States. Governments of host countries, however, point out that it would be unacceptable to them politically and morally if the refugees were supported at a level above that of the general population. To achieve that, they argue, a general development program, benefiting all elements of the population, is called for.

Participation by other donor countries in the programs in question. The Soviet program is funded largely by the United States; there is very wide participation by other countries in African programs. The large movements of ethnic Germans from Poland and elsewhere in Eastern Europe are absorbed and funded entirely by the Federal Republic of Germany and do not appear on these tables at all.

2. P.L. 480: Contributions in kind under the PL 480 program depend on demonstrated humanitarian requirements but also on commodity availability. In FY 1977, PL 480 contributions totaled $6.5 million; in FY 1978, an estimated $15.0 million. Humanitarian requirements appear likely to remain at least as high in FY 1979.

3. Africa: The figures shown are the estimates of the UNHCR as of May 31, 1978 (see attached table). They do not show displaced persons including an estimated 155,000 displaced persons in Ethiopia receiving assistance from the UNHCR.

Displaced persons in Africa can be assisted only through AID Foreign Disaster Relief funds or PL 480. In FY 1978, AID/OFDA funds were provided in the following amounts:

Displaced persons in Ethiopia, $2.43 million to UNHCR.

Displaced persons in Zaire, $222,000 to ICRC.

AID refugee funds of $14.0 million are limited to use in Southern Africa other than Mozambique. Those countries with refugee problems are Zambia, Botswana, Lesotho, Swaziland (and Namibia). ORM funds, including those added at Congressional initiative, can be used for refugees anywhere in Africa except Mozambique and Angola.

Per capita figure does not include Disaster Relief or PL 480 contributions which may become available during FY 1979. These resources have been relatively frequently used for refugee/displaced persons problems in Africa.

The European countries, especially Netherlands, Germany and the Nordic countries are heavy contributors to African refugee problems.

4. Indochinese: The United States has funded something over 60 percent of Indochinese care and maintenance costs. With the recent rapid growth in this refugee population and commensurate increases in costs, the requested amounts will cover only 25–30 percent of estimated UNHCR costs for this program.

5. Burma/Bangladesh: This is a mixed refugee/displaced person situation funded largely from UNHCR emergency funds. The United States contribution was $500,000 from AID Foreign Disaster Relief funds. Future funding not clear.

6. Soviets and Eastern Europe: This includes some refugees who are in process of resettlement in Europe and who are receiving only partial assistance. Most, however, are in transit to the United States.

7. Palestinians and Cypriots: Both of these programs, one administered by State/IO (Palestinians) and one by AID (Cyprus), involve continuing assistance to established populations which can be regarded as only partially in a refugee status.

8. Other Refugees: Most of these refugees are already resettled and assistance is limited

to legal protection and counseling services. Over 500,000 such refugees are in Europe; mostly Soviet and Eastern European refugees, but also Latin Americans, Indochinese and returnees from Angola in significant numbers. Also included are substantial groups of Assyrians and Armenians located in Lebanon, Greece, and Egypt and about 35,000 Kurds in Iran.

9. Elements in the HA/ORM FY 1979 budget which are included in figures on this table are:

United Nations High Commissioner for Refugees:	
Indochinese refugees	$5,500,000
African refugees	3,225,000
Latin American refugees	800,000
Other refugees	525,000
Subtotal	10,050,000
African refugees (added at congressional initiative)	5,000,000
U.S. refugee program:	
Assistance to refugees from Communist dominated countries	12,290,000
Assistance to refugees resettling in Israel (added at congressional initiative)	600,000
Total	27,940,000

AFRICAN REFUGEES [1]—UNHCR ESTIMATES AS OF MAY 31, 1978

Problem area/country of asylum	Total	Origin of main groups	Numbers requiring assistance
Grand total	2,114,935		832,735
Horn of Africa	662,500		231,000
Djibouti	12,500	Ethiopian	11,000
Somalia	500,000	do	150,000
Sudan	150,000	Ethiopian, Zairian, Ugandan	70,000
Southern Africa	927,135		420,935
Botswana	10,700	Rhodesian, South African, Angolan, Namibian.	4,800
Lesotho	1,000	South African	1,000
Swaziland	135	do	135
Mozambique	70,000	Rhodesian	60,000
Angola	250,000	Zairian, Namibian	235,000
Zambia	65,300	Angolan, Rhodesian, Namibian	20,000
Zaire	530,000	Angolan, Rhodesian, Burundi	100,000
East Africa	272,500		135,000
Kenya	6,000	Ugandan, Ethiopian	5,000
Uganda	112,000	Rwandese, Zairian, Ethiopian, Kenyan.	500
Tanzania	154,500	Burundi, Rwandese, Ugandan, South African.	130,000
Other	252,800		45,300
Algeria, Morocco, Tunisia	3,800	Latin American, African, European.	2,000
Egypt	4,500	Armenian, Ethiopian, South African, Ottoman.	3,000
Burundi	50,000	Rwandese	5,000
Cameroon	30,000	Equatorial Guinean	7,000
Gabon	90,000	do	10,000
Rwanda	7,500	Burundi	300
Senegal	37,000	Guinean	3,000
Miscellaneous	30,000	Various, including South African students.	15,000

[1] Not including displaced persons remaining within their national boundaries.

BUDGET ANALYSIS—HA/ORM FISCAL YEAR 1979—II. REFUGEE RESETTLEMENT PROGRAMS WHICH REQUIRE INTERNATIONAL MOVEMENT

Program name	Number of refugees involved	Screening selection and documentation	Selection per capita	Sponsor search and initial placement	Placement per capita	International air transport	Travel per capita	Total	Program per capita cost
Indochinese:									
(a) to the United States	34,500	$2,415,000	$70.00	$12,075,000	$350.00	$17,940,000	$520.00	$32,430,000	$940.00
(b) to 3d countries	12,000	0	0	0	0	2,000,000	166.66	2,000,000	167.00
Soviet and Eastern Europeans:									
(a) to the United States	14,450	1,600,000	110.72	2,167,500	150.00	1,500,000	83.33	5,267,500	365.00
(b) to Israel	10,000	0	0	0	0	3,000,000	300.00	3,000,000	300.00
All others:									
(a) to the United States	5,550	0	0	832,500	150.00	0	0	832,500	150.00
(b) to Latin America	3,000	0	0	0	0	400,000	133.33	400,000	133.00
Total	79,500	4,015,000	$50.50	15,075,000	189.62	24,840,000	312.45	43,930,000	552.57

Note: Total program cost, $43,930,000; total number of refugees, 79,500; per capita cost, $552.57.

NOTES TO TABLE II

1. This table attempts to select out those costs which are related primarily to the selection and movement of refugees to a country of resettlement.

2. All "other refugees to the U.S." include an estimated 1,200 Chinese, 600 Kurds, 400 Afghanistanis, 300 Africans, 1,000 from the Middle East, 1,000 Latin Americans, 500 Cubans from Spain, and 500 miscellaneous.

3. Screening, selection and documentation.—

a. For the Indochinese refugee program this involves extensive screening activities by Joint Voluntary Agency Representative (JVR) staffs to assist in choosing refugees from a larger population to participate in the United States program. The use of the JVR substantially reduces requirements for official United States personnel.

b. This item for the Soviet and Eastern European program assists in meeting the administrative costs of American Voluntary Agencies in Europe which are assisting those refugees in preparing documentation for their entry into the United States. Some language training is also included in this item.

4. Sponsor search and initial placement: These grants are expected to assist in meeting the cost of seeking sponsors and the basic initial placement of the refugees. Pocket money, early months rent and maintenance, and initial limited medical care are the types of expenses envisaged. These are expenses shared with sponsors and voluntary agencies and the grants are not expected to cover all such expenses.

These grants are set at $350 per capita for the Indochinese program. Grants of $250 per capita have been paid in FY 1978 for non-Indochinese refugees. In FY 1979, however, only $3,000,000 is budgeted for such grants. With an increased outflow of these refugees, now estimated at 20,000, this will suffice only to pay an initial placement grant of $150 per capita.

It should be noted, however, that the domestic resettlement grants for non-Indochinese or Cuban refugees shown on the following Table III are designed to assist the voluntary agencies in resettling this group of refugees, thus minimizing the impact of the lower reception and placement grants.

5. International Air Transport: Obviously, this item varies with the distance to be traveled by the refugee.

However, it should also be noted that the item shown for Soviet and Eastern European refugees is not adequate to meet projected requirements. For 14,450 refugees, this could be expected to total almost $4,000,000.

The $2,000,000 for Indochinese to third countries is contributed to the UNHCR for transportation costs to encourage resettlement in third countries, primarily France.

The $3,000,000 for Soviet refugees to Israel is estimated based on past experience and the assumption that the $25,000,000 added to the HA/ORM budget at Congressional initiative will be approved.

6. The funds listed on this table are all to be found in the HA/ORM budget as follows:

United Nations High Commissioner for Refugees:	
Indochinese refugees	$2,000,000
U.S. refugee program:	
Assistance to refugees from Communist dominated countries	6,100,000
Budget amendment for Indochinese program	32,430,000
Soviet refugees resettling in Israel: (added at congressional initiative)	3,000,000
Intergovernmental Committee for European Migration:	
For movement of refugees in "other" category	400,000
Total	43,930,000

BUDGET ANALYSIS—HA/ORM FISCAL YEAR 1979—III. REFUGEE DOMESTIC INTEGRATION AND ASSIMILATION COSTS SUBSEQUENT TO THEIR ARRIVAL IN RESETTLEMENT LOCATIONS

Program name	Number of refugees involved	Source of funding	Amount of USG contribution	USG per capita expenditure
1. Cuba	[1] 72,000	HEW	$52,000,000	[2] $722
2. Indochinese	[3] 74,000	HEW	[4] 87,700,000	[2] 1,185
	[5] 170,000			[5] 516
3. Soviets and Eastern Europeans	[6] 21,000	ORM	15,000,000	714
4. Soviet Jews to Israel	10,000	ORM	21,400,000	2,140
5. Others	[6] 7,000	ORM	5,000,000	714
	184,000			[2] 984
Total	[6] 280,000		181,100,000	[5] 647

[1] The number of Cuban refugees needing medical, education, and social services.
[2] This calculation is based on the refugee population actually drawing assistance. It is not spread over the total of refugee population entering the United States. The Cuban per capita cost is lower than actual due to Federal coverage of SSI costs under the regular SSI program.
[3] The number of Indochinese needing cash assistance, medical and social services.
[4] Actual costs depend on 1978 legislation (other bills currently before Congress).
[5] This calculation is based on the total Indochinese population; this may be a more relevan number, since all Indochinese have come to the United States since 1975, whereas the Cuban have been here since the early 1960's.
[6] Includes 6,550 refugees already arrived in the United States in the last 6 mo of fiscal year 1978.

Note: Total program cost, $181,100,000; total number of refugees, $280,000; per capita cost $647.

NOTES TO TABLE III

1. This table brings together expenditures associated with longer term refugee resettlement costs. The table illustrates two quite different strategies for dealing with these problems. In the case of Cuban and Indochinese refugees, funds are provided to reimburse the States for welfare costs associated with refugee resettlement. In addition, special project funds are administered by HEW for language and skills training and related programs. Similar expenses for Soviets, Eastern European and other refugees coming to the United States are proposed to be covered through a new program which would provide funds to voluntary agencies on a matching basis to assist these refugees in this respect.

2. Certain conceptual problems are involved in developing per capita cost figures in HEW administered programs. The services are available to the entire refugee population concerned, on an eligibility basis, but clearly not all will require these services. In the case of Cuban refugees who have been here much longer, per capita figures have been provided on the basis of that proportion of the population which is actually receiving services. The per capita figure would, of course, be much lower if based on the over 600,000 Cuban refugees who have come to the United States. With respect to Indochinese refugees, who have been here only since 1975, per capita figures are provided both for the total population and for those actually receiving benefits.

3. The program for Soviet, Eastern European and other refugees is a new one, proposed to be funded in FY 1979 at $20,000,000. Covering all refugees other than Cuban and Indochinese, the program is designed to help the voluntary agencies responsible for resettling these refugees to provide some of the services provided through HEW for Cubans and Indochinese. The per capita figure is based on refugees expected to arrive in FY 1979 plus those estimated for the last six months of FY 1978 who will also be eligible to receive such benefits. It should be noted that services provided under the reception and placement grants shown on Table II phase into those to be provided under this item. Thus, inadequacies in the level of the reception and placement grants can be compensated by this program. It is noted on Table II that funds available for reception and placement grants would only be adequate to provide per capita grants of $150 based on the estimated number of such refugees for FY 1971.

In order to pay a reception and placement grant of $350, equal to that paid for Indochinese refugees, for the full 20,000 estimated refugees other than Cuban or Indochinese, an additional $200 per capita or $4,000,000 would be required. If, for purposes of comparability, this sum were subtracted from the $20,000,000 in resettlement grants for Soviet, Eastern European and other refugees in Table III, the per capita figure for these refugees in Table III would be $533 and the per capita figure for Soviet, Eastern European and "other" refugees in Table II would be increased by $200.

4. In broad terms the items included in Table III for the various refugee groups are as follows:

a. Cuban Refugees: Medical assistance, cash assistance, social services such as job placement, counseling and mental health activities, vocational skills and language training programs.

b. Indochinese Refugees: Medical assistance, cash assistance, social services such as job placement, counseling and mental health activities, vocational skills and language training programs.

c. Soviet and Eastern Europeans resettling in the United States: Assistance would be provided in counseling and job placement, vocational skills training, professional recertification, language training and training related care and maintenance. Funds will be provided on a matching basis against funds provided by the contracting voluntary agency.

d. Soviet Jews to Israel: Enroute care and maintenance, care and maintenance at absorption centers and hostels and Ulpanim, maintenance at youth Aliyah institutions, rental payments, financial assistance to needy refugees, scholarships, training, retraining and maintenance for artisans and technicians, absorption of professionals, and old age grants and rental subsidies for the aged.

5. Funding on Table III which is included in the HA/ORM budget is as follows:

U.S. refugee program:	
Resettlement assistance to refugees resettling in the United States	$20,000,000
Soviet refugees resettling in Israel (added at congressional initiative)	21,400,000
Total	41,400,000

BUDGET ANALYSIS—HA/ORM FISCAL YEAR 1979

[IV. Refugee program costs which cannot be identified with specific programs, but which support the infrastructure of the total international effort instead]

Program name	Source of funding	Amount of USG contribution	Percent of total ORM budget	Remarks
1. UNHCR	IO	[1] $2,500,000	2.2	[2]
2. ICRC	ORM	800,000	.7	
3. ICEM	ORM	3,200,000	2.8	
4. State administration	ORM	3,566,000	3.1	
		10,066,000	8	[3]
Totals		7,566,000	6	[4]

[1] Estimated fiscal year 1979 contribution.
[2] Not part of the ORM budget.
[3] Percentage including the IO budget costs.
[4] ORM only.

Mr. INOUYE. Mr. President, we have discussed this matter very thoroughly in the committee, and my colleague, the ranking member of the subcommittee, has a substitute worked over by his friend from Maryland (Mr. MATHIAS) and his friend from New Jersey (Mr. CASE). I am pleased to say that the amendment, the substitute, is acceptable.

The PRESIDING OFFICER. The Senator from Pennsylvania.

UP AMENDMENT NO. 1892

Mr. SCHWEIKER. I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The Chair would advise the Senator until the time has expired on the amendment presently pending the substitute will not be in order.

Mr. INOUYE. Mr. President, I ask unanimous consent that the substitute be in order at this time.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will report the amendment.

The second assistant legislative clerk read as follows:

The Senator from Pennsylvania (Mr. SCHWEIKER), for himself, Mr. MATHIAS, and Mr. CASE, proposes an unprinted amendment numbered 1892.

Mr. SCHWEIKER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

In lieu of amendment by Senator INOUYE insert the following: "*Provided further*, That $20 million of these funds be expended only by HEW for the resettlement in the United States of Soviet and other refugees not currently covered by existing federal refugee programs: *Provided further*, That these funds shall be administered in a manner that ensures equity in the treatment of all refugees receiving federal assistance:".

Mr. SCHWEIKER. Mr. President, I think the chairman of our subcommittee has made a very important point about equity and equality in refugee treatment, and because of his leadership and because of his work in this area, we desire to work something out that complies with what I think are fair goals, but also complies with some other concerns that I have, and concerns expressed by Senator MATHIAS, who has done a lot in this area, Senator CASE, and Senator JAVITS.

This is a good faith effort to preserve a concept that I think meets the agreement of all Senators, which reflects the equity of consideration and treatment among all refugees that the Senator from Hawaii wishes to accomplish.

RESETTLEMENT OF SOVIET AND OTHER REFUGEES IN THE UNITED STATES

Mr. SCHWEIKER. Mr. President, I would like to commend my colleague from Hawaii, Senator INOUYE, for his many humanitarian efforts on behalf of refugees.

The bill before us today, to cite but one example, includes $115 million to aid refugees here in the United States and around the world, and is largely the result of Senator INOUYE's leadership of the Appropriations Subcommittee on Foreign Operations.

As chairman, Senator INOUYE has taken a special interest in the resettlement of refugees here in the United States, and he has emphasized the need for appropriate resettlement benefits to be made available to all refugees in our country regardless of country or origin, in a manner that insures self-sufficiency and independence of the refugees in their new American communities.

The dilemma of refugee resettlement has most recently involved refugees from the Soviet Union.

Since 1972, over 25,000 refugees have emigrated from the Soviet Union to the United States to escape political and religious persecution. The United States has welcomed these new immigrants on humanitarian rights principles and many have been admitted to this country under the State Department's parole system. While some Federal funds have been made available for refugee transportation to this country, the tasks of resettlement, job training, education, counseling, and social services have been funded almost entirely by private, voluntary agencies with philanthropic dollars. In 1977, the American Jewish community alone spent over $20 million to help resettle the 6,800 Soviet refugees who arrived in the United States.

The number of Soviet refugees coming to the United States has almost doubled this year due to the salutary effect of the Helsinki Accord and the steadfastness of Congress and the administration, but this has severely strained the financial abilities of the voluntary agencies to provide resettlement services.

To remedy the situation, President Carter has requested and both the House and Senate have approved, a $20 million authorization under the State Department's U.S refugee program to be used for matching grants to voluntary agencies to continue their resettlement of Soviet and other refugees in the United States, who are not currently covered by Federal refugee programs.

Twenty million dollars of the funds appropriated by H.R. 12931 will be used for this vital program. These funds will help insure equitable treatment for Soviet and other refugees not currently covered by Federal resettlement programs.

Currently, new Indochinese refugees, for example, are recipients of over $1,200 per capita in special Federal program funds:

$350 per capita from State Department for initial resettlement;

$850 per capita from HEW for reimbursement of State welfare agencies for cash, medical, and social service payments (Indochinese refugees who have been in this country for more than 1 year receive an average of $698 per capita in welfare agency benefits);

$10.25 million for an HEW emergency adult education program for Indochinese adults; and

$10 million for an HEW special job-training program for Indochinese.

(These funds have also been used for medical retraining and recertification of Indochinese physicians to help them pass the Council of Foreign Medical Graduates Examination, required before foreign physicians can practice in the United States. Note: The Cuban refugee program also provided retraining funds for Cuban physicians.)

New Soviet refugees, on the other hand, are not eligible for the above programs and receive no special Federal program support for resettlement costs in the United States. The Appropriations Committee estimates that the proposed program would result in benefits of $1,100 for each Soviet or other refugee not covered by existing refugee resettlement programs.

As the House International Relations Committee stated in its report authorizing the program, it is important that "the program be structured on a dollar-for-dollar matching grant basis," to the established voluntary agencies which have historically done such an excellent job of settling Soviet and other refugees with philanthropic dollars. This will provide "equal participation by the American public and private sectors."

Implementation in this manner will also insure both successful resettlement as well as equity with benefits currently received by Indochinese refugees. It may not be appropriate, however, to administer the proposed program in exactly the same way as HEW administers the Indochinese resettlement program. Currently, HEW's program for the Indochinese is aimed primarily at reimbursement of State welfare agencies ($124 million were appropriated for the purpose in fiscal year 1978). Some 30 percent of the Indochinese refugees are receiving welfare payments.

Only 2.5 percent of Soviet refugees currently receive welfare payments—A result of the education and job training programs sponsored for these refugees by American voluntary resettlement agencies. A welfare agency-oriented program would not foster the economic and social self-sufficiency of Soviet refugees necessary for their successful absorption in our country as independent citizens. Additionally, visa requirements for the Soviet refugees preclude refugee dependence on public welfare payments, and the voluntary agencies are insistent that the refugees not rely on welfare benefits. Finally, Soviet refugees who are on welfare 2 years after their arrival in the United States are not allowed to change their status to permanent residents. Indochinese refugees, on the other hand, can become permanent residents even though they are on welfare.

Thus, a system of matching grants through the voluntary agencies, as discussed by the House authorizing committee, seems an appropriate solution. We would also hope that these grants would be coordinated on a national level to insure a planned and comprehensive system of resettlement services.

However, Senator INOUYE has raised the excellent point that HEW, which administers the larger share of refugee resettlement funds, should be responsible for this new program as well. Such consolidation of refugee programs is entirely appropriate and I commend the chairman for his suggestion. In order to achieve this goal, I offer the amendment.

Mr. MATHIAS. Mr. President, will the Senator yield for a question?

The PRESIDING OFFICER. All time on the amendment has expired.

Mr. SCHWEIKER. Mr. President, I ask unanimous consent that my full statement be printed in the RECORD, that Jack Robertson of Senator HATFIELD'S staff be accorded the privilege of the floor, and that the Senator from Maryland (Mr. MATHIAS) may have a minute to ask a question.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MATHIAS. I thank the Senator.

Mr. President, am I correct in assuming that this amendment will still allow HEW to administer the program through matching grants to voluntary agencies, as has been requested by the administration and as was stated in the House International Relations Committee report authorizing the program?

Mr. SCHWEIKER. That is correct.

Mr. MATHIAS. Is that the chairman's understanding?

Mr. INOUYE. Yes.

Mr. MATHIAS. I commend the voluntary resettlement agencies which have done such an excellent job of resettling refugees in our country with philanthropic dollars. I am hopeful that this new program of Federal assistance will enable them to continue their job in a planned and coordinated manner, and on a national level.

I also want to thank the chairman for his leadership role in the establishment of our refugee programs and for his many humanitarian efforts in this regard.

Mr. President, I think we can all agree with Senator INOUYE that we must have equity in the treatment of our refugees. One of the reasons that this program is so vital is that Soviet refugees currently receive no special Federal assistance for resettlement in the United States and are not eligible for the major HEW programs that are available to the Indochinese. In addition to the $350 that go to voluntary agencies for initial resettlement of the Indochinese, HEW will reimburse State welfare agencies an average of $850 per capita in fiscal year 1979 for cash, medical, and social service payments to the Indochinese, as well as sponsoring several major education and

job training programs—including Indochinese physician recertification—which are open only to the Indochinese.

Since none of the HEW reimbursement or job training programs can be used by Soviet and other refugees not covered by the existing Federal refugee resettlement programs, American voluntary agencies have been absorbing almost the entire cost of resettling these refugees with philanthropic dollars.

REFUGEE RESETTLEMENT PROGRAM

● Mr. JAVITS. Mr. President, I am in complete sympathy with Senator INOUYE's concern that all refugees entering the United States be treated equally. To do otherwise would hardly be an appropriate welcome to any refugee, and I believe all have been treated equally to this point and will be so treated in the future. I was especially gratified to learn of the interpretation of the Schweiker amendment by Senator SCHWEIKER himself and Chairman INOUYE that the private voluntary organizations that have been participating so effectively in the Soviet refugee resettlement program under the administration of the Department of State would, of course, also be participants in the resettlement program for these people under the administration of the Department of Health, Education, and Welfare. I believe that is essential to the success of this important and humanitarian program.●

The PRESIDING OFFICER. The question is on agreeing to the substitute amendment (UP No. 1892) of the Senator from Pennsylvania (Mr. SCHWEIKER).

The amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment (UP No. 1891) of the Senator from Hawaii, as amended.

The amendment, as amended, was agreed to.

The PRESIDING OFFICER. The clerk will report the next committee amendment.

The assistant legislative clerk read as follows:

On page 20, line 11, strike "$220,000,000" and insert "$309,643,124";

Mr. HARRY F. BYRD, JR. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. The Chair would advise the Senator that the yeas and nays have already been ordered. Is all remaining time yielded back?

Mr. INOUYE. I yield back any remaining time.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 20, line 11. On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. LONG (after having voted in the negative). Mr. President, on this vote I have a pair with the distinguished Senator from Delaware (Mr. BIDEN). If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withdraw my vote.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Alabama (Mrs. ALLEN), the Senator from Minnesota (Mr. ANDERSON), the Senator from Delaware (Mr. BIDEN), the Senator from Arkansas (Mr. BUMPERS), the Senator from North Dakota (Mr. BURDICK), the Senator from Mississippi (Mr. EASTLAND), the Senator from Colorado (Mr. HART), the Senator from Colorado (Mr. HASKELL), the Senator from Maine (Mr. HATHAWAY), the Senator from Arkansas (Mr. HODGES), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from New Hampshire (Mr. MCINTYRE), the Senator from North Carolina (Mr. MORGAN), the Senator from New York (Mr. MOYNIHAN), the Senator from Rhode Island (Mr. PELL), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), the Senator from Mississippi (Mr. STENNIS), and the Senator from New Jersey (Mr. WILLIAMS) are necessarily absent.

I also announce that the Senator from Connecticut (Mr. RIBICOFF) is absent on official business.

I further announce that, if present and voting, the Senator from Rhode Island (Mr. PELL) and the Senator from North Carolina (Mr. MORGAN) would each vote "yea."

Mr. HANSEN. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Oklahoma (Mr. BARTLETT), the Senator from Oklahoma (Mr. BELLMON), the Senator from Massachusetts (Mr. BROOKE), the Senator from New Jersey (Mr. CASE), the Senator from Nebraska (Mr. CURTIS), the Senator from Michigan (Mr. GRIFFIN), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Idaho (Mr. MCCLURE), the Senator from Illinois (Mr. PERCY), the Senator from Delaware (Mr. ROTH), the Senator from New Mexico (Mr. SCHMITT), the Senator from Vermont (Mr. STAFFORD), the Senator from Alaska (Mr. STEVENS), the Senator from Texas (Mr. TOWER), the Senator from Wyoming (Mr. WALLOP), and the Senator from North Dakota (Mr. YOUNG) are absent on official business.

The result was announced—yeas 39, nays 20, as follows:

[Rollcall Vote No. 392 Leg.]

YEAS—39

Bayh	Gravel	Mathias
Bentsen	Hatfield,	Matsunaga
Byrd, Robert C.	Mark O.	McGovern
Chafee	Hatfield,	Metzenbaum
Chiles	Paul G.	Muskie
Church	Heinz	Nelson
Clark	Humphrey	Packwood
Cranston	Inouye	Pearson
Culver	Jackson	Riegle
Danforth	Javits	Sarbanes
Dole	Kennedy	Schweiker
Durkin	Leahy	Stevenson
Eagleton	Lugar	Stone
Glenn	Magnuson	

NAYS—20

Byrd,	Goldwater	Proxmire
Harry F., Jr.	Hansen	Randolph
Cannon	Hatch	Scott
DeConcini	Johnston	Talmadge
Domenici	Laxalt	Thurmond
Ford	Melcher	Weicker
Garn	Nunn	Zorinsky

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Long, against.

NOT VOTING—40

Abourezk	Hart	Ribicoff
Allen	Haskell	Roth
Anderson	Hathaway	Sasser
Baker	Hayakawa	Schmitt
Bartlett	Helms	Sparkman
Bellmon	Hodges	Stafford
Biden	Hollings	Stennis
Brooke	Huddleston	Stevens
Bumpers	McClure	Tower
Burdick	McIntyre	Wallop
Case	Morgan	Williams
Curtis	Moynihan	Young
Eastland	Pell	
Griffin	Percy	

So the committee amendment was agreed to.

The PRESIDING OFFICER (Mr. MELCHER). The clerk will state the next committee amendment.

The assistant legislative clerk read as follows:

On page 23, line 4, strike "$424,400,000" and insert in lieu thereof "$500,000,000".

The PRESIDING OFFICER. The Senator from Utah.

Mr. HATCH. Mr. President, before we go to this amendment, I made a technical mistake. Senator BYRD will cover line 4 and line 5, and I made a technical mistake and meant to cover lines 22 through 25. I ask unanimous consent that we be able to consider that as the next in order amendment.

Mr. INOUYE. Will the Senator yield for a question?

Mr. HATCH. I certainly will.

Mr. INOUYE. Am I correct in assuming that the Senator has no objection to the amendment appearing on lines 4 and 5?

Mr. HATCH. Senator BYRD does, but I wanted to get a unanimous consent to go to lines 22 through 25. I will not speak to it. I would just ask for the vote.

Mr. INOUYE. Mr. President, I have no objection. I believe there is sufficient time because on this last vote we did not spend any time discussing the matter.

I ask unanimous consent, Mr. President, that the Senator from Utah be given 5 minutes to explain his amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HATCH. Mr. President, I yield to the distinguished Senator from Virginia.

Mr. HARRY F. BYRD, JR. Mr. President, the pending amendment would add $79 million for the International Development Fund. I feel that that Fund already has adequate sums in it. This committee amendment would be $79 million more than the House approved. I urge rejection of the committee amendment.

Mr. INOUYE. Mr. President, I hope the Senate will concur with the action taken by the committee. Of all the windows of all the international banks, this is the window bank that restricts itself solely to the poorest countries. This is the so-called soft window. I would hope that the Senate will concur with this.

The amount that we have requested is still below that requested by the administration. I grant you, Mr. President, that it does exceed that of the House.

We feel that the $500 million we have suggested will carry out the programs adequately.

Mr. President, I am prepared to yield back the remainder of my time.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment. The yeas and nays have been ordered, and the clerk will call the roll.

The second assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Alabama (Mrs. ALLEN), the Senator from Minnesota (Mr. ANDERSON), the Senator from Arkansas (Mr. BUMPERS), the Senator from North Dakota (Mr. BURDICK), the Senator from Mississippi (Mr. EASTLAND), the Senator from Colorado (Mr. HASKELL), the Senator from Maine (Mr. HATHAWAY), the Senator from Arkansas (Mr. HODGES), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from New Hampshire (Mr. MCINTYRE), the Senator from North Carolina (Mr. MORGAN), the Senator from New York (Mr. MOYNIHAN), the Senator from Rhode Island (Mr. PELL), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Mississippi (Mr. STENNIS), are necessarily absent.

I also announce that the Senator from Connecticut (Mr. RIBICOFF), is absent on official business.

I further announce that, if present and voting, the Senator from Rhode Island (Mr. PELL) and the Senator from North Carolina (Mr. MORGAN) would each vote "yea."

Mr. HANSEN. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Oklahoma (Mr. BARTLETT), the Senator from Oklahoma (Mr. BELLMON), the Senator from Massachusetts (Mr. BROOKE), the Senator from New Jersey (Mr. CASE), the Senator from Nebraska (Mr. CURTIS), the Senator from Michigan (Mr. GRIFFIN), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Idaho (Mr. MCCLURE), the Senator from Illinois (Mr. PERCY), the Senator from Delaware (Mr. ROTH), the Senator from New Mexico (Mr. SCHMITT), the Senator from Vermont (Mr. STAFFORD), the Senator from Alaska (Mr. STEVENS), the Senator from Texas (Mr. TOWER), the Senator from Wyoming (Mr. WALLOP), and the Senator from North Dakota (Mr. YOUNG) are necessarily absent.

The result was announced—yeas 41, nays 22, as follows:

[Rollcall Vote No. 393 Leg.]

YEAS—41

Bayh	Hart	Matsunaga
Bentsen	Hatfield, Mark O.	McGovern
Chafee	Hatfield, Paul G.	Muskie
Chiles	Heinz	Nelson
Church	Humphrey	Nunn
Clark	Inouye	Packwood
Cranston	Jackson	Pearson
Culver	Javits	Riegle
Danforth	Kennedy	Sarbanes
DeConcini	Leahy	Schweiker
Durkin	Lugar	Stevenson
Eagleton	Magnuson	Weicker
Ford	Mathias	Williams
Glenn		
Gravel		

NAYS—22

Biden	Goldwater	Proxmire
Byrd, Harry F., Jr.	Hansen	Randolph
Byrd, Robert C.	Hatch	Scott
Cannon	Johnston	Stone
Dole	Laxalt	Talmadge
Domenici	Long	Thurmond
Garn	Melcher	Zorinsky
	Metzenbaum	

NOT VOTING—37

Abourezk	Haskell	Ribicoff
Allen	Hathaway	Roth
Anderson	Hayakawa	Sasser
Baker	Helms	Schmitt
Bartlett	Hodges	Sparkman
Bellmon	Hollings	Stafford
Brooke	Huddleston	Stennis
Bumpers	McClure	Stevens
Burdick	McIntyre	Tower
Case	Morgan	Wallop
Curtis	Moynihan	Young
Eastland	Pell	
Griffin	Percy	

So the committee amendment was agreed to.

UP AMENDMENT NO. 1893

Mr. McGOVERN. Mr. President, I ask unanimous consent that I be permitted to call up an amendment to the bill and speak on it for 3 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LEAHY. Will the Senator yield for a unanimous-consent agreement without losing his right to the floor?

Mr. McGOVERN. I shall be happy to yield after the amendment is stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from South Dakota (Mr. McGOVERN) proposes an unprinted amendment numbered 1893.

Mr. McGOVERN. I ask unanimous consent that further reading be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 17, line 14, strike the period, insert in lieu thereof a comma, and add the following "and except that the President may waive this prohibition with respect to any such country if he determines, and so reports to the Congress, that furnishing such assistance to such country would further the foreign policy interests of the United States."

Mr. LEAHY. Mr. President, I ask unanimous consent that the privilege of the floor be granted for the rest of the day to Robert Paquin of my staff.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. McGOVERN. Mr. President, I have discussed this with the distinguished managers of the bill, the Senator from Hawaii (Mr. INOUYE) and the Senator from Pennsylvania (Mr. SCHWEIKER). The amendment is nothing more than an effort to make the foreign assistance appropriations legislation consistent with authorizing legislation already enacted by the Congress. I am referring to prohibitions on direct aid to Angola and Mozambique. My amendment provides that the President may waive this prohibition with respect to either country if he determines, and so reports to the Congress, that furnishing such assistance to such country would further the foreign policy interests of the United States.

I say to the Senators that this is precisely the language of the amendment offered by Senator BYRD of Virginia and the waiver authority makes important sense in this part of the world. I think it is crucial that we give the President the authority that he needs to deal with the constantly changing circumstances in that part of the globe.

My amendment would make this provision consistent with an amendment to S. 3075, the International Security Assistance Act of 1978, which was offered by the distinguished Senator from Virginia (Mr. BYRD).

Mr. President, I believe it to be imperative that the President be given this flexibility in dealing with Angola and Mozambique, particularly if it would enhance the foreign policy interests of the United States.

I personally am opposed to the continuance of prohibitions on aid to Angola and Mozambique, but I also recognize the difficulty in lifting this restriction. In my estimation, by continuing the legislative prohibition on assistance to Angola and Mozambique, we only increase those nations' dependence on the Communist countries.

During the past year, relations with Mozambique have improved considerably. President Machel of Mozambique has publicly expressed his desire for closer ties with the United States in the economic, cultural, technical, and other fields. Mozambique is also seeking to attract U.S. private investment.

Although it has continued its close links with the Soviet Union and other Communist countries, Mozambique regards itself as a non-alined nation. It has been making a strong effort to broaden its ties with countries in the West and the Third World, an effort for which we should give every encouragement. It is important to note that Mozambique has not permitted any foreign country to establish military or naval bases on its soil, despite such a request from the Soviet Union that it be extended such rights.

Britain, Canada, Denmark, Norway, Sweden, and the Netherlands have already begun assistance programs in that country. If we are concerned over Mozambique's relations with communist countries, then the congressional restrictions present a puzzlement to President Machel who has difficulty understanding why his country is being singled out by the United States with an aid ban when he is seeking friendlier relations with us and other Western countries.

In the case of Angola, it is important for the President to be able to take advantage of the opportunities that exist to cooperate with that country on questions whose resolution is in the interest of both of us.

Efforts for a peaceful settlement of the Namibian question, in which the United States has been deeply involved for over a year, involved the cooperation of the Angolan Government. The Southwest African People's Organiza-

tion has accepted the Western proposal for majority rule in Namibia. The Government of Angola, through its close relations with SWAPO, played a crucial role in this development.

The Angolans also responded to our concern over two invasions of the Shaba Province in Zaire which were launched by Katangan rebels from Angolan territory. Angola and Zaire have now agreed to the stationing of African observers along their border to help prevent future occurrences of this nature. The Angolan Government also announced that it would move Zairian refugees in Angola back from the Zaire border and that the Katangan forces would be disarmed. In addition, the Benguela Railway, which is economically vital to Zaire, is being reopened.

Now that these agreements on Namibia have been reached and relations between Angola and Zaire have been improved, the next challenge will be to effect their smooth implementation. To this end it is imperative that the U.S. Government not endanger its influence and contacts with the Angolan Government.

How does the prohibition on aid to Angola affect our policy? Against the background of the Brazzaville accord with Zaire, the prohibition severely limits even the provision of purely humanitarian aid to support, for example, the repatriation of refugees.

More fundamentally, however, the continuing prohibition could be taken by the Angolan authorities as a signal that the United States is not interested in improving its relationship with Angola and indeed might be taken as a signal of long-term hostility. This would bring into question whether it is in Angola's interest to cooperate with us. Moreover, the fact of the existence of the legislative prohibition denies U.S. negotiators even the possibility of indicating an interest on our part in some form of bilateral assistance which would be reflective of, or responsive to, continued cooperation with the U.S. Government on matters of mutual interest.

In conclusion, Mr. President, I simply reiterate that all this amendment does is to give the President the ability to waive the prohibitions on direct aid if he determines, and so reports to Congress, that this waiver will further our Nation's foreign policy interests. This will make it consistent with the authorizing legislation already enacted by Congress, and insure the necessary flexibility for the President in pursuing the best interests of the United States.

At present, Mr. President, the administration has no plans to provide aid to Mozambique or Angola, but I think we should not restrict the President's flexibility in any event. This language would make the appropriations bill conform to the language that we previously approved in regard to the authorization bill. I hope the amendment will be accepted.

Mr. INOUYE. Mr. President, as manager of this bill, I am pleased to accept the amendment.

The PRESIDING OFFICER. Does the Senator yield back his time?

Mr. McGOVERN. I yield back the remainder of my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from South Dakota.

The amendment was agreed to.

Mr. McGOVERN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. INOUYE. I move to lay that motion on the table.

The motion to day on the table was agreed to.

The PRESIDING OFFICER. Pursuant to the request of the Senator from Utah, the vote on the committee amendment on page 23, lines 22 through 25, has been vitiated, and the clerk will state the amendment.

The assistant legislative clerk read as follows:

On page 23, line 22, after the word Code, strike the colon and *Provided further*, That none of the funds appropriated or otherwise made available by this paragraph shall be obligated or expended to finance any assistance or reparations to the Socialist Republic of Vietnam.

The PRESIDING OFFICER. The Senator from Utah.

Mr. HATCH. Mr. President, I ask for the yeas and nays on this amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. HATCH. Mr. President, I do not want to take very much time. All I want to bring up is that during the earlier debate in the House, Congressman YOUNG of Florida had offered an amendment prohiibting indirect assistance to Vietnam, among other countries. He had pointed out that, although no direct assistance was being given to Vietnam by the United States, the former had received money through UNICEF and it had a 50-year program under UNDP. In addition, the World Bank was supposed to consider shortly the first of five soft loans to Vietnam. The amendment had failed by five votes.

We found out later when he did bring up the amendment banning U.S. funds from being used by the World Bank's International Development Association to aid Vietnam, he cited the fact that in the intervening period the World Bank had approved the first of the five loans to Vietnam. Then he quoted a newspaper article as suggesting that "McNamara had held off presenting the loan until after the House had spoken on the foreign aid bill."

Of course, when they finally got this amendment in, it was approved in the House by a vote of 234 to 152, but later dropped by the Senate Appropriations Committee.

So I just recommend my fellow Senators vote to keep the House language in. I think that it is worthy of being kept in.

I thank the distinguished Senator from Hawaii for allowing me to bring this up at this time.

Mr. INOUYE. I am sorry, but I cannot concur with the argument submitted by my good friend from Utah.

If the proposition presented by the Senator from Utah were to prevail, it would most certainly jeopardize our continued participation in international banks.

I would like to point out that we are dealing with international banks, where for every dollar we put in, at least $3 comes from other donors. We cannot impose a condition upon other donors.

If we should vote for such a condition, then all other donors would be almost forced to impose their own conditions. With such conditional donations, the international banks would soon go out of existence.

So if we do believe in multilateral assistance, if we do believe in international banks, then I would urge my colleagues to support the committee amendment. To do otherwise would be to destroy international banks.

SEVERAL SENATORS. Vote.

The PRESIDING OFFICER. Is all time yielded back?

Mr. HATCH. Yes.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment. The yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senatcr from Alabama (Mrs. ALLEN), the Senator from Minnesota (Mr. ANDERSON), the Senator from Arkansas (Mr. BUMPERS), the Senator from North Dakota (Mr. BURDICK), the Senator from Mississippi (Mr. EASTLAND), the Senator from Colorado (Mr. HASKELL), the Senator from Maine (Mr. HATHAWAY), the Senator from Arkansas (Mr. HODGES), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from New Hampshire (Mr. MCINTYRE), the Senator from North Carolina (Mr. MORGAN), the Senator from New York (Mr. MOYNIHAN), the Senator from Rhode Island (Mr. PELL), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Mississippi (Mr. STENNIS) are necessarily absent.

I also announce that the Senator from Connecticut (Mr. RIBICOFF) is absent on official business.

I further announce that, if present and voting, the Senator from North Carolina (Mr. MORGAN) would vote "yea."

Mr. HANSEN. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Oklahoma (Mr. BARTLETT), the Senator from Oklahoma (Mr. BELLMON), the Senator from Massachusetts (Mr. BROOKE), the Senator from New Jersey (Mr. CASE), the Senator from Nebraska (Mr. CURTIS), the Senator from Michigan (Mr. GRIFFIN), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Idaho (Mr. MCCLURE), the Senator from Illinois (Mr. PERCY), the Senator from Delaware (Mr. ROTH), the Senator from New Mexico (Mr. SCHMITT), the Senator from Vermont (Mr. STAFFORD), the Senator from Alaska (Mr. STEVENS), the

Senator from Texas (Mr. TOWER), the Senator from Wyoming (Mr. WALLOP), and the Senator from North Dakota (Mr. YOUNG) are necessarily absent.

The result was announced—yeas 32, nays 31, as follows:

[Rollcall Vote No. 394 Leg.]

YEAS—32

Chafee	Hatfield,	McGovern
Chiles	Mark O.	Metzenbaum
Church	Hatfield,	Muskie
Clark	Paul G.	Nelson
Cranston	Humphrey	Packwood
Culver	Inouye	Pearson
Danforth	Jackson	Riegle
Durkin	Javits	Sarbanes
Eagleton	Kennedy	Stevenson
Glenn	Leahy	Williams
Gravel	Mathias	
Hart	Matsunaga	

NAYS—31

Bayh	Garn	Nunn
Bentsen	Goldwater	Proxmire
Biden	Hansen	Randolph
Byrd,	Hatch	Schweiker
Harry F., Jr.	Heinz	Scott
Byrd, Robert C.	Johnston	Stone
Cannon	Laxalt	Talmadge
DeConcini	Long	Thurmond
Dole	Lugar	Weicker
Domenici	Magnuson	Zorinsky
Ford	Melcher	

NOT VOTING—37

Abourezk	Haskell	Ribicoff
Allen	Hathaway	Roth
Anderson	Hayakawa	Sasser
Baker	Helms	Schmitt
Bartlett	Hodges	Sparkman
Bellmon	Hollings	Stafford
Brooke	Huddleston	Stennis
Bumpers	McClure	Stevens
Burdick	McIntyre	Tower
Case	Morgan	Wallop
Curtis	Moynihan	Young
Eastland	Pell	
Griffin	Percy	

So the committee amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next committee amendment.

The assistant legislative clerk read as follows:

On page 24, beginning with line 7, insert the following:

FUTURE UNITED STATES CONTRIBUTIONS TO THE INTERNATIONAL FINANCIAL INSTITUTIONS

It is the sense of the Congress that the United States share of contributions to future replenishments of the International Financial Institutions should not exceed the percentages enumerated below for each of the respective accounts within these institutions:

Asian Development Bank:
Paid-in capital, 16.3 percent;
Callable capital, 16.3 percent;
Asian Development Fund, 22.2 percent;
African Development Bank:
Special Fund, 18 percent;
Inter-American Development Bank:
Paid-in capital, 34.5 percent;
Callable capital, 34.5 percent;
Fund for Special Operations, 40 percent;
International Bank for Reconstruction and Development:
Paid-in capital, 24 percent;
Callable capital, 24 percent;
International Development Association, 25 percent;
International Finance Corporation, 23 percent.

Mr. HATCH. Mr. President, I withdraw my amendment to this section and will accept it the way it is.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The committee amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the next committee amendment.

The second assistant legislative clerk read as follows:

On page 29, line 9, strike "or indirectly";

Mr. HATCH. Mr. President, I am not going to take much time talking about this, but I hope my colleagues will support me in voting against the committee amendment, which would provide for funds to Cuba, at this particular point in our foreign relations with Cuba, especially since Cuba has been making a shambles of Africa and other areas of the world, including South Yemen.

I do not see any reason to say much more, other than that I think we should vote against the committee amendment in this situation, which strikes "or indirectly," so that Cuba can be helped indirectly.

I think that is the way we should vote. I was very disappointed on the last vote. So I ask my colleagues to please vote with us on this committee amendment, in stopping funds from going to Cuba at this time in our foreign relations with Cuba.

Mr. INOUYE. Mr. President, this amendment will also mean that whatever contributions we make to any bank or to any international institution will be a conditional contribution. These international organizations and international banks, cannot legally accept a conditional contribution.

If we were to establish this precedent of making a conditional contribution, it would almost certainly force every other contributing country to do the same. At the present time, countries that have joined in international organizations, such as the United Nations, have not placed conditions on their contributions.

Can you imagine what would happen if country A should say, "We will contribute to this function, provided Egypt, Israel, and Syria cannot benefit from this"; and country B comes forward and says, "We will contribute, provided Columbia, Guatemala, and Peru may not benefit from this provision"?

Mr. President, the multinational effort on the part of the countries of the world would be in absolute shambles. I hope the committee amendment is upheld.

Mr. SCOTT. Mr. President, will the Senator yield?

Mr. INOUYE. I am happy to yield.

Mr. SCOTT. Mr. President, I ask this question of the distinguished floor manager of the bill: Are we not indirectly contributing toward communism by the committee amendment?

Mr. INOUYE. We are contributing indirectly and directly to democratic causes.

Mr. SCOTT. But in response to my specific question, by giving to an international organization that is making loans or grants to Cuba or to Vietnam or to Communist governments, are not we really furthering communism in the world?

Mr. INOUYE. We are indirectly assisting, according to the Senator's definition, Communist organizations. But, I would contend that we are supporting democratic causes. If the Senate favors conditional contributions, then we might as well get out of all international organizations.

Mr. SCOTT. I think that is something worthy of consideration. But I am just restricting the matter at this time to our monetary contribution to the Communist cause when the taxpayers do want taxes reduced.

I appreciate the candor of the distinguished Senator.

Mr. JAVITS. Mr. President, will the Senator yield to me?

Mr. SCOTT. I yield.

Mr. JAVITS. Mr. President, we loan money to the Soviet Union, the biggest Communists of all. Our banks loan them money, as a matter of fact, and we do considerable trade with them, though not on the most favored nations basis, and Communist countries like Poland, Hungary, and Romania have other types of prime consideration with us.

Is it not a fact that we not only have to get out of all these international institutions which we believe right now are helping to keep the world together but we will have to sever all of these relations and simply have an absolute wall just like the Iron Curtain, if that is the way we are going to operate, and we have already taken that decision. We have taken it for years. So, what is the use in fly-specking it now and just trying to embarrass and encumber it?

That is why I believe on the whole the Senate on the last vote and I hope on this one will stand with the chairman on the committee.

Mr. SCOTT. Mr. President, if the Senator will yield briefly, when we are speaking of millions of dollars those are not fly specks.

SEVERAL SENATORS. Vote!

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The second assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Alabama (Mrs. ALLEN), the Senator from Minnesota (Mr. ANDERSON), the Senator from Arkansas (Mr. BUMPERS), the Senator from North Dakota (Mr. BURDICK), the Senator from Mississippi (Mr. EASTLAND), the Senator from Colorado (Mr. HART), the Senator from Colorado (Mr. HASKELL), the Senator from Maine (Mr. HATHAWAY), the Senator from Arkansas (Mr. HODGES), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from New Hampshire (Mr. MCINTYRE), the Senator from North Carolina (Mr. MORGAN), the Senator from New York (Mr. MOYNIHAN), the Senator from Rhode Island (Mr. PELL), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Mississippi (Mr. STENNIS) are necessarily absent.

I also announce that the Senator from Connecticut (Mr. RIBICOFF) is absent on official business.

I further announce that, if present and voting, the Senator from North Carolina (Mr. MORGAN) would vote "yea."

Mr. HANSEN. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Oklahoma (Mr. BARTLETT), the Senator from Oklahoma (Mr. BELLMON), the Senator from Massachusetts (Mr. BROOKE), the Senator from New Jersey (Mr. CASE), the Senator from Nebraska (Mr. CURTIS), the Senator from Michigan (Mr. GRIFFIN), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Idaho (Mr. MCCLURE), the Senator from Illinois (Mr. PERCY), the Senator from Delaware (Mr. ROTH), the Senator from New Mexico (Mr. SCHMITT), the Senator from Vermont (Mr. STAFFORD), the Senator from Alaska (Mr. STEVENS), the Senator from Texas (Mr. TOWER), the Senator from Wyoming (Mr. WALLOP), and the Senator from North Dakota (Mr. YOUNG) are necessarily absent.

The result was announced—yeas 32, nays 30, as follows:

[Rollcall Vote No. 395 Leg.]

YEAS—32

Byrd, Robert C.	Hatfield, Paul G.	Muskie
Chafee	Humphrey	Nelson
Chiles	Inouye	Packwood
Church	Jackson	Riegle
Clark	Javits	Sarbanes
Cranston	Kennedy	Stevenson
Culver	Leahy	Weicker
Danforth	Magnuson	Williams
Durkin	Mathias	
Glenn	Matsunaga	
Gravel	McGovern	
Hatfield, Mark O.	Metzenbaum	

NAYS—30

Bayh	Garn	Pearson
Bentsen	Goldwater	Proxmire
Biden	Hansen	Randolph
Byrd, Harry F., Jr.	Hatch	Schweiker
Cannon	Heinz	Scott
DeConcini	Johnston	Stone
Dole	Laxalt	Talmadge
Domenici	Long	Thurmond
Eagleton	Lugar	Zorinsky
Ford	Melcher	
	Nunn	

NOT VOTING—38

Abourezk	Hart	Percy
Allen	Haskell	Ribicoff
Anderson	Hathaway	Roth
Baker	Hayakawa	Sasser
Bartlett	Helms	Schmitt
Bellmon	Hodges	Sparkman
Brooke	Hollings	Stafford
Bumpers	Huddleston	Stennis
Burdick	McClure	Stevens
Case	McIntyre	Tower
Curtis	Morgan	Wallop
Eastland	Moynihan	Young
Griffin	Pell	

So the committee amendment was agreed to.

The PRESIDING OFFICER. The clerk will report the next committee amendment.

The legislative clerk read as follows:

On page 31, beginning with line 8, strike through and including line 16.

Mr. HATCH. Mr. President, I do not have any objection to this amendment.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment. The yeas and nays have been ordered.

Mr. INOUYE. Mr. President, I ask unanimous consent that the order for the yeas and nays be vitiated.

The PRESIDING OFFICER. Is there objection to vitiating the yeas and nays? The Chair hears none, and it is so ordered. The yeas and nays are vitiated. The question is on agreeing to the amendment.

The amendment was agreed to.

UP AMENDMENT NO. 1894

Mr. HATCH. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The Clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Utah (Mr. HATCH) proposes an unprinted amendment numbered 1894:

On page 8, line 7, strike out all that appears after the words "Provided further," down to and including the end of the word "program" on line 9, and substitute in lieu of the language stricken out the following new language:

"That not more than $45,000,000 shall be available for the Southern Africa Program, of which not to exceed $5,000,000 shall be available for refugee assistance through the Red Cross in Rhodesia".

Mr. HATCH. Mr. President, this amendment does not increase the appropriations at all, but it does earmark $5 million of those funds to be available for refugee assistance through the Red Cross in Rhodesia. Therefore, I ask my colleagues to consider this amendment and vote with us on it.

I am prepared to yield back the time.

The PRESIDING OFFICER. The Senator from Hawaii.

Mr. INOUYE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. THURMOND. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Washington.

Mr. MAGNUSON. Mr. President, it has been mentioned here on many occasions during the course of this debate, but I think the RECORD should show, as shown in the report on page 1, that the budget estimate for this function for the fiscal year was $10.3 billion. The House-passed bill was $7.1 billion. The Senate bill as reported was $9.2 billion.

Over the 1978 appropriations, the bill is $2.438 billion, and it is still under the budget by $1.185 billion.

The main reason for that is the item involving the new venture in international loans, which was $1.8 billion; is that correct?

Mr. INOUYE. $1.831 billion.

Mr. MAGNUSON. And that came afterwards?

Mr. INOUYE. The Senator is correct.

Mr. MAGNUSON. So the committee ought to be complimented on the fact that without that particular unusual item, we would have been more than $3 billion under the original budget estimate.

Mr. INOUYE. The Senator is correct.

UP AMENDMENT NO. 1895

Mr. HATCH. Mr. President, I withdraw my prior amendment and send a modified amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER (Mr. METZENBAUM). The amendment will be stated.

The legislative clerk read as follows:

The Senator from Utah (Mr. HATCH) proposes an unprinted amendment numbered 1895:

On page 8, line 8, insert the following: after $45,000,000 insert the following: "Of which sum $5,000,000 shall be for refugee assistance through International Relief Organizations in Rhodesia.".

Mr. HATCH. Mr. President, it is my understanding that with that modification, the managers of the bill will accept the amendment. Therefore, I shall not speak to it further.

Mr. INOUYE. Mr. President, although the amendment is subject to a point of order, the intent is excellent, and the managers are prepared to accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Utah.

The amendment (UP No. 1895) was agreed to.

Mr. HATCH. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. THURMOND. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 1896

(Purpose: Provide $3 million for American Schools and Hospitals Abroad program to be used only for exchange of Israeli and Arab students)

Mr. INOUYE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The Senator from Hawaii (Mr. INOUYE) proposes an unprinted amendment numbered 1896:

On page 4, line 13, after "$25,000,000" and before the period insert the following: ": *Provided*, That $3,000,000 shall be available only for support of Israeli students studying in American sponsored centers of learning in the Arab countries and Arab students studying in American sponsored centers of learning in Israel".

Mr. INOUYE. Mr. President, the American schools and hospitals abroad program has, over the years, been a valuable adjunct to our foreign assistance program. Throughout the world, schools, libraries, and hospitals which were founded or sponsored by U.S. citizens have served as study or demonstration centers for ideas and practices of the United States. As you know, many of the institutions which have received financial support through the American schools and hospitals abroad program are located in the Middle East.

It has occurred to me that the Camp David conference has presented us with a unique opportunity to foster peace and understanding in the Middle East. I would suggest that the American schools and hospitals abroad program, which is

designed to give exposure to American ideas and practices, provides us with a most appropriate way of encouraging understanding in the Middle East.

Accordingly, I wish to propose an amendment which would provide that $3 million of the funds appropriated for the American schools and hospitals abroad program shall be available only for an exchange of Israeli and Arab students. My amendment would make these funds available as support for Arab students who are invited to study at American sponsored centers of learning in Israel and Israeli students who are invited to study at American sponsored centers of learning in the Arab countries.

Mr. President, I believe that this student exchange program will foster a spirit of cooperation and understanding among the future leaders of the nations of the Middle East. I would urge my colleagues in the Senate to give their support to this initiative.

The PRESIDING OFFICER. The Senator from Pennsylvania.

Mr. SCHWEIKER. Mr. President, this is a good amendment, and I commend the chairman. I think it is in the spirit of Camp David. We are opening a new era in the Middle East, hopefully a very successful one. This brings in that new era with a constructive new program, and I commend the chairman for it.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Hawaii.

The amendment (UP No. 1896) was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

UP AMENDMENT NO. 1897

Mr. INOUYE. Mr. President, in behalf of the senior Senator from Alabama (Mr. SPARKMAN) I am pleased to submit an amendment, and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Hawaii (Mr. INOUYE), for the Senator from Alabama (Mr. SPARKMAN), proposes an unprinted amendment numbered 1897:

On page 2, line 2, after the period insert the following: *"Provided,* That $4,000,000 shall be available for the establishment of an Institute of International Medicine.".

Mr. INOUYE. Mr. President, this amendment would establish an Institute of International Medicine, and I believe that it is deserving of our most serious consideration, and hopefully our support. Senator SPARKMAN, who has served the U.S. Senate for many years and has been our wise counsel as chairman of the Senate Foreign Relations Committee, will be retiring, and I believe this is an appropriate monument to his efforts to assist the underprivileged, the ill-housed, and the sick of this world.

I ask unanimous consent that Senator SPARKMAN's statement be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

STATEMENT OF SENATOR SPARKMAN

AN AMENDMENT TO ESTABLISH AN INSTITUTE OF INTERNATIONAL MEDICINE

Human illness knows no national boundaries. While the incidence of certain diseases distinctly varies from one part of the world to another, all people generally are susceptible to all illnesses, given the appropriate circumstances.

Throughout history, it has been the poor who have been the most susceptible to the debilitating effects of illness, and the developing nations, with many poor, have suffered a much higher incidence of most diseases among their population than have those living in industrialized nations. Traditionally, the more effluent nations have made impressive efforts to alleviate these problems plaguing the peoples of other nations. The United States, most notably, has worked to alleviate the illness and suffering among the citizens of poorer countries.

It is for this reason that I am offering an amendment to H.R. 12931, an Act making appropriations for Foreign Assistance and related programs for fiscal year 1979. The purpose of my amendment is to establish a model program specifically designed to promote a better understanding of the nature of the incidence of disease in developing countries and to facilitate more effective treatment and prevention of such diseases.

Within poor countries there are two broad categories of illness. There are those attributed to infections and those resulting from poor nutrition. Yet, they are interrelated. Furthermore, many of these diseases afflict animals which are a major source of food in many of the developing countries.

In the past, these infections have been placed in the broad category of "tropical disease," a term now recognized as a misnomer if judged by the sole criteria of climate or geography. Nevertheless, it is that general category of diseases which still ravages entire nations (India, for example) and even continents (Africa especially).

While there is every humanitarian reason for the United States to assist in addressing these problems, there is also a powerful array of pragmatic reasons for helping the less developed nations of the world.

At the University of Alabama Medical Center in Birmingham there are both a tradition and history of such service. An internationally reknowned center for the study and treatment of cardiovascular disease, the University also offers strong programs in cancer, genetics, nutrition, immunology and many related fields which can be effectively applied in seeking new forms of disease treatment and prevention in developing countries. Today, patients come to Birmingham from all over the world for special care, and there are numerous programs for the training of physicians and scientists who then return to their countries with new knowledge and skills.

My amendment is directed at not only the preservation and enhancement of existing programs but also the expansion of new ones. It is not only a moral obligation for richer nations to help those less fortunate than ourselves, it is an equally pressing obligation for those with the intellectual and technological resources to share these resources. To that end the University of Alabama proposes to expand programs addressing such global problems as hypertension and arteriosclerosis and implement new programs addressed to research in "tropical diseases," such as malaria and Chagas disease. Special capabilities exist at this institution to study the biochemical, immunological and, eventually, the therapeutic aspects of these and similar illnesses which are presently so prevalent in so many poor countries.

Methods of improving nutrition as it relates to the preservation of health and resistance to disease will be a specific focus of the new work. It would be naive to ignore the economic and sanitary deficiencies which contribute to all "tropical diseases," or to think that a pill or a shot would eliminate all suffering from such illnesses. Nevertheless, it is a recurring lesson in the history of medical science that broad, meaningful and lasting advances are inextricably linked to successful research into fundamental biological processes which underlie all aspects of both health and disease.

Some research will require travel to, and living within, areas where the target diseases are especially prevalent. However, the scientific questions and puzzles of many "tropical diseases" are sufficiently clear and the research necessary for their solution is suitably and, perhaps, more effectively accomplished in centers of existing research excellence.

These endeavors will also require an exchange of scholars and scientists and periodic reviews of the state of knowledge will also require international collaboration. Training of foreign scientists, who have been carefully selected, will be undertaken, while the experience and training for University of Alabama Medical Center scientists can be arranged in appropriate centers and countries abroad.

Two examples of scientific subjects to be addressed at the University of Alabama Medical Center's proposed Institute of International Health are the immunology of malaria and the pathophysiology of cardiac damage by Chagas disease. Malaria remains the main cause of death in many developing countries. It is carried by the mosquito and human attractiveness for the mosquito varies widely. Some individuals are never bitten, and it is the basis for this trait that requires careful study. However, when an individual is infected, he or she develops a variety of cellular responses which have an immunologic basis; the cellular and molecular mechanisms of these responses require investigation.

Chagas disease especially affects the heart and is a major cause of disability and death in South America. Scientists in Birmingham have a special capability to study all components of this cardiac involvement with the goal of improving treatment and prevention of this particular effect of Chagas disease. Many viruses are widely prevalent among the peoples of poor countries especially, and are responsible for hepatitis and encephalitis, the latter causing loss of mental faculties or death. Scientists in Birmingham are already examining the basis of some of these viral problems, and expansion of this effort is planned.

For the pursuit of these goals and the establishment of the Institute, an initial funding base of $4,000,000 to be appropriated through the Agency for International Development is called for in my amendment. Additional funding necessary for the Center will be sought from foundations and other sources. The initial four million dollar appropriation will be utilized to meet three categories of funding required to establish the institute at the University of Alabama. The first of these categories is $10,000,000 for the construction of suitable physical facilities, to include research laboratories and space for teaching and conferences. The second category is five million dollars for the alteration and renovation of existing physical facilities, and for the equipping of all activities of the Institute. The third category is two million dollars, which would be required for the annual operation of the Institute.

Alabama is the native home of William Crawford Gorgas, one of the pioneers in successful research on "tropical diseases." Walter Reed was based in our state for some time. Tom Spies conducted much of his famous research on nutrition problems of the South at the same hospital which is now the clinical base of the University of Alabama Medical Center. This rich heritage of humanitarian research into problems afflicting the health of all people, but especially those of poorer nations, offers a stimulating and inspirational challenge to those who, today, chose to pursue these same goals. The Institute of International Medicine at the University of Alabama Medical Center will exist

as tangible evidence of the continued dedication by the United States to alleviate suffering by citizens of all nations.

For these reasons, I am particularly hopeful that this amendment will be adopted.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP amendment No. 1897) was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. If there is no further amendments——

Mr. THURMOND. Just a minute, Mr. President.

UP AMENDMENT NO. 1898

(Purpose: Make available for fiscal 1979 unobligated balances of funds previously appropriated for International Disaster Assistance, Middle East Special Requirements Funds and U.S. Emergency Refugee and Migration Assistance Fund)

Mr. INOUYE. Mr. President, I send to the desk an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Hawaii (Mr. INOUYE) proposes an unprinted amendment numbered 1898:

On page 14, after line 9, insert the following: "SEC. 103. Unobligated balances as of September 30, 1978, of funds heretofore made available under the authority of the Foreign Assistance Act of 1961, as amended, for "International disaster assistance," "Middle East special requirements fund," and "United States emergency refugee and migration assistance fund" are hereby continued available for the fiscal year 1979, for the same appropriation account and for the same purposes for which appropriated.".

Mr. INOUYE. Mr. President, the purpose of this amendment is to make available for fiscal year 1979 the unobligated balances of funds which were previously appropriated for "international disaster assistance," "Middle East special requirements fund," and "U.S. emergency refugee and migration assistance fund."

I would note that each of these three accounts provides funds for emergency or unforeseen requirements. In establishing these accounts, the Congress expected that they would be reserved for emergencies or, in the case of the Middle East special requirements fund, "special requirements arising from time to time * * *." It may, therefore, be anticipated that there will be unobligated balances in these accounts, and it is both practicable and desirable to continue the availability of these funds.

In particular, Mr. President, I would note that the committee has recommended in its report that a portion of the funds currently available in the Middle East special requirements fund be used to finance projects which encourage scientific, technological or agricultural cooperation among the states of the Middle East. By continuing the availability of these funds into fiscal year 1979, my amendment would afford the Agency for International Development the opportunity to identify appropriate regional projects for funding in the coming fiscal year.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

Without objection, the amendment is agreed to.

The PRESIDING OFFICER. If there be no further amendments——

UP AMENDMENT NO. 1899

Mr. SCHWEIKER. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Pennsylvania (Mr. SCHWEIKER) proposes an unprinted amendment No. 1899.

Mr. SCHWEIKER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 30, between lines 18 and 19, insert the following:

"The President shall initiate wide international consultations beginning with the member nations of the Organization of Economic Cooperation and Development (OECD), designed to develop a viable standard governing the allocation of development assistance for the production and export of commodities. Such consultations shall relate to commodities which are in surplus in the world market and if produced for export would cause substantial harm to producers of the same, similar or competing products.

"Not later than one year after the enactment of this act the President shall report to the President of the Senate, the Speaker of the House of Representatives, and the Chairman of the House and Senate Appropriations Committees on the progress made in carrying out this section.".

Mr. SCHWEIKER. Mr. President, the amendment I am offering simply calls on the President to initiate discussions relative to the allocation of development assistance for the production and export of commodities. The purpose of my amendment is that hopefully through such discussions development assistance from donor countries would be such that serious disruptions of world markets by the overproduction of particular commodities would not occur. As my colleagues are well aware, there have been many attempts by Congress to limit our own foreign assistance so that it would not provide production capabilities which would harm our producers. I would hope that the passage of my amendment would eventually lead to some kind of a concensus by the donor countries so that serious disruptions of world markets would not occur.

This is also to hold off people from coming in with certain amendments to protect a certain product, which I have opposed, and yet it does provide that they have to take into account what the supply and demand of a product is and to have some kind of world consensus so that we will not injure a country by the over-production of a certain commodity. I hope the chairman of the committee will accept the amendment.

Mr. INOUYE. The chairman accepts the amendment.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

SYRIA AND LEBANON

● Mr. CRANSTON. Mr. President, the $90 million in this bill for economic aid to Syria should not be interpreted as Senate endorsement for the role Syria has played in the bloody Lebanese conflict. On the contrary, Syrian troops in Lebanon have overreacted and have helped to perpetuate the violence in that strife-torn country by indiscriminately killing and injuring thousands of civilians and by destroying property.

In the spirit of Camp David, I have not believed that the Senate should strike the economic assistance for Syria from the bill. I do believe, however, that the Syrians should consider themselves on notice that further atrocities committed by the Syrian Army in the name of peacekeeping will only escalate the conflict and intensify the suffering of the people of Lebanon. I support President Carter's call for a joint effort to bring about an end to the violence and bloodshed in Lebanon.

I fervently hope that Syria will recognize the constructive part it can uniquely play and begin to cooperate in a meaningful effort to restore peace to Lebanon.●

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment of the amendments, and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

Mr. HARRY F. BYRD, JR. Mr. President, the bill which the Senate will vote on in a moment provides $9.202 billion for foreign assistance and related programs. That figure compares with $6.763 billion which is being spent in the current fiscal year. That is an increase for the upcoming year of $2.4 billion over the amount being spent this year. That is not the total of transfers of U.S. resources to foreign nations.

On page 5 of the committee report, it shows that for the fiscal year 1977, $9.649, billion was transferred to foreign nations; for fiscal year 1978, the figure was $14 billion, and for the upcoming year, fiscal 1979, the report shows that the transfer of U.S. resources to foreign nations will total $15.842 billion.

Mr. President, I shall vote against this bill, as I think it is entirely too high.

I ask unanimous consent that the cover page of the committee report in its entirety be printed in the RECORD at this point, to be followed by table I on page 5, captioned "Transfer of U.S. Resources to Foreign Nations."

There being no objection, the material was ordered to be printed in the RECORD, as follows:

REPORT NO. 95-1194—FOREIGN ASSISTANCE AND RELATED PROGRAMS APPROPRIATION BILL, 1979

September 15 (legislative day, August 16), 1978.—Ordered to be printed

(Mr. INOUYE, from the Committee on Appropriations submitted the following report to accompany H.R. 12931.)

The Committee on Appropriations, to which was referred the bill (H.R. 12931)

making appropriations for Foreign Assistance and related programs for the fiscal year ending September 30, 1979, and for other purposes reports the same to the Senate with amendments and submits the following explanation of its recommendations.

Amounts in new budget authority

Fiscal year 1978 appropriations	$6,763,873,000
Fiscal year 1979 amended budget estimate	10,387,760,919
Amount of bill as passed House	7,176,722,653
Amount of bill as reported to Senate	[1] 9,202,456,072
Bill as recommended to Senate compared to:	
1978 appropriations	+2,438,583,072
Amended budget estimate	−1,185,304,847
House action	+2,025,733,419

[1] Items considered by Senate, but not considered by House total $1,943,440,000.

TABLE I.—TRANSFER OF U.S. RESOURCES TO FOREIGN NATIONS [1]

	Fiscal year—		
	1977 (actual)	1978 (estimated)	1979 (proposed)
Military and supporting assistance	$2,255,661,000	$2,598,669,000	$2,398,945,000
Economic assistance	5,963,180,000	7,349,697,000	8,096,117,000
Grand total foreign assistance	8,218,841,000	8,948,366,000	10,495,062,000
Export-Import Bank	1,430,638,000	4,148,842,000	5,347,345,000
Total (including Export-Import Bank)	9,649,479,000	14,097,208,000	15,842,407,000

[1] Does not reflect budget amendments submitted after June 13, 1978.

The PRESIDING OFFICER. The Senator from Hawaii.

Mr. INOUYE. Mr. President, before the vote I would like to acknowledge the most conscientious and helpful assistance given me throughout the year by my distinguished friend from Pennsylvania (Mr. SCHWEIKER). It has been a pleasure working with him.

I would also like to recognize and thank members of the staff: Mr. James Bond, Mr. Bill Jordan, Mr. Richard Collins, and Miss Helen Dackis, for patiently and most conscientiously assisting the subcommittee and the committee in bringing this bill to this final stage. I believe the staff people are deserving of the highest commendation by the Senate.

Mr. SCHWEIKER. Mr. President, I commend Chairman INOUYE for his leadership in this field and the fact that he has been so fair and evenhanded in working out this bill, with all of its difficult problems. I commend him for his interest in the country and his interest in our national policies, as well as a combination of individual Senators.

I, too, want to thank Bill Jordan, Richard Collins, Helen Dackis, and Jim Bond for their help.

Mr. THURMOND. Mr. President, I commend the able Senator from Hawaii and the able Senator from Pennsylvania for their leadership in handling this bill, and handling it in such a skillful manner. I want to say, however, that I expect to vote against this bill. I do not believe the American people, if they had a chance to vote on this bill, would vote for it.

I think it is absolutely inexcusable that we would supply aid in any shape or form to Cuba, Vietnam, or any other Communist country. This bill has such provisions. I am disappointed in the bill in that respect. I would like to help some of these other countries which are deserving, those which stay with us and upon whom we can count.

But on account of the situation being what it is, all these countries are lumped together in this bill. For that reason we will not have the opportunity to vote for the countries we would like to help and vote against the Communist countries getting aid here. I shall cast my vote against the bill.

Mr. President, I ask unanimous consent that at this point in my remarks the staff prepare a list of the Communist countries that are getting aid under this bill and that it appear at this point in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The material supplied for the RECORD follows:

Direct U.S. aid to Communist countries is prohibited by law.

Communist countries receiving assistance by this act through the International Financial Institutions are Vietnam, Yugoslavia, Romania, and Laos.

In addition, funds go to some Communist countries through the United Nations, but a list of those countries was not available for publication in today's RECORD.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. DECONCINI. Mr. President, I would like to add my thanks and appreciation to the able chairman and the ranking member of the committee.

The Senator from Hawaii has been very tolerant with the members of this committee who have certain views in certain areas of foreign assistance. He should be commended very highly for his willingness to be fairminded and listen to the approaches of all people and then exercise his judgment. I compliment the chairman for that.

The PRESIDING OFFICER. The question is on passage of the bill, as amended. The yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Alabama (Mrs. ALLEN), the Senator from Minnesota (Mr. ANDERSON), the Senator from Arkansas (Mr. BUMPERS), the Senator from North Dakota (Mr. BURDICK), the Senator from Iowa (Mr. CULVER), the Senator from Mississippi (Mr. EASTLAND), the Senator from Colorado (Mr. HASKELL), the Senator from Maine (Mr. HATHAWAY), the Senator from Arkansas (Mr. HODGES), the Senator from South Carolina (Mr. HOLLINGS), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from New Hampshire (Mr. MCINTYRE), the Senator from North Carolina (Mr. MORGAN), the Senator from New York (Mr. MOYNIHAN), the Senator from Rhode Island (Mr. PELL), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), the Senator from Mississippi (Mr. STENNIS), and the Senator from Illinois (Mr. STEVENSON) are necessarily absent.

I also announce that the Senator from Connecticut (Mr. RIBICOFF) is absent on official business.

On this vote, the Senator from Connecticut (Mr. RIBICOFF) is paired with the Senator from North Dakota (Mr. BURDICK).

If present and voting, the Senator from Connecticut would vote "yea" and the Senator from North Dakota would vote "nay."

I further announce that, if present and voting, the Senator from North Carolina (Mr. MORGAN), the Senator from Rhode Island (Mr. PELL), and the Senator from Iowa (Mr. CULVER) would each vote "yea."

Mr. HANSEN. I announce that the Senator from Tennessee (Mr. BAKER), the Senator from Oklahoma (Mr. BARTLETT), the Senator from Oklahoma (Mr. BELLMON), the Senator from Massachusetts (Mr. BROOKE), the Senator from New Jersey (Mr. CASE), the Senator from Nebraska (Mr. CURTIS), the Senator from Michigan (Mr. GRIFFIN), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Idaho (Mr. MCCLURE), the Senator from Illinois (Mr. PERCY), the Senator from Delaware (Mr. ROTH), the Senator from New Mexico (Mr. SCHMITT), the Senator from Vermont (Mr. STAFFORD), the Senator from Alaska (Mr. STEVENS), the Senator from Texas (Mr. TOWER), the Senator from Wyoming (Mr. WALLOP), and the Senator from North Dakota (Mr. YOUNG) are necessarily absent.

I further announce that, if present and voting, the Senator from North Carolina (Mr. HELMS), the Senator from New Mexico (Mr. SCHMITT), and the Senator from North Dakota (Mr. YOUNG) would vote "nay."

The result was announced—yeas 39, nays 22, as follows:

[Rollcall Vote No. 396 Leg.]

AYES—39

Bayh	Hart	McGovern
Bentsen	Hatfield, Paul G.	Metzenbaum
Biden	Heinz	Muskie
Chafee	Humphrey	Nelson
Chiles	Inouye	Packwood
Church	Jackson	Pearson
Clark	Javits	Riegle
Cranston	Kennedy	Sarbanes
Danforth	Leahy	Schweiker
Durkin	Lugar	Stone
Eagleton	Magnuson	Weicker
Ford	Mathias	Williams
Glenn	Matsunaga	
Gravel		

NAYS—22

Byrd, Harry F., Jr.	Goldwater	Melcher
Byrd, Robert C.	Hansen	Nunn
Cannon	Hatch	Proxmire
DeConcini	Hatfield, Mark O.	Randolph
Dole	Johnston	Scott
Domenici	Laxalt	Talmadge
Garn	Long	Thurmond
		Zorinsky

NOT VOTING—39

Abourezk	Griffin	Percy
Allen	Haskell	Ribicoff
Anderson	Hathaway	Roth
Baker	Hayakawa	Sasser
Bartlett	Helms	Schmitt
Bellmon	Hodges	Sparkman
Brooke	Hollings	Stafford
Bumpers	Huddleston	Stennis
Burdick	McClure	Stevens
Case	McIntyre	Stevenson
Culver	Morgan	Tower
Curtis	Moynihan	Wallop
Eastland	Pell	Young

So the bill (H.R. 12931), as amended, was passed.

Mr. INOUYE. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. INOUYE. Mr. President, I ask unanimous consent that the Secretary of the Senate be authorized to make technical and clerical corrections in the engrossment of the Senate amendments to H.R. 12931.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. INOUYE. Mr. President, I move that the Senate insist on its amendments and request a conference with the House of Representatives thereon, and that the Chair appoint conferees on the part of the Senate.

The motion was agreed to, and the Presiding Officer (Mr. METZENBAUM) appointed Mr. INOUYE, Mr. PROXMIRE, Mr. CHILES, Mr. JOHNSTON, Mr. LEAHY, Mr. DECONCINI, Mr. MAGNUSON, Mr. SCHWEIKER, Mr. BROOKE, Mr. MARK O. HATFIELD, Mr. MATHIAS, and Mr. YOUNG conferees on the part of the Senate.

Mr. ROBERT C. BYRD. Mr. President, I thank the Senator from Hawaii (Mr. INOUYE) and the Senator from Pennsylvania (Mr. SCHWEIKER). I also commend them on the skillful and patient and knowledgeable manner in which they have managed this difficult bill.

It is not a popular bill with Members of the Senate. I have not voted for it in years. But it is a bill that has to be acted on, and the Senator from Hawaii knows if my vote were needed to pass this bill I would vote for it to keep it from being defeated.

It is a difficult bill. It is a complex bill. But on this occasion, as on all previous occasions, the manager of the bill (Mr. INOUYE) and the ranking minority Member (Mr. SCHWEIKER) have demonstrated the kind of expertise and knowledge that is absolutely imperative if the Senate is to understand the legislation and if the legislation is to be meaningful and is to pass.

They have also demonstrated the finest kind of cooperation and teamwork, which is an absolute necessity in the passage of a bill of this nature.

I congratulate them again and express my personal thanks to both of them.

Mr. INOUYE. Mr. President, I thank the leader for his kind remarks.

Mr. SCHWEIKER. I, likewise, thank the Senator.

ROUTINE MORNING BUSINESS

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent there now be a period for the transaction of routine morning business for not to extend beyond 30 minutes, with statements therein limited to 5 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Chirdon, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session, the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the Committee on Foreign Relations.

(The nominations received today are printed at the end of the Senate proceedings.)

MESSAGES FROM THE HOUSE

At 3:52 p.m., a message from the House of Representatives delivered by Mr. Berry, one of its reading clerks, announced that the House recedes from its disagreement to the amendment of the Senate to the concurrent resolution (H. Con. Res. 683) to revise the congressional budget for the U.S. Government for the fiscal year 1979, and concurs therein with an amendment in which it requests the concurrence of the Senate.

The message further announced that the House has passed the following bill in which it requests the concurrence of the Senate:

H.R. 10965. An act to revise, codify, and enact without substantive change the Interstate Commerce Act and related laws as subtitle IV of title 49, United States Code, "Transportation".

The message also announced that the House agreed to the following concurrent resolution in which it requests the concurrence of the Senate:

H. Con. Res. 715. A concurrent resolution commending President Carter of the United States, President Sadat of Egypt, and Prime Minister Begin of Israel for the courageous steps they have taken to resolve the differences between Egypt and Israel and to bring about a comprehensive, just, and durable peace in the Middle East.

At 5:20 p.m., a message from the House of Representatives delivered by Mr. Berry announced that the House agrees to the amendment of the Senate to the bill (H.R. 11291) to authorize appropriations for the Federal Fire Prevention and Control Act of 1974, and to change the name of the National Fire Prevention and Control Administration to the U.S. Fire Administration, and concurs therein with an amendment in which it requests the concurrence of the Senate.

The message further announced that the House has passed the bill (S. 2493) to amend the Federal Aviation Act of 1958, as amended, to encourage, develop, and attain an air transportation system which relies on competitive market forces to determine the quality, variety, and price of air services, and for other purposes, with amendments, in which it requests the concurrence of the Senate.

HOUSE BILL HELD AT THE DESK

The following bill was read by its title and held at the desk pursuant to the order of September 18, 1978:

H.R. 10965. An act to revise, codify, and enact without substantive change the Interstate Commerce Act and related laws as subtitle IV of title 49, United States Code, "Transportation".

HOUSE CONCURRENT RESOLUTION REFERRED

The following concurrent resolution was read by its title and referred as indicated:

H. Con. Res. 715. A concurrent resolution commending President Carter of the United States, President Sadat of Egypt, and Prime Minister Begin of Israel for courageous steps they have taken to resolve the differences between Egypt and Israel and to bring about a comprehensive, just, and durable peace in the Middle East; to the Committee on Foreign Relations.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. EASTLAND, from the Committee on the Judiciary, without amendment:

S. 141. A bill for the relief of Doctor Orlando Fusilero Bravo (95–1209).

S. 148. A bill for the relief of Dr. Laurence T. Gayao, his wife, Edith Gayao, and their child, Lorraine Gayao (95–1210).

S. 152. A bill for the relief of Loi Lin Irene Chung (Tsui) (95–1211).

S. 953. A bill for the relief of Marcelino S. Silva and his wife, Emilie M. Silva (95–1212).

S. 1398. A bill for the relief of Jin Suk Park (95–1213).

S. 2349. A bill for the relief of Margaret Perry (95–1214).

S. 2677. A bill for the relief of Ching Wu Wang (95–1215).

S. 2834. A bill for the relief of Kyung Hee Kim, Dong Choon Kim, and Dong Ho Kim (95–1216).

S. 2841. A bill for the relief of Yang Soo Ko (95–1217).

S. 3042. A bill for the relief of Mary Jo Natividad and Regina Natividad (95–1218).

S. 3066. A bill for the relief of Yom Chong Ok (95–1219).

S. 3124. A bill for the relief of Douglas Jagdish Degenhardt (adoptive name) (95–1220).

Mr. EASTLAND, from the Committee on the Judiciary, with amendments and an amendment to the title:

S. 135. A bill for the relief of Leung, Tak-Ming (95–1221).

Mr. EASTLAND, from the Committee on the Judiciary, with an amendment:

S. 144. A bill for the relief of Samuel S. H. Leung, his wife Carol O. K. Leung, and his sons, Johnny C. Y. Leung and Jimmy C. M. Leung (95–1222).

By Mr. EASTLAND, from the Committee on the Judiciary, with an amendment and an amendment to the title:

S. 1701. A bill for the relief of Narciso Michelina (95–1223).

By Mr. EASTLAND, from the Committee on the Judiciary, with an amendment:

S. 1778. A bill for the relief of Luzbella Y. Imasa, doctor of medicine (95–1224).

S. 2203. A bill for the relief of Dr. Cosme R. Cagas, his wife, Linda San Diego Cagas, and his children, Elcee Cagas, Chess Cagas, Georgina Cagas, and Chester Cagas (95–1225).

S. 2315. A bill for the relief of Savita Nandini (95–1226).

S. 2421. A bill for the relief of Shyy Wen-Huei (95–1227).

S. 2446. A bill for the relief of Caroline Valdez Sulfelix (95–1228).

By Mr. EASTLAND, from the Committee on the Judiciary, with an amendment and an amendment to the title:

S. 2451. A bill for the relief of Cho Tung Tang (95–1229).

By Mr. EASTLAND, from the Committee on the Judiciary, with an amendment:

S. 2670. A bill for the relief of Janet Abraham, also known as Janet Susan Abraham (95–1230).

S. 2671. A bill for the relief of Masami Yamada (95–1231).

S. 3051. A bill for the relief of Tsutomu Tanaka (95–1232).

S. 3106. A bill for the relief of Debbie Agatta Hepburn (95–1233).

By Mr. EASTLAND, from the Committee on the Judiciary, with an amendment and an amendment to the title:

S. 3114. A bill for the relief of Shavji Purshottam Dusara, Vasanti Mohanlal Gajjar Dusara, and their three children, Shareed, Mehul, and Saloni Dusara (95–1234).

By Mr. EASTLAND, from the Committee on the Judiciary, with an amendment:

S. 3169. A bill for the relief of Rocio Edmondson (95–1235).

By Mr. JACKSON, from the Committee on Energy and Natural Resources, without amendment:

S. Res. 566. An original resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 3392. Referred to the Committee on the Budget.

EXECUTIVE REPORTS OF COMMITTEES

As in executive session, the following executive reports of committees were submitted:

Mr. NUNN. Mr. President, from the Committee on Armed Services, I report favorably the following nominations for the Army: Lt. Gen. David E. Ott (age 55) and Rolland V. Heiser (age 53) to be placed on the retired list in that grade and Maj. Gen. John F. Forrest, Julius W. Becton, Jr., and James M. Lee to be lieutenant generals; in the Air Force, Lt. Gen. Bryan A. Shotts (age 55) to be placed on the retired list in that grade; and, in the Marine Corps, Lt. Gen. Leslie E. Brown (age 58) for appointment to the grade of lieutenant general on the retired list and Maj. Gen. Adolph G. Schwenk to be lieutenant general. I ask that these nominations be placed on the Executive Calendar.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NUNN. Mr. President, in addition, there are 28 temporary promotions in the Navy to the grade of lieutenant (junior grade) (list begins with Harold S. Blinka) and 10 in the Navy for appointment to the grade of ensign (list begins with Patricia A. Daly). In the Reserve of the Air Force, there are 549 for promotion to the grade of lieutenant colonel (list begins with John G. Abizaid); 43 in the Air National Guard for promotion to lieutenant colonel in the Reserve of the Air Force (list begins with James B. Alford); 2,549 in the Regular Air Force for promotion to the grade of captain (list begins with John A. Arni); and, 75 in the Regular Air Force for appointment to the grade of captain (list begins with George G. Aitken). Since these nominations have been printed in the CONGRESSIONAL RECORD and to save the expense of printing again, I ask unanimous consent that they be ordered to lie on the Secretary's desk for the information of any Senator.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The nominations ordered to lie on the Secretary's desk were printed in the RECORD of September 6, 1978, at the end of the Senate proceedings.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first time and, by unanimous consent, the second time, and referred as indicated:

By Mr. RANDOLPH:

S. 3516. A bill for the relief of Erroll Pullen; to the Committee on the Judiciary.

By Mr. SCHMITT:

S. 3517. A bill to amend the Federal Reserve Act to provide for the pricing of Federal Reserve System services and for the payment on reserves; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. STEVENSON:

S. 3518. A bill to amend the Council on Wage and Price Stability Act to strengthen the independence, authority, and resources of the Council by establishing it as an independent Inflation Review Board, by authorizing the Board to require prenotification of and delay temporarily wage or price increases which could have serious inflationary effects on the economy, by authorizing the Board to recommend to the President appropriate governmental actions to counter inflation, including voluntary wage and price guidelines and accompanying measures to encourage adherence to such guidelines, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

By Mr. NUNN:

S. 3519. A bill to authorize the Secretary of the Army to return to the Federal Republic of Germany 10 paintings of the German Navy seized by the U.S. Army at the end of World War II; to the Committee on Armed Services.

By Mr. PROXMIRE (for himself, Mr. MCINTYRE, and Mr. BROOKE):

S. 3520. A bill to amend the Federal Credit Union Act in order to improve the efficiency and flexibility of the financial system of the United States by establishing within the National Credit Union Administration a central liquidity facility for Federal and State credit unions, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. SCHMITT:

S. 3517. A bill to amend the Federal Reserve Act to provide for the pricing of Federal Reserve System services and for the payment on reserves; to the Committee on Banking, Housing, and Urban Affairs.

FEDERAL RESERVE IMPROVEMENT ACT

● Mr. SCHMITT. Mr. President, today I am introducing legislation which seeks to address the problem of the declining membership of the Federal Reserve System.

This bill would authorize the Federal Reserve to pay interest on the reserves held by the system. This action will eliminate the disincentive for Fed membership which requires member banks to hold reserves in a non-interest-bearing status, placing them at a competitive disadvantage with nonmember banks.

The bill also encourages competition among various financial institutions and the Fed by permitting the Fed to charge for the services it offers to other banks. Under this proposal, all banks, whether members or not, would be able to take advantage of these services.

The bill provides for the Federal Reserve System, in conjunction with the FDIC, and the Comptroller of the Currency, to study the feasibility of permitting banks to earn a return on their reserves by investing them in interest-bearing securities. While it is intended that, initially, these shall be primarily government securities, it may be possible in the future for some reserves to be invested in the private marketplace, providing valuable resources for increasing the growth of our economy.

The Federal Reserve membership issue is a complex one. If remains unclear just what, if any, effect declining membership has on the Federal Reserve's ability to conduct monetary policy. Monetary policy is, after all, carried out primarily through open market operations rather than with the less subtle method of altering reserve requirements. Thus, proposals to increase Federal Reserve control over reserves do not appear to be crucial to the effective implementation of monetary policy.

Several of the proposals before the Banking Committee would extend reserve requirements to State chartered banks for the first time, but the effect of the imposition of universal reserve requirements on State banks has not yet been thoroughly gaged. What impact will it have on the dual banking system, which is generally recognized as a valuable component of our economy?

This is a difficult question needing detailed consideration by the Banking Committee before action is taken to fundamentally change our Nation's central banking system. Therefore, while I will look forward to discussing this issue and many others in the Banking Committee, it is my hope that a final decision on this matter can be deferred until next year, when additional hearings and discussions can be conducted.

I ask unanimous consent that the text of the bill be printed in full in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 3517

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Federal Reserve Membership Act of 1978".

SEC. 2. (a) The Federal Reserve Act is amended by inserting after section 11 (12 U.S.C. 248) the following new section:

"SEC. 11A. (a) Not later than July 1, 1979, the Board of Governors shall have prepared and shall publish for public comment a set of pricing principles in accordance with this section and a proposed schedule of fees for Federal Reserve System services. Not later than July 1, 1980, the Board shall put into effect a schedule of fees for such services which is based on those principles.

"(b) The Federal Reserve System services which shall be covered by the schedule of fees under subsection (a) are—

"(1) currency and coin services;

"(2) check collection services;

"(3) wire transfer services;

"(4) automated clearinghouse services;

"(5) net settlement services;

"(6) securities safekeeping services; and

"(7) Any new payment services which the Federal Reserve System provides, including but not limited to payment services that effectuate the electronic transfer of funds.

"(c) The pricing principles referred to in subsection (a) and the schedule of fees prescribed pursuant to this section shall be based on the following general principles:

"(1) All services shall be priced explicitly.

"(2) Prices shall be established on the basis of all direct and indirect costs actually incurred in providing the services priced, including overhead, and an allocation of imputed costs that takes into account the taxes which would have been paid and the return on capital which would have been provided if the payment services had been furnished by a private business firm.

"(3) Services shall be made available to any depository institution at the same fee schedule applicable to member banks.".

SEC. 3. Section 19 of the Federal Reserve Act is amended by inserting after subsection (b)(3) (12 U.S.C. 461(b)) the following:

"(4) The Board shall pay interest on reserves required to be held pursuant to this subsection. The rate of interest on such reserves shall be periodically determined by an affirmative vote of not less than four members of the Board. The rate of interest shall not exceed the average rate paid during the preceding calendar quarter on United States Treasury bills with maturities of three months.

"(5) Not later than July 1, 1980, the Board, in consultation with the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the Comptroller of the Currency, shall prepare a study to be transmitted to the House Committee on Banking, Finance and Urban Affairs and Senate Committee on Banking, Housing, and Urban Affairs on the feasibility and impact of permitting member banks to invest a percentage of their required reserves in specified securities, including but not limited to, obligations of the United States. The study shall examine the impact of such an arrangement on—

"(A) monetary and financial conditions;

"(B) Treasury revenues;

"(C) safety and soundness of member banks;

"(D) impact of benefits and costs of membership in Federal Reserve System; and

"(E) other depository institutions.

"(6) In its annual report to Congress the Board shall provide a full account of the changes in membership during the preceding year, the pricing structure for services in effect during the preceding year, and the interest rate structure on reserves in effect during the preceding year.".

SEC. 4. (a) The Federal Reserve Act is amended by adding at the end of section 1 (12 U.S.C. 221) the following new paragraph:

"The term 'depository institution' means—

"(1) any insured bank as defined in section 3 of the Federal Deposit Insurance Act;

"(2) any mutual savings bank as defined in section 3 of the Federal Deposit Insurance Act;

"(3) any savings bank so defined in section 3 of the Federal Deposit Insurance Act;

"(4) any insured credit union as defined in section 101 of the Federal Credit Union Act;

"(5) any member as defined in section 2 of the Federal Home Loan Bank Act;

"(6) any insured institution as defined in section 401 of the National Housing Act; and

"(7) any association or entity which is wholly owned by or which consists only of institutions referred to in clauses (1) through (6).".

(b) The first paragraph of section 13 of the Federal Reserve Act (12 U.S.C. 342) is amended—

(1) by inserting "or other depository institutions" after "member banks";

(2) by inserting "or other depository institution" after "nonmember bank or trust company" each place it appears;

(3) by inserting "and other factors as the Board may deem appropriate" after the words "held for its account by the Federal Reserve bank"; and

(4) by inserting "or other depository institution" after "nonmember bank" in the second proviso.

(c) The thirteenth paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 360) is amended as follows:

(1) by striking out the words "member banks" wherever they appear and inserting in lieu thereof "depository institutions"; and

(2) by striking out the words "member bank" wherever they appear and inserting in lieu thereof "depository institution".

(d) The fourteenth paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 248(a)) is amended by striking out "its member banks" and inserting in lieu thereof "depository institutions".●

By Mr. STEVENSON:

S. 3518. A bill to amend the Council on Wage and Price Stability Act to strengthen the independence, authority, and resources of the council by establishing it as an independent Inflation Review Board, by authorizing the Board to require prenotification of and delay temporarily wage or price increases which could have serious inflationary effects on the economy, by authorizing the Board to recommend to the President appropriate governmental actions to counter inflation, including voluntary wage and price guidelines and accompanying measures to encourage adherence to such guidelines, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

INFLATION REVIEW BOARD ACT OF 1978

● Mr. STEVENSON. Mr. President, the Council on Wage and Price Stability lacks the necessary independence, authority, and resources to accomplish in an objective, timely, and effective manner the purposes for which it was created by the Congress—to identify the causes of inflation, to expose private and governmental inflationary behavior to public scrutiny, and to temper irresponsible wage and price decisions.

Since the Council on Wage and Price Stability is the principal government agency responsible for analyzing the inflationary effect of private and public sector activities, the council must be strengthened if we are to reduce inflation which in the second quarter of this year stood at an annual rate of 11 percent. Many factors have pushed inflation to this rate. The drop in the exchange rate of the dollar, increased food prices and severe weather in the first half of this year, energy prices, interest rates and the Federal deficit, the cost of compliance with regulations, housing costs, rising labor costs due in part to social security and minimum wage increases, together with the psychology of inflation which causes inflation by anticipating it, all contribute to inflation.

The council with a minuscule professional staff has been unable to monitor in an effective and timely manner these and other inflationary developments. And when it seeks to do its job, it is rewarded with an informal executive coordinating council with no apparent purpose save to keep the council's director, Mr. Bosworth, from telling the hard truth.

Mr. President, I am today introducing a bill which will strengthen the Council on Wage and Price Stability by making it an independent Inflation Review Board which reports directly to the Congress. The Board would have the power to monitor irresponsible wage and price increases by requiring prenotification; that is to say, notice of increases in the largest industries before they take place and it is too late. It would also have the power to temporarily delay wage and price increases which have serious inflationary effects. Thus, it could acquire time to examine the proposed increases and afford public opinion an opportunity to commend restraint upon the parties. Because of its independence of the Congress and President, it could also monitor the activities of both. The Board could recommend remedial actions to the President, including comprehensive or sectoral voluntary wage and price guidelines. With the resources offered by this bill, the Board could perform more effectively the tasks assigned to it by the Congress.

Mr. President, this legislation is needed to give the Council the stature and tools to carry out its mandate to fight inflation. It is an alternative to wage and price controls which in the past have been inequitable, have led to distortions in the allocation of resources, and have suffered from undue administrative complexity. The legislation disavows any authority for wage and price controls.

It creates no mechanism for the imposition of controls. By creating an Inflation Review Board with teeth in its jawbone and the independence to single out for public and congressional scrutiny inflationary behavior in both the private and public sectors, together with the financial resources to identify and monitor inflationary developments in a trillion dollar economy, the Board could focus our efforts on restraining and containing inflationary shocks to the economy, instead of bureaucratizing and stultifying the economic system with wasteful and nonproductive controls. Indeed, the

Board could not only relieve public pressures for the reimposition of wage and price controls, it could also obviate the need for punitive measures rumored to be under consideration in the White House. I hope we can keep the stick in the closet. Its use for jawboning purposes could be impulsive and unfair; ultimately it could create still more disorder in the marketplace. This legislation contemplates the therapeutic force of public opinion—no more.

This independent Inflation Review Board is needed to monitor the greatest inflation machine of all—the Government itself—and to insure that the Board will speak freely, even when it has to step on powerful toes—whether public or private. The Board proposed in section 3 of the bill would consist of five members—three of whom, including the chairman and vice chairman, would be appointed by the President with the advice and consent of the Senate. These members would all have to be broadly representative of the public interest and could not therefore be affiliated with particular large economic interest groups.

The other two members of the Board would be the Chairman of the Federal Reserve Board and the Chairman of the Council of Economic Advisers. Inclusion of these ex officio members insures input from and coordination with those responsible for formulating fiscal and monetary policy and should strengthen the Board's authority, judgment, and influence with the private and public sectors. Appointed members would serve 4-year terms, except for the first members whose terms would be staggered. The Chairman would be the Board's chief executive officer and the Board could take action with three members—insuring its ability to act on its own when necessary and when unpopular to do so.

Under section 4 of the bill, the Board would be given authority to delay for up to 45 days any price or wage increase which could or would significantly increase inflation. Such authority is essential if the Board is to have an opportunity to determine the basis of any such increase, the extent to which it may be justified, and the need for remedial action. Such delay would give the Board, the President, and the Congress time to fashion appropriate remedies before the public is made to suffer the consequences of irresponsible inflationary behavior. It would afford the pressure of public opinion time to effect restraint.

Section 4 of the bill would also give the Board the authority to require firms with gross sales or revenues in excess of $250 million to notify the Board of proposed price increases 30 days prior to the date of the increase. In addition, under section 4 the Board could require similar prenotification from employers with respect to wage increases affecting more than 5,000 persons. In any case in which a wage increase affecting more than 5,000 persons is subject to the collective bargaining process, the Board could require bargaining representatives to submit to it all proposed or tentative wage increases to give the Board—and public—some desirable lead time to ensure inflationary consequences are considered in reaching the final agreement.

The coal pact negotiations this year demonstrate the difficulty of trying to influence such decisions once they have been bargained out. Those involved should know ahead of time the inflationary consequences so that their own members and employees, as well as the public, can take these effects into account in reaching a final pact.

Many employees may not want to gain an increase that is eroded overnight in a new spiral of inflation. Once a final agreement involving more than 5,000 employees is reached pursuant to collective bargaining, the Board must be notified of the terms no more than 5 days after agreement and not more than 30 days prior to the effective date. Prenotification is essential to the effective exercise of the delay authority granted by the bill.

The bill will also give the Board the authority to recommend to the President appropriate actions to counter inflation, including voluntary wage and price guidelines, either comprehensive or sectoral.

The exercise of such authority by the Board could embolden the President to be more responsive to general, as opposed to special, economic interests. The authority to establish voluntary guidelines would remain exclusively with the President.

The Board is also given authority to recommend to the President governmental measures to encourage adherence to guidelines, though it is my hope that the force of public opinion would reduce the need for such measures. Be that as it may, the President and Congress would have the benefit of the Board's advice in determining what measures, if any, are needed to encourage guideline adherence.

Under section 5 of the bill the Board would be required to report directly to the Congress on a semiannual basis and in greater degree than under present law. This will help insure vigilant congressional oversight, as well as constant attention to inflationary developments.

Section 6 of the bill requires the Board to come directly to Congress for its appropriations—not through OMB. Again, this is crucial to maintaining the Board's independence—to insure that it has enough resources to perform its tasks, including its review of Government-induced inflation.

Finally, the bill would authorize such sums as are necessary to carry out its functions and give the Board an initial 5-year life.

These provisions would allow the Congress to determine appropriate funding and staff levels to insure that the Board will be able to perform the tasks assigned to it and will give the permanence and status necessary to organize and do its job. Annual appropriations will insure constant oversight of the Board's activities.

Cost-push induced inflation will continue, unless it induces serious recession—or receives an appropriate response from the Government. This is one such response; controls are not.

If the Nation is to avoid wage and price controls, it needs an independent agency with tools to identify irresponsible inflationary behavior, expose it to public scrutiny and provide time to devise measures to prevent such increases from triggering another inflationary spiral.

A strong, independent Inflation Review Board, with the powers and resources conveyed by this bill, will have such tools.

Mr. President, I ask unanimous consent that the text of the bill be printed in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 3518

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Inflation Review Board Act of 1978".

FINDINGS AND PURPOSES

SEC. 2. (a) The Congress finds that—

(1) the Council on Wage and Price Stability lacks the necessary independence, authority, and resources to accomplish in an objective, timely, and effective manner the purposes for which it was created—to identify the causes of inflation, to expose private and governmental inflationary behavior to public scrutiny, and to temper irresponsible wage and price decisions;

(2) since the Council on Wage and Price Stability is the principal Government agency responsible for analyzing the inflationary effect of private and public sector activities, the Council must be strengthened in order to reduce inflation which slows economic growth, raises unemployment, leads to increased interest rates, reduces investment, harms the national competitive position of the United States, reduces the purchasing power of the dollar and destabilizes world trade and investment, reduces real disposable income by moving taxpayers into artificially high tax brackets, and impacts most severely the aged, the poor, and those least able to cope with changing economic conditions.

(b) The purpose of this Act is to strengthen the Council on Wage and Price Stability by making it an independent Inflation Review Board which reports directly to the Congress, by giving the Board the authority to temper irresponsible wage and price increases by authorizing the Board to require prenotification of and to delay temporarily wage and price increases which have serious inflationary effects, by authorizing the Board to recommend to the President appropriate governmental actions to counter inflation, including voluntary wage and price guidelines and accompanying measures to encourage adherence to such guidelines, and by increasing the resources available to the Board to enable it to perform effectively the tasks assigned to it by the Congress.

(c) Nothing in this Act authorizes any Government control of production, employment, allocation of resources, or wages and prices or creates the administrative framework, for the implementation of any such controls.

(d) It is the purpose of this Act to create a strong and independent Inflation Review Board which will serve as an effective alternative to wage and price controls which in the past have been inequitable, have caused distortion in the allocation of resources, and have suffered from administrative complexity.

(e) The Congress further finds that the authority granted the Inflation Review Board under this Act should be applied equitably to both wages and prices, and, to the extent required, to all sectors of the economy, and should be applied in a manner which minimizes distortion in the allocation of resources and administrative complexity.

ESTABLISHMENT OF INFLATION REVIEW BOARD

SEC. 3. Subsections (a) through (e) of section 2 of the Council on Wage and Price Stability Act are amended to read as follows:

"(a) There is established as an independent agency in the executive branch an Inflation Review Board (hereinafter referred to as the 'Board') which shall consist of—

"(1) a Chairman to be appointed by the President, by and with the advice and consent of the Senate;

"(2) a Vice Chairman to be appointed by the President, by and with the advice and consent of the Senate;

"(3) a member to be appointed by the President, by and with the advice and consent of the Senate;

"(4) the Chairman of the Board of Governors of the Federal Reserve System; and

"(5) the Chairman of the Council of Economic Advisers.

The Chairman of the Board of Governors of the Federal Reserve System and the Chairman of the Council of Economic Advisers may, from time to time, designate other members or other officers and employees of their respective Board or Council to carry out their duties on the Board.

"(b) The members of the Board appointed pursuant to paragraphs (1), (2), and (3) of subsection (a) shall be broadly representative of the public interest and shall be appointed for terms of 4 years, except that of the members first taking office, one shall serve for a term of 2 years, and one shall serve for a term of 3 years, as designated by the President at the time of the appointments. Any vacancy in the membership of the Board shall be filled in the same manner as the original appointment was made, except that in the case of members appointed under paragraphs (1), (2), and (3) of subsection (a), any appointment to fill a vacancy shall be made only for the remainder of the unexpired term. Not more than 2 of the members appointed by the President shall be affiliated with the same political party.

"(c) The Chairman of the Board shall be compensated at the rate provided for an individual occupying a position under level III of the Executive Schedule (5 U.S.C. 5314). The Vice Chairman and the other appointed member of the Board shall be compensated at the rate for an individual occuping a position under level IV of the Executive Schedule (5 U.S.C. 5315).

"(d) Three members of the Board shall constitute a quorum for the transaction of business but the Board may designate a lesser number for the taking of testimony. The Board shall meet at the call of the Chairman or at the call of a majority of its members.

"(e) The Chairman of the Board may employ and fix the compensation of such officers and employees, including attorneys, as are necessary to perform the functions of the Board at rates not to exceed the highest rate for Grade 18 of the General Schedule under section 5332 of title 5, United States Code. The Chairman may employ experts, expert witnesses, and consultants, in accordance with the provisions of section 3109 of title 5, United States Code, and compensate them at rate not in excess of the maximum daily rate provided for Grade 18 of the General Schedule under section 5332 of title 5, United States Code.".

PRENOTIFICATION; 45-DAY DELAY; RECOMMENDED ACTIONS

SEC. 4. Section 2 of the Council on Wage and Price Stability Act is amended by adding at the end thereof the following:

"(h)(1) The Board may require any person having gross sales or revenues in excess of $250,000,000 during its most recent full fiscal year to submit a prenotification to the Board with respect to any price increase of any product or service of such person not more than thirty days prior to the effective date of such increase.

"(2) The Board may require any person who is an employer to submit a prenotification with respect to any wage increase affecting more than five thousand employees not more than thirty days prior to the effective date of such increase. In any case in which a wage increase affecting more than five thousand employees is subject to agreement pursuant to the collective bargaining process, the Board may require the employer and the employees' representative to submit to the Board, either singly or jointly, any or all proposed or tentative wage increases to be considered during such process, and the Board may require a prenotification to be submitted jointly by the employer and the employees' representative of any final agreement with respect to any such increase not more than five days after such agreement has been reached and not more than thirty days prior to the effective date of such increase.

"(3) The Board may, by regulation prescribe the form and content of any prenotification required under this subsection, and it may require such prenotification to be submitted by any person, without regard to sales, revenues, or number of employees, whenever it finds that a wage or price increase implemented by such person might significantly increase inflation.

"(i) The Board is authorized, by order, regulation, or otherwise, to delay for one period of not to exceed forty-five days any proposed price or wage increase, in whole or in part which the Board determines would or could significantly increase inflation.

"(j) Whenever it appears to the Board that any person has engaged, is engaged, or is about to engage in any act or practice constituting a violation of any requirement imposed under this Act, the Board may request the Attorney General to bring an action in the appropriate district court of the United States to enjoin such act or practice, and upon a proper showing a temporary restraining order or a preliminary or permanent injunction shall be granted without bond. Any such court may also issue a mandatory injunction commanding such person to comply with such requirement.

"(k) The Board may recommend to the President appropriate governmental actions to counter inflation, including the establishment of comprehensive or sectoral voluntary guidelines for non-inflationary wage and price adjustments and governmental measures to encourage adherence to any such guidelines.".

REPORTING REQUIREMENT

SEC. 5. Section 5 of the Council on Wage and Price Stability Act is amended to read as follows:

"SEC. 5. The Board shall transmit to the Congress on a semi-annual basis and not later than thirty days after the close of the second and fourth calendar quarters, a report which shall include the following and such additional information as the Board deems relevant to its activities and purposes—

"(1) a description of its activities in monitoring the private and governmental sectors of the economy;

"(2) an analysis of changes during each of the quarters covered in wages, costs, supplies of commodities and industrial materials, productivity, prices, sales, profits, investment, executive compensation, fringe benefits, imports, exports, interest rates, and exchange rates;

"(3) developments during each of the quarters covered in key sectors of the domestice and international economy which could have an adverse inflationary effect on the economy in the next six-month period;

"(4) the Board's proposed activities for the next six-month period following transmission of the report; and

"(5) its recommendations with respect to the containment of inflation and the maintenance of a vigorous and prosperous peacetime economy.".

AUTHORIZATION

SEC. 6. Section 6 of the Council on Wage and Price Stability Act is amended to read as follows:

"SEC. 6. In addition to any amounts made available prior to the date of enactment of the Inflation Review Board Act of 1978 to the Council on Wage and Price Stability, there are authorized to be appropriated to the Board such sums as may be necessary to carry out the provisions of this Act. The Board shall transmit annually to the Congress a recommendation for additional appropriations. No office or agency of the United States shall have the authority to require the Board to submit any recommendation for appropriations for review or comment prior to the submission thereof to the Congress.".

EXTENSION

SEC. 7. Section 7 of the Council on Wage and Price Stability Act is amended by striking out "September 30, 1979" and inserting in lieu thereof "September 30, 1984".

TECHNICAL AMENDMENTS

SEC. 8. (a) The Council on Wage and Price Stability Act is amended by striking out "Director of the Council" each place it appears and inserting "Chairman of the Board".

(b) Such Act is amended by striking out "Council" each place it appears and inserting in lieu thereof "Board".

(c) The first section of such Act is amended to read as follows: "That this Act may be cited as the 'Inflation Review Board Act'.".●

By Mr. NUNN:

S. 3519. A bill to authorize the Secretary of the Army to return to the Federal Republic of Germany 10 paintings of the German Navy seized by the U.S. Army at the end of World War II; to the Committee on Armed Services.

● Mr. NUNN. Mr. President, today I am introducing a bill to authorize the Secretary of the Army to return to the Federal Republic of Germany, 10 paintings of the German Navy seized by the U.S. Army at the end of World War II. These paintings depict the German Navy in World War II. They were seized by the United States pursuant to provisions to the Protocol of the Proceedings of the Berlin Conference and the Report of the Yalta Conference. They are now the property of the United States and are in the custody of the Secretary of the Army.

Representatives of the Navy of the Federal Republic of Germany have requested the return of these 10 paintings by the Artist Claus Bergen which are highly regarded by naval personnel.

I believe that we should honor this request by our German friends.

Legislation to authorize the transfer of the paintings to the Government of the Federal Republic of Germany is necessary since the paintings are now property of the United States. Both the Department of Defense and the Department of State support this legislation.●

By Mr. PROXMIRE (for himself, Mr. MCINTYRE, and Mr. BROOKE):

S. 3520. A bill to amend the Federal Credit Union Act in order to improve the efficiency and flexibility of the financial

system of the United States by establishing within the National Credit Union Administration a central liquidity facility for Federal and State credit unions, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

NATIONAL CREDIT UNION CENTRAL LIQUIDITY FACILITY ACT

Mr. PROXMIRE. Mr. President, on behalf of Senator McINTYRE and Senator BROOKE and myself, I am today introducing legislation to establish a central liquidity fund for credit unions for reference to the Banking Committee.

Credit unions play a significant part in bringing financial services to consumers. They have been innovative and competitive in providing needed services to their members. Congress recently recognized the ability of credit unions to provide even more financial services by granting them authority to make home mortgage loans.

While credit unions have increased in importance, the governmental regulatory structure responsible for assuring the safety and soundness of credit unions has not kept pace. Consequently, earlier this Congress, the Senate passed legislation to create a three-man board to regulate credit unions at the Federal level to replace the existing one individual structure. That legislation is pending in the House and its passage is expected this year.

This legislation will round out the updating of the credit union regulatory structure. Commercial banks experiencing liquidity difficulties can turn to the Federal Reserve for assistance. Savings and loan associations have the Federal Home Loan Bank Board to help them in their liquidity needs. The credit unions have nowhere to turn for assistance.

Establishment of the liquidity provided for in this bill will enable credit unions to better serve their members and will provide an impotrant facility for assuring the safety and soundness of credit unions across the Nation. Under the legislation, the liquidity facility will be available for essentially short-term adjustments of portfolios, seasonal needs for funds, or protracted credit needs in unusual or emergency circumstances resulting from national, regional, or local difficulties.

Mr. President, I commend this legislation to my colleagues and I am gratified by the support that Senators McINTYRE and BROOKE have given to the credit union movement.

I ask unanimous consent that the text of the bill be printed in full in the RECORD.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 3520

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Credit Union Central Liquidity Facility Act".

SEC. 101. The Federal Credit Union Act (12 U.S.C. 1751 et ceq.) is amended by adding at the end thereof the following new subchapter:

"SUBCHAPTER III—CENTRAL LIQUIDITY FACILITY

"SEC. 301. The Congress finds that the establishment of a National Credit Union Central Liquidity Facility is needed to improve general financial stability by meeting the liquidity needs of credit unions and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy.

"DEFINITIONS

"SEC. 302. As used in this subchapter. the term—

"(1) 'liquidity needs' means the needs of credit unions primarily serving natural persons for—

"(A) short-term adjustment credit available to assist in meeting temporary requirements for funds or to cushion more persistent outflows of funds pending an orderly adjustment of credit union assets and liabilities;

"(B) seasonal credit available for longer periods to assist in meeting seasonal needs for funds arising from a combination of expected patterns of movement in share and deposit accounts and loans; and

"(C) protracted adjustment credit available in the event of unusual or emergency circumstances of a longer term nature resulting from national, regional, or local difficulties.

"(2) 'Central Liquidity Facility' or 'Facility' means the National Credit Union Central Liquidity Facility;

"(3) 'paid-in and unimpaired capital and surplus' means the balance of the paid-in share accounts and deposits as of a given date, less any loss that may have been incurred for which there is no reserve or which has not been charged against undivided earnings, plus the credit balance (or less the debit balance) of the undivided earnings account as of a given date, after all losses have been provided for and net earnings or net losses have been added thereto or deducted therefrom. Reserves shall not be considered as part of surplus; and

"(d) 'member' means a Regular or an Agent member of the Facility.

"ESTABLISHMENT OF THE NATIONAL CREDIT UNION ADMINISTRATION CENTRAL LIQUIDITY FACILITY

"SEC. 303. There is hereby created the National Credit Union Administration Central Liquidity Facility. The Central Liquidity Facility shall exist within the National Credit Union Administration and be managed by the Administrator. The United States district courts shall have original jurisdiction over any case to which the Administrator on behalf of the Facility is a party, without regard to the amount in controversy.

"MEMBERSHIP

"SEC. 304. (a) A credit union primarily serving natural persons may be a Regular member of the Facility by subscribing to the capital stock of the Facility in an amount not less than one-half of 1 per centum of the credit union's paid-in and unimpaired capital and surplus.

"(b) A credit union or group of credit unions, primarily serving other credit unions, may be an Agent member of the Facility by—

"(1) obtaining the approval of the Administrator;

"(2) subscribing to the capital stock of the Facility in an amount not less than one-half of 1 per centum of the paid-in and unimpaired capital and surplus of all those credit unions which primarily serve natural persons and which are members of such credit union or of any credit union comprising such credit union group;

"(3) agreeing to comply with rules and regulations the Administrator shall prescribe with respect to, but not limited to, management quality, asset and liability safety and soundness, internal operating and control practices and procedures, and participation by natural persons in the affairs of such credit union or credit union group; and

"(4) agreeing to submit to the supervision of the Administrator which shall include, but not be limited to, reporting requirements and periodic unrestricted examinations.

"(c) Stock subscriptions provided for in subsections (a) and (b)(2) of this section shall be—

"(1) based on an arithmetic average of paid-in capital and surplus over the six months preceding application for membership; and

"(2) adjusted at the close of each calendar year in accordance with an arithmetic average of paid-in capital and surplus over a period determined by the Administrator.

"(d) An Agent member of the Facility shall perform for its member credit unions those functions required by the Administrator to carry out this subchapter.

"(e)(1) A member of the Facility whose capital stock subscription constitutes less than 5 per centum of such stock outstanding, may withdraw from membership in the Facility six months after notifying the Administrator of its intention to do so.

"(2) A member of the Facility whose capital stock subscription constitutes 5 per centum or more of such stock outstanding, may withdraw from membership in the Facility twenty-four months after notifying the Administrator of its intention to do so.

"(3) The Administrator may terminate membership in the Facility if, after opportunity for a hearing the Administrator determines a member has failed to comply with any provision of this subchapter or regulation issued pursuant thereto.

"CAPITAL STOCK

"SEC. 305. (a) As soon as practicable, the Administrator shall open books for subscriptions to the capital stock of the Facility. The minimum subscription shall be $50.

"(b) The capital stock of the Facility—

"(1) shall be divided into shares having a par value of $50 each;

"(2) shall be paid for with cash or with securities of the United States or any agency thereof in accordance with requirements the Administrator may impose;

"(3) shall share in dividend distributions without preference and at rates to be determined by the Administrator; and

"(4) shall not be transferred or hypothecated except as provided for herein.

"(c) When circumstances require that all or a portion of a member's stock be redeemed by the Facility, the Administrator shall pay an amount equal to what the member originally paid for the stock less any amount owed by the member to the Facility.

"(d) At least one-half of the payment for the subscription amount required for membership under section 304 of this subchapter shall be transferred to the Facility. The remainder may be held by the member on call of the Administrator and shall be invested in assets designated by the Administrator.

"(e) A credit union or credit union group that becomes a member of the Facility later than six months after the date the Administrator opens books for capital stock subscriptions, may not borrow or receive advances from the Facility without approval by the Administrator for a period of six months after becoming a member.

"EXTENSIONS OF CREDIT

"SEC. 306. (a)(1) A member may apply for an extension of credit from the Facility to meet its liquidity needs. The Administrator shall approve or deny any such application within five working days after receiving it.

"(2) The Administrator may advance funds to a member on terms and conditions prescribed by the Administrator.

"(b) The Secretary of the Treasury is authorized to lend to the Facility up to $500,000,000, in the event the Administrator certifies to the Secretary that the Facility does not have sufficient funds to meet liquidity needs of credit unions. Any such loan shall bear an interest rate not greater than one-eighth of 1 per centum above the current average market yield on outstanding obligations of the United States with remaining time to maturity comparable to the maturity of such loan. The authority of the Secretary to lend under this subsection shall be limited to such extent or in such amounts as are provided in advance in appropriation Acts.

POWERS OF THE ADMINISTRATOR

"SEC. 307. The Administrator on behalf of the Facility shall have the authority to—

"(1) prescribe the manner in which the general business of the Facility shall be conducted;

"(2) prescribe rules and regulations to carry out this subchapter;

"(3) determine the expenditures incurred by the Administration to carry out this subchapter, and the expenditures incurred by the Facility to carry out subchapters I and II of this chapter, and annually assess the Facility and the Administration accordingly;

"(4) borrow from—

"(A) any source with or without the guarantee of the United States as to principal and interest. The total face value of those obligations guaranteed by the United States shall not exceed twenty times the subscribed capital stock and surplus of the Facility; and

"(B) the National Credit Union Share Insurance Fund up to $500,000 to defray initial organizational and operating expenses of the Facility at such rates and terms consistent with prevailing market conditions;

"(5) guarantee performance of the terms of any financial obligation of a member but only when such obligation bears a clear and conspicuous notice on its face that only the resources of the Facility underlie such guarantee;

"(6) purchase any asset from a member with the member's endorsement;

"(7) invest in obligations of the United States or any agency thereof;

"(8) make deposits in federally insured financial institutions and make investments in shares or deposits of credit unions;

"(9) sue and be sued, complain, and defend, in any State or Federal court;

"(10) adopt a seal;

"(11) pursue to final disposition by way of compromise or otherwise claims both for and against the United States (other than tort claims, claims involving administrative expenses, and claims in excess of $5,000 arising out of contracts for construction, repairs, and the purchase of supplies and materials) which are not in litigation and have not been referred to the Department of Justice;

"(12) appoint officers and employees to assist in carrying out this subchapter, who shall be appointed subject to the provisions of title 5, United States Code;

"(13) conduct business, carry on operations, have offices, and exercise the powers granted by this subchapter in any State or territory;

"(14) lease, purchase, or otherwise acquire and own, hold, improve, use, or otherwise deal in and with property, real, personal, or mixed, or any interest therein, wherever situated; and

"(15) enter into contracts with any public or private organization, partnership, corporation, or individual, to the extent or in such amounts as are provided in advance in appropriation Acts.

"AUDIT OF FINANCIAL TRANSACTIONS

"SEC. 308. The Comptroller General of the United States shall audit the Central Liquidity Facility under such rules and regulations as the Comptroller may prescribe.

"ANNUAL REPORT

"SEC. 309. The annual report required by section 102(e) shall include a full report of the activities of the Facility.".

SEC. 102. (a) Paragraph (6) of section 107 of the Federal Credit Union Act (12 U.S.C. 1757) is amended by inserting "from the Central Liquidity Facility," after "prescribed,".

(b) Paragraph (7) of such section is amended by striking the word "and" preceding "(H)", and adding at the end thereof the following: "and (J) in the capital stock of the National Credit Union Central Liquidity Facility;".

(c) Paragraph (9) of such section is amended by inserting ", except as authorized by the Administrator in carrying out the provisions of subchapter III," after "exceeding".

SEC. 103. Section 709 of title 18 of the United States Code is amended by striking the fourth paragraph and inserting in lieu thereof the following new paragraph:

"Whoever, other than a bona fide organization or association of Federal or State credit unions or except as permitted by the laws of the United States, uses as a firm or business name or transacts business using the words 'National Credit Union', 'National Credit Union Administration', 'National Credit Union Board', 'National Credit Union Share Insurance Fund', 'Share Insurance', or 'Central Liquidity Facility,' or the letters 'NCUA', 'NCUSIF', or 'CLF', or any other combination or variation of those words or letters alone or with other words or letters, or any device or symbol or other means, reasonably calculated to convey the false impression that such name or business has some connection with, or authorization from, the National Credit Union Administration, the Government of the United States, or any agency thereof, which does not in fact exist, or falsely advertises or otherwise represents by any device whatsoever that his or its business, product or service has been in any way endorsed, authorized, or approved by the National Credit Union Administration, the Government of the United States, or any agency thereof, or falsely advertises or otherwise represents by any device whatsoever that his or its deposit liabilities, obligations, certificates, shares, or accounts are insured under the Federal Credit Union Act or by the United States or any instrumentality thereof, or being an insured credit union as defined in that Act falsely advertises or otherwise represents by any device whatsoever the extent to which or the manner in which share holdings in such credit union are insured under such Act; or".

ADDITIONAL COSPONSORS

S. 1393

At the request of Mr. BAYH, the Senator from Texas (Mr. BENTSEN) was added as a cosponsor of S. 1393, to protect the Civil Rights of the Institutionalized.

S. 2856

At the request of Mr. MORGAN, the Senator from Colorado (Mr. HART) was added as a cosponsor of S. 2856, the Uniformed Services Survivor Benefit Plan Amendments Act of 1978.

S. 2910

At the request of Mr. KENNEDY, the Senator from Rhode Island (Mr. PELL) was added as a cosponsor of S. 2910, "The Adolescent Health, Services, and Pregnancy Prevention and Care Act of 1978."

S. 3116

At the request of Mr. KENNEDY, the Senator from Maine (Mr. HATHAWAY) was added as a cosponsor of S. 3116, the Disease Prevention and Health Promotion Act of 1978.

S. 3426

At the request of Mr. DOLE, the Senator from New York (Mr. JAVITS) and the Senator from Ohio (Mr. GLENN) were added as cosponsors of S. 3426, to increase the title XX ceiling under the Social Security Act.

SENATE JOINT RESOLUTION 162

At the request of Mr. HANSEN, the Senator from Wyoming (Mr. WALLOP) was added as a cosponsor of Senate Joint Resolution 162, to authorize the President to issue a proclamation designating March 1979 as "Youth Art Month."

AMENDMENTS SUBMITTED FOR PRINTING

INTERGOVERNMENTAL ANTIRECESSION AND SUPPLEMENTARY FISCAL ASSISTANCE AMENDMENTS OF 1978—H.R. 2852

AMENDMENT NO. 3626

(Ordered to be printed and lie on the table.)

Mr. DANFORTH submitted an amendment intended to be proposed by him to the act (H.R. 2852) to amend the Internal Revenue Code of 1954 to provide that refunds of the taxes on gasoline and special fuels shall be made to aerial applicators in certain cases.

● Mr. DANFORTH. Mr. President, today I am introducing an amendment which I will propose when the Senate considers H.R. 2852, the Intergovernmental Antirecession and Supplementary Fiscal Assistance Amendments of 1978.

The purpose of the amendment is to direct assistance only to those communities with genuine need and, in so doing, to effect a cost savings. Estimated savings under my amendment will amount to $47 million in fiscal year 1979 and $188 million in fiscal year 1980.

In my opinion, the bill reported by the Finance Committee symbolizes much of what is wrong with Government today. The original intent of the countercyclical revenue sharing program was to assist financially strapped State and local governments in meeting revenue shortfalls occasioned by a downturn in the Nation's economy. That noble purpose, however, was subverted to the ends of political expediency. The committee bill takes us from bad to worse. In order to provide $300 to $400 million to State and local governments with real need, the committee has reported a bill costing $550 to $600 million, spread among some 18,000 State and local governments.

Under the committee bill, instead of having program expenditures decline as unemployment declines (the fundamental basis of the original program), expenditures actually increase when national unemployment drops below 6 percent. This is not "countercyclical assistance." This is pork-barreling.

Existing law already strains credibility, because it provides "antirecession" aid to State and local governments with unemployment above 4.5 percent. Given the fact that the Council of Economic

Advisers considers 4.9 percent as the "full employment" level, it is apparent that we are sending aid to many areas with healthy economies and full employment.

The committee's bill retains the 4.5 percent local "trigger" for eligibility. But worse than that, in an effort to get dollars where there is no demonstrable need (but undoubted political points to be made) the committee created the vehicle of the "revenue sharing multiple," utilizing a community's general revenue sharing formula to beef up its shot at Federal assistance where need proves hard to justify under the countercyclical formula. The added cost of this provision alone would be $88 million in 1980.

The amendment I intend to offer would correct this situation by doing the following:

First. Increase the local eligibility trigger to 6 percent unemployment (State and local governments with unemployment below 6 percent would not be eligible for funds);

Second. Eliminate the general revenue sharing element from the funding formula (thus restoring the formula to that in current law); and

Third. Reduce the amount of available funds to $100 million per quarter when national unemployment is between 5 and 6 percent. (The committee bill provides $125 million per quarter).

I believe these changes will not disadvantage those with legitimate need and will save $235 million over 2 years. Perhaps as important, it would demonstrate our willingness to design a bill on the basis of merit rather than the basis of "what's in it for me?"

I ask that the text of the amendment be printed in the RECORD.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

On page 5, line 20, insert the following after "SEC. 5.":

"(a) Section 203(b) of the Public Works Employment Act of 1976 (42 U.S.C. 6723(b)) is amended by striking out "405" in paragraph (3)(B) and inserting in lieu thereof "6". (b)";

On page 6, strike line (1) and insert in lieu thereof:

"(2) by striking out "4.5" in paragraph (3)(A) and inserting in lieu thereof "6";

(3) redesignating paragraph (4) as (5) and by insert—";

On page 9, line 11, strike "4.5" and insert in lieu thereof "6";

On page 9, line 18, strike "4.5" and insert in lieu thereof "6";

On page 11, line 13, strike "4.5" and insert in lieu thereof "6";

On page 11, line 24, strike "$125,000,000" and insert in lieu thereof "$100,000,000";

On page 12, line 1, strike "this subtitle and";

On page 15, beginning with line 20, strike all through and including line 9, page 17;

On page 17, line 10, strike "(e)" and insert in lieu thereof "(d)";

On page 17, line 18, strike "4.5" and insert in lieu thereof "6";

On page 18, line 2, strike "4.5" and insert in lieu thereof "6".●

MILITARY PROCUREMENT AUTHORIZATION BILL—S. 3486

AMENDMENT NO. 3627

(Ordered to be printed and lie on the table.)

Mr. PROXMIRE submitted an amendment intended to be proposed by him to the bill (S. 3486) to authorize appropriations for fiscal year 1979 for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, torpedoes, and other weapons and for research, development, test and evaluation for the Armed Forces, to prescribe the authorized personnel strength for each active duty component and the Selected Reserve of each Reserve component of the Armed Forces and for civilian personnel of the Department of Defense, to authorize the military training student loads, to authorize appropriations for civil defense, and for other purposes.

Mr. PROXMIRE. Mr. President, today I am introducing an amendment to S. 3486, the military procurement authorization bill, to abolish the Women's Army Corps.

On Tuesday we will have 40 minutes to discuss this issue, but I would like to make three points at this time.

First, the Army supports this legislation. It has actively pushed for this legislation. And the Office of Management and Budget has given its blessing as well.

Second, it would eliminate an unfair system of promotion, a system which allows less qualified men to be chosen for promotion over women and less qualified women to be chosen over men.

Third, it would eliminate layers of time-consuming and costly redtape. As it stands now, women are promoted by a specially convened board and receive an appointment in the Women's Army Corps. Then their files must be transferred into the mainstream of Army personnel administration for a second processing before the women can be detailed to duty. Why require two steps when one will do? Since women now serve alongside men in nearly every phase of Army operations, I can see no reason for separate promotion, appointment, and enlistment systems.

The Marine Corps, Air Force, and Navy have all abolished their distaff branches. I hope the Senate will see fit to allow the Army to do the same.

Mr. President, I ask unanimous consent that the amendment be printed in the RECORD.

There being no objection, the amendment is ordered to be printed in the RECORD, as follows:

At the end of the bill add a new section as follows:

ABOLISHMENT OF WOMEN'S ARMY CORPS

SEC. 820. (a) Section 505 of title 10, United States Code, is amended by striking out subsection (d) and by redesignating subsection (e) as subsection (c).

(b) Chapter 307 of such title is amended by striking out section 3071 and by striking out of the table of sections at the beginning of such chapter the item relating to section 3071.

(c) Chapter 331 of such title is amended—

(1) by striking out "; Women's Army Corps" in the catchline of section 3209;

(2) by striking out the subsection designation "(a)" at the beginning of subsection (a) of section 3209 and striking out subsection (b) of such section;

(3) by striking out section 3215;

(4) by striking out "and the Women's Army Corps" in clause (1) of the third sentence of section 3220; and

(5) by striking out in the table of sections at the beginning of such chapter "; Women's Army Corps" in the item relating to section 3209 and by striking out the item relating to section 3215.

(d) Chapter 335 of such title is amended—

(1) by striking out ", in the Women's Army Corps," in subsection (a) of section 3283 and by striking out "and the Women's Army Corps" in subsection (b) of such section;

(2) by striking out clause (2) of section 3296(b) and redesignating clause (3) as clause (2);

(3) by striking out the third sentence of section 3297(a) "a selection board considering promotion-list officers of the Women's Army Corps under section 3300 (a) or (b) of this title may include officers of the Regular Army in that corps whose regular or temporary grades are above major, and";

(4) by striking out section 3311; and

(5) by striking out in the table of sections at the beginning of such chapter the item relating to section 3311.,

(e) Chapter 337 of such title is amended—

(1) by striking out "and the Women's Army Corps" and "or corps, as the case may be" in the first sentence of section 3363(g) and by striking out "or the Women's Army Corps" in the second sentence of such section;

(2) by striking out "and the Women's Army Corps" in section 3364(a);

(3) by striking out "or to the Women's Army Corps" and "or corps" in section 3364 (b):

(4) by striking out "or to the Women's Army Corps" in section 3364 (c); and

(5) by striking out the second sentence of section 3383 (b).

(f) Chapter 345 of such title is amended by striking out section 3580 and by striking out in the table of sections at the beginning of such chapter the item relating to section 3580.

(g) Section 3818 of such title is amended—

(1) by striking out clause (2) of subsection (a) and inserting in lieu thereof the following:

"(2) the appointment of a female warrant officer, or the enlistment of a female member, of the Regular Army."; and

(2) by striking out "of the Women's Army Corps" in subsection (c).

(h) Section 3848 (d) of such title is amended by inserting "or" before "the Army Medical Specialist Corps" and by striking out "or the Women's Army Corps,".

(i) Section 3916 (b) of such title is amended—

(1) by inserting "and" at the end of clause (1);

(2) by striking out "Women's Army Corps," in clause (2);

(3) by striking out the semicolon and the word "and" at the end of clause (2) and inserting in lieu thereof a period; and

(4) by striking out clause (3).

AIRCRAFT AND AIRPORT NOISE REDUCTION ACT—S. 3279

AMENDMENT NO. 3628

(Ordered to be printed and referred to the Committee on Finance.)

Mr. HART submitted an amendment intended to be proposed by him to the bill (S. 3279) to provide assistance to aircraft operators to aid them in complying with Federal aircraft noise standards, to amend the Airport and Airway Development Act of 1970 to provide assistance to airport operators and aircraft operators to aid them in complying with noise standards, and for other purposes.

● Mr. HART. Mr. President, on September 14, 1978, the House of Representatives approved legislation to give domestic and some foreign airlines an esti-

mated $4 billion over the next 5 years to help pay for quieter airplanes in order to comply with Federal antinoise regulations. The money would be diverted from existing taxes on air fares and freight. Similar legislation which has been reported by the Senate Commerce Committee and is now pending before the Senate Finance Committee may come before the full Senate shortly. S. 3279, like the companion bill just passed by the House, contains what I believe to be an ill-conceived financing mechanism to assure that airline operators are able to comply with Federal noise regulations.

S. 3279 deals both with domestic and international transportation. For domestic transportation the passenger ticket tax presently in effect is reduced from 8 percent to 6 percent and the tax on cargo reduced from 5 percent to 3 percent, both for a period of 5 years. All of the money raised by these taxes is currently earmarked exclusively for airport maintenance and air safety programs. The legislation then imposes a 2-percent noise abatement charge which may be adjusted or eliminated by the CAB after 1 year. The charges are authorized to be imposed for up to 5 years. For international transportation the legislation provides that the airlines may collect an increased departure tax on passengers leaving the country. The legislation specifies that the revenues received by the operator from noise abatement charges collected shall be used to bring its fleet into compliance with Federal noise regulations. Once a carrier's fleet is fully in compliance however, the carrier may expend these funds in any way it chooses.

Mr. President, the financing mechanism in this bill raises a number of serious problems that merit the careful consideration of this body. The most striking problem is the precedent that would be set by the Federal Government providing funds through a dedicated tax to a private industry to pay for federally mandated environmental changes. The program constitutes a bailout for one industry's environmental program, and as such is likely to pave the way for special pleadings by other industries.

The airlines claim they need the subsidy provided by S. 3279 to meet a 1976 FAA rule that requires them to use quieter airplanes after 1984. They argue that without Federal assistance there is a risk that achievement of the noise abatement goals could be compromised. It is clear, however, that the economic health of the airline industry has improved markedly in recent years. Many carriers have already found the money to buy new planes on their own. For example, Delta, and Northwest, have each spent $1.25 billion on new quieter aircraft since 1973. The industry is making record profits and financial analysts project that it will continue to do so into the 1980's. In 1976 and 1977 the industry made a total of $1.2 billion in profits and is expected to net a record $800 million in 1978. As Business Week explained in an editorial of August 14, 1978:

Today the airlines are flying high, with record earnings and growing traffic. The Civil Aeronautics Board has given them wide latitude in setting fares. So far they have used it mainly to build revenues with promotional fares, but if they needed to cover increased costs, they could apply for higher rates. . . . Moreover, the airlines today have no stronger claim to help than the industries that must meet air and water pollution stadards. If the carriers are allowed to buck part of the cost back to the government, why should chemical manufacturers or oil refiners pay all the bills themselves?

I believe serious dobuts are raised by legislation such as S. 3279, which establishes the Federal Government as a collector agent of funds for a private purpose. At a time when the public is crying out for lower taxes and more careful Federal spending, we are confronted with a bill which levies a tax of nearly $4 billion on passengers and shippers and then transfers the money to airlines which are earning record profits for the second year in a row. I am also concerned that the legislation now being considered by Congress would hand over almost $1 billion in tax money to foreign airlines, most of which are owned by their governments, at a time when the dollar is sinking and the balance of payments deficit is mounting.

The amendment I have introduced to day offers a simple method to resolve the serious problems I have outlined. It would reduce the 8 percent tax to 6 percent, eliminate the 2 percent domestic noise abatement charge as well as the international noise abatement tax, and would thereby let the airlines take care of their noise pollution problems in a competitive manner. By eliminating the noise abatement charges and telling the airlines to raise their prices by an equal amount, those airlines with the least planes to modify or replace will have a competitive advantage since they have to raise the least money.

Using a tax instead of a price increase to do the same job penalizes the airlines whose planes make the least noise now. If we are serious about wanting to keep the Federal Government out of the marketplace, if we really want to minimize Federal bureaucracy and maximize free market operations, then we must oppose the financing mechanisms provided in this bill.

An editorial in this morning's Washington Post outlines a number of the problems raised by this bill. I ask unanimous consent that both the editorial and my amendment be printed in the RECORD.

There being no objection, the editorial and the amendment were ordered to be printed in the RECORD, as follows:

A TAX OR A PRICE INCREASE?

That was a strange set of taxes the House of Representatives approved last week on airline tickets, air freight and passengers who leave the country. Unlike other taxes, these are not designed to raise funds to pay for government programs. Instead, they are designed to raise funds to help the airlines buy quieter airplanes and engines. That is a unique use of the federal taxing power, and it should be rejected by the Senate.

The scheme works like this: Each airline will continue to collect an 8 percent tax on domestic tickets and a 5 percent tax on domestic air freight. In the past, that money went into the Airport and Airway Development Fund, which pays the bills for safety programs and other projects approved by Congress. Under the new plan, however, part of that tax money will go into a special fund where it will be mixed with the proceeds of a new tax on international air freight and an increased departure tax on international passengers. Once the money gets into the new fund, the Treasury will send a portion of it back to the airline that collected it—about a third of the airline's expenditures for quieter airplanes and engines. This bookkeeping transaction—moving the money to Washington and then sending it back—is apparently designed to get around constitutional objections to a tax imposed to support something other than a government.

Behind this complex arrangement lie the problems that the airlines face in complying with the federal noise standards that go into effect in 1985. The airlines say it will cost $6 billion to $8 billion to modify or replace their present noisy aircraft. They claim—with some justification—that this is an unreasonable burden for the government to impose on their profits and stockholders. The standards, after all, are retroactive, because the planes met existing standards when they were bought, and the outlays necessary for modifications are substantially greater in relation to profits than those imposed on most other industries by other environmental requirements.

That is an argument for direct federal aid, if we ever heard one, and it seemed to sell well when it was made on the floor of the House last week. Members were told, time and again, that the government has to do something to help the airlines meet this heavy financial burden. But the legislation the House approved doesn't provide direct federal aid. Nor does it even provide indirect federal aid, as does other legislation giving various tax breaks to other industries for their anti-pollution spending. All the new legislation really does it to require airline users to pay for the new equipment through a tax. Without the tax, they would pay for it through price increases.

We can understand why the airlines prefer it this way. It puts the onus on the government, instead of on them, for increasing the cost of international travel and freight and for not decreasing domestic prices. And it spreads the costs of meeting the new standards across the airline industry. If Congress simply eliminated the taxes that the House wants to put into this new fund and told the airlines to raise their prices an equal amount, those airlines with the most noisy planes to modify or replace would be at a competitive disadvantage because they have to raise the most money. In other words, using a tax instead of a price increase to do the same job penalizes the airlines whose planes make the least noise now.

If Congress wants to help the airlines, it ought to do so either directly through grants or indirectly through tax mechanisms like those already developed for other industries. If it thinks airline users should pay the bill for the anti-noise equipment, it can recoup the expenditures or tax losses through new ticket and freight taxes. But it should not meld those two processes by creating taxes that, in effect, transfer money directly from taxpayer to airline, with the government being merely a switching station rather than a controller.

Once a precedent like that is established, it is not hard to think of what could follow. How about a tax on new-car sales, instead of price increases, to pay for catalytic converters? Or a tax on gas and electric bills to pay for scrubbers? Or a tax on chemicals to pay part of the cost of cleaning up industrial wastes? The possibilities are endless. The Senate should cut them off before they arise by refusing to go along with the airline "taxes."

On page 17, beginning with line 14, strike out all through line 2 on page 23.

On page 23, line 4, strike out "311" and insert in lieu thereof "305".●

SENATE RESOLUTION 566—ORIGINAL RESOLUTION REPORTED WAIVING CONGRESSIONAL BUDGET ACT

Mr. JACKSON, from the Committee on Energy and Natural Resources, reported the following original resolution, which was referred to the Committee on the Budget:

SENATE RESOLUTION 566

Resolved, That pursuant to section 402(c) of the Congressional Budget Act of 1974, the provisions of section 402(a) of such act are waived with respect to the consideration of S. 3392. Such waiver is necessary because the bill originally introduced in the House of Representatives, H.R. 12505, was not passed until June 22, 1978, after the required May 15th reporting date. Also, action by the Committee on Energy and Natural Resources has been delayed because of the priority consideration which had to be given to the President's energy program proposals and to the Alaska National Interest Lands legislation.

AUTHORITY FOR COMMITTEES TO MEET

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Mr. INOUYE. Mr. President, I ask unanimous consent that the permanent Subcommittee on Investigations of the Committee on Governmental Affairs be authorized to meet during the session of the Senate on Friday, September 29, 1978 and Monday, October 2, 1978 in Atlanta, Ga. to hold an oversight hearing to hear testimony on narcotics and other contraband being smuggled into prisons by guards.

The PRESIDING OFFICER. Without objection, it is so ordered.

SUBCOMMITTEE ON CRIMINAL LAWS AND PROCEDURES

Mr. INOUYE. Mr. President, I ask unanimous consent that the Criminal Laws and Procedures Subcommittee of the Committee on the Judiciary be authorized to meet during the session of the Senate on Wednesday, September 27, 1978 to hold a hearing on career criminals.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADDITIONAL STATEMENTS

PROPOSED ARMS SALES

● Mr. SPARKMAN. Mr. President, section 36(b) of the Arms Export Control Act requires that Congress receive advance notification of proposed arms sales under that act in excess of $25 million or, in the case of major defense equipment as defined in the act, those in excess of $7 million. Upon such notification, the Congress has 30 calendar days during which the sale may be prohibited by means of a concurrent resolution. The provision stipulates that, in the Senate, the notification of proposed sale shall be sent to the chairman of the Foreign Relations Committee.

In keeping with my intention to see that such information is immediately available to the full Senate, I ask to have printed in the RECORD the two notifications I have just received:

WASHINGTON, D.C.,
September 19, 1978.

Hon. JOHN J. SPARKMAN,
Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 78–100, concerning the Department of the Army's proposed Letter of Offer to Austria for defense articles and services estimated to cost $47.2 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

ERNEST GRAVES,
Lieutenant General, USA, Director, Defense Security Assistance Agency.

NOTICE OF PROPOSED ISSUANCE OF LETTER OF OFFER PURSUANT TO SECTION 36(B) OF THE ARMS EXPORT CONTROL ACT

(i) Prospective Purchaser: Austria.
(ii) Total Estimated Value:
Major Defense Equipment,* $39.8 million.
Other, $7.4 million.
Total, $47.2 million.
(iii) Description of Articles or Services Offered: Fifty (50) M60A3 tanks and support equipment.
(iv) Military Department: Army.
(v) Sales Commission, Fee, etc. Paid, Offered or Agreed to be Paid: None.
(vi) Date Report Delivered to Congress: September 19, 1978.

WASHINGTON, D.C.
September 19, 1978.

Hon. JOHN J. SPARKMAN,
Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 78–101, concerning the Department of the Army's proposed Letter of Offer to Iran for defense articles and services estimated to cost $250 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

ERNEST GRAVES,
Lieutenant General, USA, Director, Defense Security Assistance Agency.

NOTICE OF PROPOSED ISSUANCE OF LETTER OF OFFER PURSUANT TO SECTION 36(b) OF THE ARMS EXPORT CONTROL ACT

(i) Prospective Purchaser: Iran.
(ii) Total Estimated value:
Major Defense Equipment* $0.0 million.
Other, $250.0 million.
Total, $250.0 million.
(iii) Description of Articles or Services Offered: One air defense systems depot, which will provide depot level refurbishment/overhaul maintenance capabilities for major items plus increase the depot level maintenance repair capabilities for assemblies for I–HAWK, Rapier and Oerlikon weapon systems.
(iv) Military Department: Army:
(v) Sales Commission, Fee, etc. Paid, Offered or Agreed to be Paid: None.
(vi) Date Report Delivered to Congress: September 19, 1978.●

OFFICIAL CORRESPONDENCE ON PROPOSED MIDDLE EAST PEACE ARRANGEMENTS

● Mr. CHURCH. Mr. President, earlier today the Department of State furnished the Committee on Foreign Relations with copies of official correspondence relating to the proposed Middle East peace arrangements.

For the information of the Senate, I ask unanimous consent to have this correspondence and the attachments printed in the RECORD.

The letter follows:

SEPTEMBER 17, 1978.

The President,
Camp David,
Thurmont, Md.

DEAR MR. PRESIDENT: I have the honor to inform you that during two weeks after my return home I will submit a motion before Israel's Parliament (the Knesset) to decide on the following question:

If during the negotiations to conclude a peace treaty between Israel and Egypt all outstanding issues are agreed upon, "are you in favor of the removal of the Israeli settlers from the northern and southern Sinai areas or are you in favor of keeping the aforementioned settlers in those areas?"

The vote, Mr. President, on this issue will be completely free from the usual Parliamentary Party discipline to the effect that although the coalition is being now supported by 70 members out of 120, every member of the Knesset, as I believe, both on the Government and the Opposition benches will be enabled to vote in accordance with his own conscience.

Sincerely yours,

MENACHEM BEGIN.

SEPTEMBER 22, 1978.

HIS EXCELLENCY ANWAR AL-SADAT,
President of the Arab Republic of Egypt,
Cairo

DEAR MR. PRESIDENT: I transmit herewith a copy of a letter to me from Prime Minister Begin setting forth how he proposes to present the issue of the Sinai settlements to the Knesset for the latter's decision.

In this connection, I understand from your letter that Knesset approval to withdraw all Israeli settlers from Sinai according to a timetable within the period specified for the implementation of the peace treaty is a prerequisite to any negotiations on a peace treaty between Egypt and Israel.

Sincerely,

JIMMY CARTER.

Enclosure.

SEPTEMBER 17, 1978.

HIS EXCELLENCY JIMMY CARTER,
President of the United States

DEAR MR. PRESIDENT: In connection with the "Framework for a Settlement in Sinai" to be signed tonight, I would like to reaffirm the position of the Arab Republic of Egypt with respect to the settlements:

1. All Israeli settlers must be withdrawn from Sinai according to a timetable within the period specified for the implementation of the peace treaty.

2. Agreement by the Israeli Government and its constitutional institutions to this basic principle is therefore a prerequisite to starting peace negotiations for concluding a peace treaty.

3. If Israel fails to meet this commitment, the "Framework" shall be void and invalid.

Sincerely,

MOHAMED ANWAR EL SADAT.

HIS EXCELLENCY, MENACHEM BEGIN,
Prime Minister of Israel

DEAR MR. PRIME MINISTER: I have received your letter of September 17, 1978, describing how you intend to place the question of the future of Israeli settlements in Sinai before the Knesset for its decision.

Enclosed is a copy of President Sadat's letter to me on this subject.

Sincerely,

JIMMY CARTER.

Enclosure.

SEPTEMBER 17, 1978.

HIS EXCELLENCY JIMMY CARTER,
President of the United States

DEAR MR. PRESIDENT: I am writing you to reaffirm the position of the Arab Republic of Egypt with respect to Jerusalem:

1. Arab Jerusalem is an integral part of the West Bank. Legal and historical Arab rights in the City must be respected and restored.

2. Arab Jerusalem should be under Arab sovereignty.

3. The Palestinian inhabitants of Arab Jerusalem are entitled to exercise their legitimate national rights, being part of the Palestinian People in the West Bank.

4. Relevant Security Council Resolutions, particularly Resolutions 242 and 267, must be applied with regard to Jerusalem. All the measures taken by Israel to alter the status of the City are null and void and should be rescinded.

5. All peoples must have free access to the City and enjoy the free exercise of worship and the right to visit and transit to the holy places without distinction or discrimination.

6. The holy places of each faith may be placed under the administration and control of their representatives.

7. Essential functions in the City should be undivided and a joint municipal council composed of an equal number of Arab and Israeli members can supervise the carrying out of these functions. In this way, the City shall be undivided.

Sincerely,

MOHAMED ANWAR EL SADAT.

SEPTEMBER 17, 1978.

The President,
Camp David,
Thurmont, Md.

DEAR MR. PRESIDENT: I have the honor to inform you, Mr. President, that on June 28, 1967—Israel's Parliament (The Knesset) promulgated and adopted a law to the effect: "the Government is empowered by a decree to apply the law, the jurisdiction and administration of the State to any part of Eretz Israel (land of Israel—Palestine), as stated in that decree."

On the basis of this law, the Government of Israel decreed in July 1967 that Jerusalem is one city indivisible, the Capital of the State of Israel.

Sincerely,

MENACHEM BEGIN.

HIS EXCELLENCY ANWAR AL-SADAT,
President of the Arab Republic of Egypt
Cairo.

DEAR MR. PRESIDENT: I have received your letter of September 17, 1978, setting forth the Egyptian position on Jerusalem. I am transmitting a copy of that letter to Prime Minister Begin for his information.

The position of the United States on Jerusalem remains as stated by Ambassador Goldberg in the United Nations General Assembly on July 14, 1967, and subsequently by Ambassador Yost in the United Nations Security Council on July 1, 1969.

Sincerely,

JIMMY CARTER.

SEPTEMBER 17, 1978.

HIS EXCELLENCY, JIMMY CARTER,
President of the United States, The White House, Washington, D.C.

DEAR MR. PRESIDENT: In connection with the "Framework for Peace in the Middle East", I am writing you this letter to inform you of the position of the Arab Republic of Egypt, with respect to the implementation of the comprehensive settlement.

To ensure the implementation of the provisions related to the West Bank and Gaza and in order to safeguard the legitimate rights of the Palestinian people, Egypt will be prepared to assume the Arab role emanating from these provisions, following consultations with Jordan and the representatives of the Palestinian people.

Sincerely,

MOHAMED ANWAR EL SADAT.

HIS EXCELLENCY MENACHEM BEGIN,
Prime Minister of Israel

DEAR MR. PRIME MINISTER: I hereby acknowledge that you have informed me as follows:

(A) In each paragraph of the Agreed Framework Document the expressions "Palestinians" or "Palestinian People" are being and will be construed and understood by you as "Palestinian Arabs."

(B) In each paragraph in which the expression "West Bank" appears, it is being, and will be, understood by the Government of Israel as Judea and Samaria.

Sincerely,

JIMMY CARTER.

STATEMENT BY AMBASSADOR CHARLES W. YOST

Once again the Council has been summoned to deal with certain actions taken by the Government of Israel in Jerusalem. We have listened carefully to the statements of the Permanent Representative of Jordan and other Arab Ambassadors, as well as the reply of the Representative of Israel.

The discussion thus far has made amply clear that the status of Jerusalem is not an isolated problem, but, rather, an integral part of a whole complex of issues in the current Middle Eastern conflict which must be resolved. This is not a novel conclusion. The Council clearly recognized that fact in Resolution 242, which treats the entire Middle Eastern situation as a package. This resolution remains the basis of our approach to a just and lasting peace in the area. You are all well aware of the strenuous efforts my own Government is making to help Ambassador Jarring promote a peaceful settlement. Progress in these efforts has, admittedly, been slow. This is perhaps not surprising when one reflects on how deep the roots of the conflict go. But the important thing is that some progress is being made. The fact that it has not been crowned with dramatic success should not give grounds for despair. Nor should it be exploited as justification for actions, which will make greater progress even more difficult. This applies to actions in Jerusalem as elsewhere in the area. Indeed, Jerusalem occupies a very special place in all our minds and all our hearts as one of the holiest cities in the entire world. For Jerusalem is a sacred shrine to three of the world's largest and oldest religious faiths: Islam, Christianity and Judaism.

By virtue of that fact the United States has always considered that Jerusalem enjoys a unique international standing and that no action should be taken there without full regard to Jerusalem's special history and special place in the world community. Unfortunately there have been acts of many kinds which have broken the peace in Jerusalem and which are of deep concern to my Government and to the international community. Mr. President, we understand the deep emotional concerns which move all parties to the Arab-Israeli dispute on the subject of Jerusalem.

We do not believe, however, that any of these concerns are served by what is now taking place in East Jerusalem, whether it be actions by those now exercising authority there or by individuals considering themselves aggrieved and therefore justified in resorting to violence. The expropriation or confiscation of land, the construction of housing on such land, the demolition or confiscation of buildings, including those having historic or religious significance, and the application of Israeli law to occupied portions of the city are detrimental to our common interests in the city. The United States considers that the part of Jerusalem that came under the control of Israel in the June war, like other areas occupied by Israel, is occupied territory and hence subject to the provisions of international law governing the rights and obligations of an occupying power.

Among the provisions of international law which bind Israel, as they would bind any occupier, are the provisions that the occupier has no right to make changes in laws or in administration other than those which are temporarily necessitated by his security interest, and that an occupier may not confiscate or destroy private property. The pattern of behavior authorized under the Geneva Convention and international law is clear: the occupier must maintain the occupied area as intact and unaltered as possible, without interfering with the customary life of the area, and any changes must be necessitated by immediate needs of the occupation.

I regret to say that the actions of Israel in the occupied portion of Jerusalem present a different picture, one which gives rise to understandable concerns that the eventual disposition of East Jerusalem may be prejudiced and the rights and activities of the population are already being affected and altered.

My Government regrets and deplores this pattern of activity, and it has so informed the Government of Israel on numerous occasions since June 1967. We have consistently refused to recognize these measures as having anything but a provisional character and do not accept them as affecting the ultimate status of Jerusalem.

I have explained in some detail the opposition of the United States to certain measures taken by the Government of Israel in Jerusalem, since this is the precise object of the complaint brought before us by the Government of Jordan. But, as I suggested earlier, we cannot logically and intelligently consider the problem of Jerusalem without putting it in its proper perspective—the Middle East situation as a whole. In this connection, I would recall that one of the first major policy decisions taken by President Nixon after assuming office this year was that the United States Government should take new initiatives in helping to try to bring peace in the Middle East.

For the past several months we have been devoting our best efforts to this task. We shall continue to do so but for these efforts to succeed we will require the goodwill and cooperation of the parties themselves. A just and lasting peace in the Middle East is long and tragically overdue. It will not be found through terror bombings, which inevitably harm innocent civilians, any more than through unilateral attempts to alter the status of Jerusalem. It will be found only through the instruments and processes of negotiation, accommodation and agreement. It will come only through the exercise by the parties of the utmost restraint—not just along the cease-fire lines or in public statements, but also on the ground in Jerusalem itself.

In treating the problem of Jerusalem, since we deal with it in the context of the total situation in the Middle East, my Delegation will subject any proposal for Council action, first of all, to the test of whether that proposal is likely to help or hinder the peaceful settlement process. I hope all members will do likewise. For example, one constructive move the Council might make would be to request the parties to lay aside their recriminations, to desist from any action—in Jerusalem or elsewhere—that might be construed as prejudicing or prejudging a final, comprehensive settlement, a just and lasting peace. Thus, our consideration of the situation in Jerusalem could provide a fitting occasion on which to insist once more that the parties to a dispute which keeps the world's Holiest City in turmoil act responsibly to resolve the whole dispute and, until it is resolved, that they take no action anywhere which could further jeopardize its resolution.

STATEMENT BY AMBASSADOR ARTHUR J. GOLDBERG

Mr. President, the goal of the United States in the Middle East, one we believe shared by the great preponderance of the world community, is a durable peace and enduring settlement. We conceive of this goal as requiring throughout the area far more than a return to the temporary and fragile truce which erupted into tragic conflict on June 5.

We are convinced, both by logic and the unforgettable experience of a tragic history, that there can be progress toward the durable peace in the entire area only if certain essential steps are taken. One immediate, obvious and imperative step is the disengagement of all forces and the withdrawal of Israeli forces to their own territory. A second and equally immediate, obvious and imperative step is the termination of any claims to a state of war or belligerency on the part of Arab states in the area.

These two steps are essential to progress towards a durable peace. They are equally essential if there is to be substance and concrete meaning to the basic Charter right of every state in the area, a right to which the United States remains firmly committed, the right to have its territorial integrity and political independence respected by all and free from the threat or use of force by all.

The United States stands ready to give its full support to practical measures to help bring about these steps—withdrawal of forces and the termination of belligerent acts or claims as soon as possible.

But if our goal is a durable peace, it is imperative that there be greater vision both from this organization and from the parties themselves. It is imperative that all look beyond the immediate causes and effects of the recent conflict. Attention must also be focused, and urgently;

On reaching a just and permanent settlement of the refugee problem, which has been accentuated by recent events;

On means to ensure respect for the right of every member of the United Nations in the area to live in peace and security as an independent national state;

On arrangements so that respect for the territorial integrity and political independence of all states in the area is assured;

On measures to ensure respect for the rights of all nations to freedom of navigation and of innocent passage through international waterways; and

On reaching agreement, both among those in the area and those outside, that economic development and the improvement of living standards should be given precedence over a wasteful arms race in the area.

In each and every one of the separate but related imperatives of peace, we recognize fully that agreement cannot be imposed upon the parties from outside. At the same time, we also believe that the machinery, experience and resources of the United Nations can be of immeasurable help in implementing agreements acceptable to the parties.

The offer of such assistance by this organization is dictated not only by the roots of United Nations responsibility and involvement in the Middle East which have grown deep and strong over two decades; it is also dictated by our common determination, even duty, under the Charter to save succeeding generations in the Middle East from the scourge of another war.

It is against the background of this overall policy that my government has developed its attitudes toward the question of Jerusalem—and I wish to make that attitude very explicit:

The views of my Government on Jerusalem have been expressed by the President of the United States and other high level officials.

On June 28, the White House made the following statement:

"The President said on June 19 that in our view 'there must be adequate recognition of the special interests of three great religions in the holy places of Jerusalem.' On this principle he assumes that before any unilateral action is taken on the status of Jerusalem there will be appropriate consultation with religious leaders and others who are deeply concerned. Jerusalem is holy to Christians, to Jews, and to Moslems. It is one of the great continuing tragedies of history that a city which is so much the center of man's highest values has also been, over and over, a center of conflict. Repeatedly the passionate beliefs of one element have led to exclusion or unfairness for others. It has been so, unfortunately, in the last 20 years. Men of all religions will agree that we must now do better. The world must find an answer that is fair and recognized to be fair."

The second statement, released on the same day by the Department of State, read:

"The hasty administrative action taken today cannot be regarded as determining the future of the Holy Places or the status of Jerusalem in relation to them.

"The United States has never recognized such unilateral actions by any of the States in the area as governing the international status of Jerusalem."

During my own statement to the General Assembly on July 3, I said that the safeguarding of the Holy Places and freedom of access to them for all should be internationally guaranteed and the status of Jerusalem in relation to them should be decided not unilaterally but in consultation with all concerned. These statements represent the considered and continuing policy of the United States Government.

With regard to the specific measures taken by the Government of Israel on June 28, I wish to make it clear that the United States does not accept or recognize these measures as altering the status of Jerusalem. My government does not recognize that the administrative measures taken by the Government of Israel on June 28 can be regarded as the last word on the matter, and we regret that they were taken. We insist that the measures taken cannot be considered other than interim and provisional, and not prejudging the final and permanent status of Jerusalem. Unfortunately and regrettably the statements of the Government of Israel on this matter have thus far, in our view, not adequately dealt with this situation.

Many delegations are aware that we were prepared to vote for a separate resolution on Jerusalem which would declare that the Assembly would not accept any unilateral action as determining the status of Jerusalem and calling on the Government of Israel to desist from any action purporting to define permanently the status of Jerusalem. However, the sponsors made clear then, as was their right, that they preferred to proceed with their own text in Document A/2253, and now with their resolution in A/L 528, Rev. 2. The latter draft does include changes which we consider represent a marked improvement over the original version, particularly in that it no longer tends to prejudge action in the Security Council.

Nevertheless, since the resolution just adopted expressly builds on Resolution 2253, on which we abstained for reasons which we stated publicly, consistent with that vote, we also abstained today. Even as revised, the resolution does not fully correspond to our views, particularly since it appears to accept by its call for recision of measures that the administrative measures which were taken constitute annexation of Jerusalem by Israel, and because we do not believe the problem of Jerusalem can realistically be solved apart from the other related aspects of Jerusalem and of the Middle Eastern situation. Therefore, the United States abstained.

We have of course recently expressed ourselves in a more formal sense by voting for a resolution dealing with the question of Jerusalem. This was the Latin American resolution contained in Document A/L, 523 Rev. 1, which dealt with Jerusalem as one of the elements involved in a peaceful settlement in the Middle East.

It is in the treatment of one aspect of the problem of Jerusalem as an isolated issue, separate from the other elements of Jerusalem and of a peaceful settlement in the Middle East, that we were unable to support Resolution 2253. Certainly, Jerusalem, as has been pointed out universally, I think, by every speaker, is an important issue and, in our opinion, one which must necessarily be considered in the context of a settlement of all the problems arising out of the recent conflict.

In Jerusalem there are transcendent spiritual interests. But there are also other important issues. And we believe that the most fruitful approach to a discussion of the future of Jerusalem lies in dealing with the entire problem as one aspect of the broader arrangements that must be made to restore a just and durable peace in the area. And we believe consistent with the resolution we were ready to sponsor, that this Assembly should have dealt with the problem by declaring itself against any unilateral change in the status of Jerusalem.

Mr. President, since we are approaching the end of this session on this important subject, in which remarks were made not relating specifically to Jerusalem but ranging very broadly on other subjects, I cannot let this occasion pass without reference to some of the allegations made regarding my Government's role in the recent conflict in the Middle East. The charges that the United States instigated, encouraged or in any way participated in this tragic struggle are too unfounded to dignify by individual comment. I dealt with many of these falsehoods explicitly in the Security Council and will not take the time of the Assembly to go over the same ground here. I reaffirm what I said to the Security Council with respect to each and every one of these charges.

I will merely say that one positive note in this session has been the abandonment of the most vicious falsehood of all—which could have been productive of the most disastrous consequences—that United States planes and military personnel participated in the war on the side of Israel. Before the war broke out, we sought to prevent it by all means at our command. And once it began, we did everything in our power to bring it to an early end. The record of our diplomacy is very clear in this matter, despite comments which have been read from newspapers which scarcely characterize that diplomacy. And the record of the Security Council is plain and clear for everyone to read as to the actions we took, supported and initiated in the Security Council to bring the conflict to an end.

There is one charge about our position to which I believe no nation in this hall, faithful to the Charter would feel any necessity to plead. That is the charge that we support the right of every sovereign state member of the United Nations to an independent national existence, its right to live in a spirit of peaceful coexistence and good neighborliness with all in the area. That is a charge which the Charter of the United Nations places on us all and which we should all readily accept and acknowledge.

Our view has remained steadfast—before, during and now, after the conflict. We extend the hand of friendship to all states in the Middle East and express the fervent hope that as time heals the scars of war we can soon again join our common efforts in helping build a better, more enduring order in every state and throughout the area, with peace, justice, security and liberty for all.

Mr. President, so much vituperation has taken place in this Assembly, so unseemingly in a world forum, that I could not help recalling today a statement made by my distinguished predecessor who died two years

ago today in the cause of peace, Adlai Stevenson. Adlai Stevenson, talking about our beloved Eleanor Roosevelt, said "She would rather light a candle than curse the darkness." And I share that spirit. I do not see that anything is gained in the cause of peace in the Middle East by the vituperation which has taken place, vituperation not only against other, small countries, vituperation which has no place in this forum.

The time has come—indeed, the time is long overdue—for vituperation and bitterness to be tempered by sober realization of the difficulties ahead and the willingness to face them squarely and to do something about them.

What is needed is the wisdom and statesmanship of all those directly concerned and the members of the United Nations so that conditions of hate, too much ventilated in this hall, can be eventually replaced by conditions of good neighborliness.

What is needed above all in the area is a spirit of reconciliation which will someday hopefully, make possible a peace of reconciliation. I fervently hope that all in the area and all in this hall will approach the days ahead in this spirit.●

FOURTH FEDERAL DESIGN ASSEMBLY

● Mr. MATHIAS. Mr. President, 800 delegates are gathered today in the Nation's Capital to honor and celebrate outstanding Federal design projects. The Fourth Federal Design Assembly brings together policymakers, administrators, and professional technicians in building design and construction. Their purpose in coming together is to share success stories of good design in Federal projects and to sensitize one another and their respective agencies, of which 60 are represented, to the possibilities yet to be explored for high quality design of Federal buildings.

What is especially gratifying to me is that the assembly is meeting in the Pension Building here in Washington. This 93-year-old, red brick landmark is an ideal setting for designers, architects, engineers, planners, and others concerned with humanizing our environment. The building features a remarkable interior court marked by eight 76-foot-high Corinthian columns. Ringed around this magnificent court, which has been the scene of nine inaugural balls over the years, are four tiers of galleries. The entire interior court receives natural light and ventilation from clerestory windows. The exterior of the building features a 1,200-foot frieze depicting soldiers and sailors on a march.

The Pension Building is a national architectural treasure, as is much of our built environment including the building trades, skills, professions, and tools used to create that built environment.

It was with this in mind that I introduced legislation earlier this year to utilize the Pension Building for a Museum of the Building Arts. I am sure the other sponsors of the bill, Senators RANDOLPH, PELL, STAFFORD, CRANSTON, JAVITS, MOYNIHAN, HEINZ, CASE, MORGAN, CHAFEE, and MCCLURE, share my commitment to make this dream a reality. We have already started the wheels moving in this direction by approving a resolution here in the Senate directing the General Services Administration to prepare a Museum of the Building Arts.

We will be looking closely at those plans and designs and, through the hearing process, will define the kinds of museum activities that should go on in the Pension Building, along with the sources of financing for such a museum.

A Museum of the Building Arts will present us with numerous opportunities. It could be a catalyst for innovative cooperation in the building industry. It can serve as an educational forum on the history and current state of the art of building and planning in America. And it will be housed in a building which is itself a testament to American design and building genius.

I recommend that my colleagues visit the Fourth Annual Federal Design Assembly in the Pension Building. I am confident such a visit will make them as enthusiastic as I and the other sponsors of the Museum of the Building Arts are about this concept.●

MARY MUNSON RUNGE ELECTED PRESIDENT OF APhA

● Mr. CRANSTON. Mr. President, I am pleased to have this opportunity to make note of the recent election of a fellow Californian, Mary Munson Runge, to the presidency of the American Pharmaceutical Association (APhA).

Mr. President, I ask that there be printed in the RECORD the APhA announcement of Mrs. Runge's election, and I congratulate her on this great honor.

The announcement follows:

APhA ELECTS RUNGE FIRST WOMAN PRESIDENT

Mary Munson Runge, a practicing community pharmacist from Oakland, California, has just been elected president of the American Pharmaceutical Association (APhA), the national professional society of pharmacists with almost 60,000 active and student members.

She is the first woman and the first black to be elected president of APhA, which was founded 126 years ago. She is also believed to be one of the first black women to serve as president of a major national, professional, medical association.

Runge and APhA's other officers were elected by a mail vote of the entire active membership. The results of the balloting were announced August 20 by the APhA Board of Canvassers.

Sunge served as speaker of APhA's House of Delegates for 1977–78 and is a member of the Board of Trustees. She obtained her B.S. in pharmacy from Xavier University in 1948.

Active in California pharmacy affairs, pharmacist Runge was named the 1978 California Pharmacist of the Year. She served as president and vice president of the California Pharmacists Association and as speaker of its House of Delegates. She has also been president of the California Society of Hospital Pharmacists, the Northern California Society of Hospital Pharmacists, and the Women's Pharmaceutical Association of the Pacific Coast. She is the current APhA representative on the American Council on Pharmaceutical Education, the accrediting body for schools of pharmacy.●

EXPORTING PETTIFOGGERY

● Mr. HAYAKAWA. Mr. President, the October issue of Harper's contains an excellent article regarding the role of environmental regulation of certain U.S. exports. I think it is very timely, given the ongoing international trade debate and also the Eximbank legislation which is currently pending in the Senate.

This country has an astounding trade deficit and we are all aware that oil imports are responsible for a large part of it. However, I do believe that the oil problem has been exaggerated by the administration. The evidence given in the Harper's article suggests to me that we do not have our priorities straight.

I ask that the article "Exporting Pettifoggery" be printed in the RECORD for the benefit of my colleagues.

The article follows:

EXPORTING PETTIFOGGERY

(By Tom Bethell)

Within the past year there has been a good deal of comment about the nation's unfavorable balance of trade, which amounted to an excess of imports over exports of $27.8 billion in 1977. By contrast, ten years ago the country enjoyed a $4 billion trade surplus. Thus dollars have been flowing abroad, and the value of the dollar in relation to some other currencies has been declining. The customary explanation for this—favored by President Carter and others in his Administration—is that we now have to import greater quantities of much more expensive oil. We are therefore implored to use less oil so that our trade might be brought back into balance.

Upon examination, this explanation turns out to be a tendentious, not to say ideological, way of looking at the matter. Germany and Japan, for example, import greater quantities of oil in relation to their gross national product than the United States does. And so they have done for many years. It is not so much our imports that have been increasing as our exports that have been decreasing. America's market share of world exports has steadily declined from 18 percent in 1960 to 12.7 percent in 1977. (Had our market share remained at 18 percent, U.S. exports last year would have been $60 billion greater, converting the large trade deficit into an even larger surplus.) That is another way of looking at the matter: perhaps equally ideological, but less often discussed.

It is sometimes said that the United States does not have an "export ethic." Within the past few years, however, the truism has been given a new twist. Neglect is turning into positive abhorrence. Exports are in danger of being labeled "unethical." Carter's human rights policy under Assistant Secretary of State Patricia M. Derian is having the effect, apparently intentional, of converting former allies and trading partners into enemies. ("Two years ago I was standing on the flag," Derian told a group of Democratic contributors recently. "Now it is on the wall behind me.") The nuclear nonproliferation pact has caused Brazil to shift *all* its government purchases away from the United States.

Further, the U.S. government does not provide the same assistance and commercial promotion abroad that other governments routinely do. After more than a year and a half in office, Carter still has not appointed anyone to the President's Export Council. Inflation prompts potential businessmen to turn instead to bonds and other government paper. The pervasive anti-business background (e.g., restrictive tax policies limiting venture capital) also hurts exports. Finally, but not least, we should pay attention to the vigorous activities of those who are fashionably counterproductive, notably the environmentalists.

Consider the lawsuit filed by a "public

interest" law center called the Natural Resources Defense Council (and filed jointly by the National Audubon Society) a week before the Carter Administration took office. NRDC is one of the largest of approximately 100 public-interest law centers, a number of which were initially funded, and are currently sustained, by grants from the Ford Foundation, which in the past nine years has spent $20 million on such institutions. That is nearly half of all financial support given to public-interest law centers.

The lawsuit, filed in the U.S. District Court for the District of Columbia, sought to require Eximbank, the Export-Import Bank of the United States, to apply the same procedures for the protection of *foreign* environments as have been developed in recent years to protect the domestic environment. In short, Eximbank, which makes loans to foreign countries to facilitate their purchases of U.S. goods, technologies, and services, would be required to file an "environmental impact statement" before making a foreign loan.

The Washington law firm of White & Case, which represented the Mid-America Legal Foundation when it intervened on behalf of Eximbank several months after the initial filing, noted in a "status memorandum early this year that the ramifications of this lawsuit, if successful, could be enormous. In 1976, for example, Eximbank credits and guarantees supported nearly $12 billion in U.S. export sales to 157 markets. These sales were related to an Eximbank-estimated 500,000 American jobs. If even a small portion of these sales were lost through the encumbrance of Eximbank with the time-consuming, tedious, and expensive process of preparing gratuitous assessments of foreign environmental effects, the result would be disastrous.

There are two principal reasons for this foretaste of disaster. In the first place, America no longer enjoys a technological or manufacturing advantage over foreign competitors, and therefore the deciding factor in a major foreign sale is often the speed with which Eximbank's financing can be provided. Eximbank usually reacts to applications for loans within a matter of a few weeks; but a study by the General Accounting Office showed that environmental impact statements, on average, delayed projects by thirty-one months. Clayton Norris, as deputy vice-president of Eximbank's Project Development Division, has said that "speed is of the essence in working out successful export transactions." Bank loan procedures, if subjected to environmental impact statements, "would totally collapse, and bank operations would come to a virtual standstill."

The other difficulty would arise out of the breach of confidentiality involved in making the extensive economic and environmental inquiries in the foreign countries involved, and then promulgating these findings in accordance with the National Environmental Policy Act, or NEPA.

The Congress, perhaps unconsciously, delivered a powerful weapon into the hands of the public-interest law movement when, in 1969, it enacted NEPA, according to which the government is required to assess the "environmental impact" of any "major" federal action ("major" has never been precisely defined). This assessment takes the form of an "environmental impact statement," to be written by the federal agency contemplating the action in question.

From the point of view of the public-interest lawyer, by now comfortably ensconced within the Environmental Defense Fund, or the Natural Resources Defense Council, or the Sierra Club Legal Defense Fund, or the Center for Law and Social Policy, and financed in part by the proceeds from the sale of Ford automobiles, the beauty of the environmental impact statement was that it could always be challenged in court. A show of solicitousness for the environment, far from mollifying the environmentalist, tends to act as the red flag to the bull. Hitherto unsuspected complications within the environment could always be pointed out, thus delaying and delaying a proposed project. It was precisely in anticipation of such legal challenges that preparing environmental impact statements became such a time-consuming business. And it was in the tireless *deployment* of such legal challenges that the environmentalist eventually became the object of the following suspicion: that it wasn't so much the smoke coming out of the factory chimney that he objected to, as the activity going on within the factory itself.

Not long after the environmental movement was firmly established at home the discovery was made that it might also be possible to "export" environmentalism. The legislative history of NEPA is not precise on the subject of how far the "environment" extends, perhaps because Congress did not anticipate the fanaticism that would come to surround the subject. The act had said merely that "major federal actions significantly affecting the quality of the *human* environment" shall be assessed; but Sen Henry Jackson of Washington had also inserted into the CONGRESSIONAL RECORD, during a floor debate on October 8, 1969, the following summary of an early House-Senate conference: "Although the influence of the U.S. policy will be limited outside its own borders, the global character of ecological relationships must be the guide for domestic activities."

It was not long before lawsuits were filed challenging federal actions overseas. In 1974, for example, the Sierra Club and the Natural Resources Defense Council jointly sued the Atomic Energy Commission and Eximbank, requiring that they prepare impact statements on the "nuclear power export program." The issue of the extraterritorial application of NEPA was not decided in court, however, because the Atomic Energy Commission agreed to prepare a "generic" impact statement (as opposed to a specific one).

Concern about nuclear reactors seems reasonable enough. As Charles Warren, the current chairman of President Carter's Council on Environmental Quality, has pointed out, Eximbank authorized a loan of $277 million in December, 1975, to permit the Philippines to buy a nuclear reactor, and an environmental impact statement, had one been written, would have revealed that "the Philippine Islands are located in an earthquake belt."

But the suit filed in early 1977 by NRDC against Eximbank shows that environmentalists are also prepared to go to unreasonable lengths in pursuit of what is now occasionally described as "environmental imperialism." For several years, the Republic of Gabon has been attempting to build a 440-mile railroad across the heart of Gabon. The railroad, passing through swamps and forests, is intended to link the mineral-rich interior of the county to the coast, and so has been described as "the backbone of that country's future economic development." Numerous firms from different countries have joined in its construction, including a New York engineering firm, which was engaged to provide "consultative quality control services" for the continuing construction of the railroad.. This firm received a $4.6 million loan commitment from Eximbank. (The entire railroad will cost more than $1 billion.)

"Modest though the American involvement may be," Charles N. Brower of the White & Case law firm has noted, "it has now become the basis of an attempt to extend the procedural provisions of NEPA into the heart of Gabon." The construction may endanger the "habitats" of gorillas, crocodiles, buffalo, and elephants, the NRDC has warned in its suit against Eximbank, and so environmental impact statements that would no doubt take months if not years to prepare, inevitably resulting in the government of Gabon's purchasing its quality control services elsewhere.

The lawyer in the Justice Department responsible for defending Eximbank against this challenge turned out to be James W. Moorman, who was appointed Assistant Attorney General of the Lands and Natural Resources Division in May, 1977. Other lawyers in Washington who have been following this case have expressed doubts as to Moorman's enthusiasm for defending Eximbank, because before coming to the Justice Department, Moorman was, from 1971 to 1977, executive director of and attorney for the Sierra Club Legal Defense Fund. It was, of course, the Sierra Club that had brought the almost identical suit against the AEC and Eximbank three years earlier, and Moorman, while executive director, had recommended that the Sierra Club be party to that suit.

Moorman's subsequent involvement in the case raised the thorny matter of "conflict of interest," but with a difference. Normally the phrase refers to the possibility that someone might give financial assistance to former colleagues by construing the government's rules in such a way as to help them. In Moorman's case, the appearance of conflict of interest was ideological, not financial. Although he had worked for the Sierra Club, and was now in the position of defending against a challenge by NRDC, the two organizations shared many of the same goals and had, in fact, jointly sued the government at least ten times while Moorman was with the Sierra Club. Moorman and Thomas B. Stoel, Jr., counsel for NRDC, had served as co-counsel in the case that delayed construction of the Alaska pipeline for three years.

It was certainly arguable that the "extreme" environmentalist—as Moorman had been characterized in a letter to the Senate Judiciary Committee opposing his nomination—would put loyalty to the environment above all else, and so would be a weak advocate for the government against environmentalist attack.

Moorman's subsequent handling of the case did indeed raise the question of where his loyalty lay. A key issue whenever an environmentalist sues the government is that of "standing." That is, why should environmentalists in Manhattan be allowed to sue the government on behalf of Gabonese crocodiles, unless the environmentalists are able to show that they are personally going to suffer injury as a result of the death of such crocodiles? To show such a connection in court is to show one's legal "standing."

Thomas Stoel, representing NRDC, had candidly written to the Justice Department on the "standing" question: "Our problem is that we have virtually no knowledge of the current activities of the Bank, so we have no way of demonstrating the connection between those activities and the plaintiffs' members." In which case, why had NRDC brought suit in the first place? Clearly it was not in fact representing its members It was representing a cause.

Despite the exceedingly weak legal position adopted by his current adversary (and former partner), in September, 1977, Moorman withdraw an earlier government motion challenging NRDC's standing—a motion that had been filed while the Justice Department was still staffed by Ford Administration appointees. Thus, at one stroke Moorman was able to dismantle what he himself, in his public-interest lawyer days, had described as "the greatest hurdle in a suit with the federal government." There now would be no challenge to NRDC's standing.

In December, 1977, Moorman was attacked in a memorandum filed in court that suggested "an appearance of impropriety" in his role. He then temporarily withdrew from representation of Eximbank, pending a "review" of his status by the Justice Department's Office of Legal Counsel. Eight months later, this review still has not been completed.

Meanwhile, the Eximbank case is being handled by Lois Schiffer, chief of the General Litigation Section under Moorman. She previously worked for the Center for Law and Social Policy, an organization that "has been steadily plugging the extraterritorial application of NEPA since it was enacted," according to a Washington lawyer who has taken an interest in this case. Moorman, incidentally, is also an alumnus of the Center for Law and Social Policy, having worked there as a staff attorney from 1969–71. As Charles N. Brower noted in December, 1977, "Mr. Moorman is at least bureaucratically the man in charge," and even if he no longer is, it is clear that Eximbank will continue to be defended by lawyers more interested in the environment than in exports. Eximbank has expressed dissatisfaction with its legal representation, and has tried, unsuccessfully, to be represented by lawyers of its own choosing.

As matters have developed in the past few months, all three branches of government are wrangling over the complex matter of exports, the environment, and the law. In January, 1978, the Council on Environmental Quality issued draft provisions unequivocally stating that the "application of NEPA to significant environmental effects [is] not confined to the United States." The environmentalists had won this round, but there was much criticism of the draft regulations within some government departments, notably Commerce and State. Rowland Evans and Robert Novak wrote a column in which they claimed that "the proposed regulations were drawn secretly by CEQ planners with apparent help from the Natural Resources Defense Council." Although this has not been independently confirmed, it is at least suggestive that Gus Speth, one of three CEQ members, was formerly an attorney with NRDC.

In response both the NRDC suit against Eximbank and to CEQ's draft regulations, the National Legal Center for the Public Interest (a public-interest law firm that, among other things, keeps an eye on what other such firms are up to) held a conference in April on 'Environmental Restraints on U.S. Exports." The overall tone of the conference was critical of the overseas application of NEPA. Florencio Acosta, Mexico's Minister Counselor for Commercial Affairs, citing a recent cancellation of Eximbank financing in his country (due to U.S. domestic squabbling), noted that "the immediate repercussions on U.S. exports was the cancellation of steel pipe orders at a time when relief to the ailing U.S. steel industry would have been welcomed. Fortunately for Mexico, the existence of other money markets permitted the construction of the pipeline to develop a resource that would help better the conditions of our people."

An administrative assistant to Sen. Adlai E. Stevension III, of Illinois, attended the conference and reported back his findings, and, in the early summer, Stevenson introduced to a bill extending Eximbank's charter an amendment that would have exempted the bank from any restrictions under NEPA. (Illinois is one of the principal exporting states.) But this amendment, which was passed by the Senate Banking Committee, was then "sequentially referred" to the Senate Committee on the Environment—chaired by Sen. Edmund Muskie of Maine—where it was, as expected, unanimously opposed. (Maine has more scenery than factories.) There the matter stands in Congress. Senators are undoubtedly hoping that they will not have to commit themselves in a floor vote to being either against exports or against the environment.

Although the Carter Administration at the middle levels is riddled with environmentalists, word does seem to have reached the White House, belatedly, that all the world does not necessarily love them. Public-opinion polls on the subject tend to be misleading. If asked "Do you want clean air?" nearly everyone will say yes. But if the phrase "at the expense of exports" is added to the question, most people will say no. Weeks passed, then months, and still CEQ's draft regulations were not recast into final and unalterable form. An Executive order has been issued that steers circumspectly between the extremes of commercialism and environmentalism, but that does not resolve, once and for all, the disputed legal question of whether Eximbank must conform to the provisions of NEPA.

As for the progress of the lawsuit against Eximbank at U.S. District Court, there has been very little action there, either, in recent months. In fact, eighteen months after the suit was filed, the government still has not filed a reply—a most unusual delay, and one that has been condoned by the judge in the expectation, it is thought, that one or another branch of government would alter the statutory rules in such a way as to render the case moot. But to date this has not happened. Everyone involved is waiting for someone else to make the first move. Eximbank meanwhile continues to operate without the burden of NEPA on its back.

The American government, it has been said, is constructed in such a way as to make it extremely difficult for those newly arrived at the seats of power to do good. For this we may be grateful, however, because as the events surrounding the Eximbank case suggest, the same machinery of government makes it just as difficult for well-intentioned visionaries to do harm.●

CECIL CALHOUN

● Mr. CHURCH. Mr. President, I call attention to a feature article in the Times-News of Twin Falls concerning the career of a remarkable man, Cecil Calhoun, the great-grand-nephew of Vice President John Calhoun.

Now 80, Cecil Calhoun looks back on a lifetime of farming, community service, and journalism. His articles on politics, public issues, personalities, and other events of the day have regularly been a feature of his hometown newspaper, the Buhl Herald, and he has written for several other newspapers in Idaho.

On September 7, the Times-News recognized Cecil Calhoun with a lengthy article, written by Lorayne O. Smith, and I ask that it be printed in the RECORD.

The article follows:

PUBLIC ISSUES ATTRACT BUHL WRITER, FARMER

(By Lorayne O. Smith)

BUHL.—Cecil Calhoun has no illusions about influence of private citizens, no matter how informed or dedicated, on legislation at any level of government.

The longtime Buhl farmer, a great-grandnephew of John C. Calhoun, vice president under Andrew Jackson, probably has testified before both state and federal legislative committees on more issues than anyone else in this area.

What was his success ratio? Sitting in his "office" in the Calhouns' spacious mobile home in Buhl recently, Calhoun shrugged. He describes himself as a "political realist."

"They'll look you right in the eye and swear they're for a bill, then turn around and vote against it because of an amendment," he said.

The politician listens but the action is so hidden in maneuvering that hearing is little but a sop thrown to the public, he believes.

Nevertheless he has lobbied on many issues at the Idaho statehouse, including the sales tax, Sunset law, bus service for Buhl and highway right-of-way. He appeared before U.S. Senate Interior and Insular Affairs committee on Hells Canyon in the nation's capitol.

On the Hells Canyon issue he debated against the late Asher B. Wilson, prominent Twin Falls Democratic leader.

"That's the first time I ever bucked the big boys," Calhoun laughed.

He says many of his original ideas were incorporated by the Senate Agricultural Committee into a new farm program after Sen. Frank Church took them before the group.

Calhoun had written an article to the Western Farm Life magazine outlining his feeling that farmers should be allowed to partake in the federal farm program voluntarily. He first jotted down his notes on the dust of his tractor hood while cultivating beans.

While he technically may have received his impetus for testifying on many diversified public issues while serving as a legislative representative for Twin Falls Granges, Calhoun inherited his interest in public life from his father.

J. M. Calhoun, first prosecuting attorney of McPherson County, Neb., helped to found vo-ag in Nebraska schools. A pioneer settler of Nebraska, the elder Calhoun was a graduate of Northwestern University in Chicago who founded the first school for Sioux Indians at Pine Ridge Agency in 1892.

His son began his first community service when he was elected to the school board in Nebraska at age 27.

He was born at North Platte, Neb., Oct. 19, 1898. After graduating from high school there with honors, he enlisted to fight in World War I. He was to report on Dec. 4 but the Armistice was signed Nov. 11 so Calhoun has no military record.

On Nov. 26, 1923, he married Lettie Harris who had taught school at 17 years of age. After 11 years of married life the couple left Nebraska the victim of the Great Dust Bowl, preceded by repeated crop loss through hail, scorching winds, early frost and drought, long the natural foes of farmers in the Midwest.

When the Calhouns came to Idaho Dec. 18, 1934, they had just $52 to show for 11 years of hard work.

His last crop of grain in Nebraska netted him 1 cent per bushel, Calhoun estimated, after figuring the cost of the seed, threshing and labor.

When he arrived in Buhl, the farms "looked like a weed patch," Calhoun recalled, because of the way the fields were cut up. He had visualized a wide Snake River plain.

His first job in Buhl was sorting spuds at 25 cents per hour. He got his "toehold" into Idaho farming with 40 acres in the Deep Creek area, trading two sections of his old dry land ranch for seven cows, 130 leghorn hen and some machinery.

"That little 40 brought us two new cars and paid our expenses," Calhoun said. After seven years they moved to the Clover area where they "made good money" during World War II, enabling them to buy a "nice" place south of Buhl.

Purchase of this farm south of Buhl, where Calhoun farmed for a quarter of a century, fulfilled his wedding promise to his bride to provide her with a nice home.

"It took us 25 years to do it," Calhoun laughed. His life can be neatly divided into 25 year periods—the first quarter century to obtain a good farm, the second one operating the place, and the third one beginning

with his retirement five years ago. On their 50th wedding anniversary the Calhouns sold their farm and moved into Buhl.

Although Calhoun is proud of his farming accomplishments and believes he still holds a red bean production record of 43 hundredweight per acre, he has devoted much of his time for many years to writing.

His ideas on current issues have been widely published. While still on the farm he started writing a column for the Buhl Herald which he continued for 15 years.

His articles have appeared in seven daily papers and one was published in the Congressional Record. One article on law enforcement was broadcast over 250 radio stations. His guest editorials have appeared in the Times-News, Wendell Irrigationist and Northwest Reporter.

Calhoun also has had articles in the Idaho Farmer-Stockman.

But he also has been active in community life in addition to his farming and writing interests. He served on the school board at Deep Creek and joined the Fairview Grange in 1943, holding every office, including state overseer.

He has served on the Production Marketing Administration Board, as legislative representative for Twin Falls Granges and was highway committee chairman in the Fairview Grange.

In the latter capacity he proposed a highway program whereby no farm would be less than one mile from a paved road, one issue on which he was successful.

The farmer-writer served on the Twin Falls County Fair board for seven years. During that time the new grandstand and new housing for livestock were built, 35 acres of additional land was obtained and Calhoun worked with I.T. (Pete) Creed of Twin Falls to develop the Junior Garden program.

Calhoun said he had observed too many of his neighbors making "three moves when they retired—into town, spending their days at the cigar store with the final one to the cemetery."

So he made up his mind he "was not going to dry rot" after he moved into town. He has continued writing letters to the editor, serves on the board of directors for the Buhl Senior Citizen Center which "now has the best facilities for its size of any center in Idaho."

While Calhoun dryly admits he "has kind of cooled off on solving world affairs" he has in recent years spoken on public issues for the Buhl Chamber of Commerce four times and for Kiwanis clubs both here and in Oregon.

He currently is working on a history of his family. It seems likely that his well-used typewriter will be kept busy preventing its owner from "dry rot."

The Calhouns' five children include Donald Calhoun of Twin Falls, Darrell Calhoun of Buhl; Joan Jones of Hailey; Nancy Krohn of Boise, and Leslie Fox of Auburn, Wash.●

FUSION ENERGY IN CALIFORNIA

● Mr. HAYAKAWA. Mr. President, I would like to bring to the attention of my colleagues a major energy event which took place in Cailfornia last week.

On Monday, September 11, Doublet III, the Nation's largest operating fusion research machine, was dedicated at General Atomic Co. in San Diego. Doublet III is a $30 million magnetic confinement device designed to achieve for the first time—probably in the early 1980's—the star-like conditions necessary for a practical fusion reactor that can be applied to electric power production. Doublet III was built by General Atomic for the Department of Energy in a continuing cooperative program involving Government and private research facilities and the electric utility industry.

Under Secretary of Energy Dale Myers was principal speaker at the dedication. Other major guests were Edwin E. Kintner, director of the Office of Fusion Energy at the DOE, and Kenzo Yamamoto, vice president of the Japan Atomic Energy Research Institute, who both discussed the new United States-Japanese energy research agreement and planned participation by JAERI in the Doublet program. Richard E. Balzhiser, director of the Fossil Fuel and Advanced Systems Division of the Electric Power Research Institute also spoke. EPRI, the research arm of the electric utility industry, sponsored Doublet design work and supports related fusion research at General Atomic.

The Doublet program has evolved from research that began at General Atomic more than 20 years ago. Doublet was conceived by Dr. Tihiro Ohkawa, a General Atomic vice president and head of the GA fusion program.

I am very proud of the fusion program at General Atomic and I believe it deserves the attention of my colleagues. Therefore, I ask "Doublet III—A Major Step Toward Fusion Power" be printed in the RECORD. I am sure my colleagues will find it both educational and interesting.

The article follows:

DOUBLET III: A MAJOR STEP TOWARDS FUSION POWER

Fusion power holds potential as a long term solution to the world's energy problems. For its successful development, fusion power requires the demonstration of scientific, engineering, economic and environmental feasibility. This endeavor is perhaps one of the greatest scientific challenges ever undertaken.

In fusion research programs around the world, scientists are working to demonstrate fusion's scientific feasibility—to achieve simultaneously in one device, the physics parameters that are required for the net production of fusion energy. Doublet III has been specifically designed to address the scientific feasiability of magnetic confinement fusion, as well as to demonstrate the potential economic advantages of the doublet noncircular cross section.

The Doublet III device is an integral part of the U.S. Department of Energy's national long range fusion development plan to achieve a demonstration fusion power reactor by the late 1990's. Startup of Doublet III commenced on February 25, 1978, and engineering tests have been completed. Physics experiments are continuing towards the goal of obtaining thermal breakeven plasma parameters in the early 1980's.

FUSION: AN INEXHAUSTIBLE ENERGY RESOURCE

Fusion is the energy source of the sun and stars. Harnessed here on earth, fusion power promises to be not only an inexhaustible source of energy for future generations, but also one which is safe and has minimal impact on our evironment.

The basic fuel for fusion is deuterium, an isotope of hydrogen that is present in ordinary water. Each gallon of water contains enough deuterium to produce fusion energy equivalent to 300 gallons of gasoline. Extracting the deuterium from water costs only pennies per gallon and has no harmful environmental effect. The deuterium present in the oceans is sufficient to supply the world's energy needs for a billion years at present rates of consumption, and thus constitutes a virtually limitless source of fuel.

The promise of inexhaustible power is an empty one if there are safety problems or adverse environmental side effects. Fusion also looks attractive in these respects. The total amount of fusion fuel present in a fusion reactor at any one time is small, and the physics of the fusion process makes a runaway reaction impossible, even if part of the reactor system fails. There is no significant overheating problem if the reactor coolant is accidentally lost. Although there is some radio activity generated in the fusion process, the quantities and biological hazards are many orders of magnitude less than from other power sources.

Fusion reactors will not release chemical combustion products to the atmosphere. The amount of heat released to the environment will be no greater than that from present day fossil-fuel burning power plants. Advanced fusion fuels (other than deuterium) offer the promise of direct conversion of fusion energy to electrical power, with higher efficiency and less waste heat. Fusion reactor siting is not dependent on geography, climate or weather, and thus will allow great flexibility in plant location.

The role of fusion is not limited to electrical power generation. Other potential applications include the use of fusion for commercial process heating. The neutrons produced by fusion can also be used directly as an energy source for high-energy chemical reactions such as the splitting of water molecules to produce hydrogen or for the direct synthesis of hydrocarbon liquid fuels. The higher energy of fusion neutrons offers unique possibilities for these chemical applications.

Another group of potential applications for fusion is used in conjunction with fission power systems. Fusion neutrons can be used to breed alternative fissile fuels for subsequent use in conventional fission reactors. Simultaneously a fusion reactor could be used to "burn" or convert radioactive wastes from fission plants to more benign materials. A symbiotic combination of fusion and fission reactors promises to minimize potential problems of both technologies, and mav represent an effectivc solution to our mid-term energy needs.

CONTROLLED FUSION BY MAGNETIC CONFINEMENT

In nuclear fusion, nuclei of two light elements join or fuse. This is unlike fission, which is the splitting of a heavy nucleus. When fusion occurs, mass is converted to energy. By using Einstein's formula, $E=mc^2$, we can see how energy is produced by examining an illustration which shows a typical fusion reaction involving deuterium and tritium (isotopes of hydrogen).

The weight of the reaction products is less than that of the initially fusing particles. Matter has been transformed into energy to equal out the reaction equation. It is this energy in the form of heat or charged particles that can be utilized in fusion reactors to produce electricity or to provide an energy source for non-electrical applications.

In order to produce the conditions necessary to duplicate the sun's fusion process on earth, the fusion fuel must be hot enough, dense enough, and held long enough so that more energy is obtained from the fusion process than was invested in it.

The fusion fuel must be heated to temperatures around 100 million degrees (C) for a reaction to occur. At these extreme temperatures, the atoms in the fuel are dissociated into a gas-like uniform mixture of negatively charged electrons and positively charged nuclei (ions), commonly called a plasma. Because they are electrically charged, the plasma particles can carry an electrical current (similar to a copper wire) and respond to magnetic fields (similar to iron

being attracted by a magnet). These properties of the plasma provide the key to confining the plasma and heating it to fusion temperatures.

As might be expected, providing an effective container for a high-temperature plasma is no simple task. Surprisingly enough, the key problem is not one of finding a substance that can survive at the high temperature of the plasma, but rather, of preventing the hot but very rarified plasma from being cooled by direct contact with the confinement vessel walls.

Since the random motion of the electrically charged plasma particles is inhibited by magnetic fields, the plasma, in principle, can be isolated from material walls by a suitably shaped magnetic field. This "magnetic bottle" concept is known as magnetic confinement. Doublet III uses a sophisticated magnetic confinement system to contain its plasma.

DOUBLET: AN EFFECTIVE MAGNETIC CONFINEMENT SYSTEM

At the outset of fusion research in the early 1960's, magnetic confinement of a fusion plasma was thought to be a simple process to achieve. Many magnetic field geometries were tried. There were straight devices with magnetic field "mirrors" on the ends, cusps, toruses, even figure 8's. But, these early "bottles" leaked plasma badly. The hot plasma was unstable; it writhed, kinked, twisted, and escaped from the magnetic field.

Then, in the late 60's, experimenters in the USSR and at General Atomic, pursuing different designs, achieved the same basic results: a toroidal magnetic field geometry that, on a small scale, provided effective plasma containment. In Russia, the concept was known as Tokamak; at General Atomic it was Doublet. The basic difference between the two concepts is in the plasma shape. The tokamak plasma cross section is nearly circular, while the doublet plasma is elongated and pinched in the middle.

HOW DOUBLET WORKS

The basic magnetic geometry of a doublet is toroidal (doughnut-like), in which field lines of the magnetic bottle are closed upon themselves to avoid plasma leakage. However, plasma still finds a way to leak out of a simple torus, by means of a plasma instability. To avoid this leakage, a second magnetic field called the poloidal field is added to the toroidal field; the resulting field lines now spiral around the torus. This spiral field configuration is highly resistant to plasma instabilities, and hence is very effective in confining plasma.

A doublet device consists of four essential parts—a plasma discharge chamber, a toroidal field coil, a plasma current driving coil (usually referred to as an ohmic heating coil) and a plasma shaping coil. In operation, the plasma chamber is first evacuated and then filled with hydrogen gas to a pressure of about one-millionth of an atmosphere. A steady current is then passed through the toroidal coil to produce the toroidal magnetic field. An initial high voltage pulse applied to the ohmic heating coil causes the hydrogen gas to ionize (break up into free ions and electrons) and form a low-temperature plasma. A lower voltage on the ohmic heating coil then drives a steady toroidal current in the plasma. Simultaneously, additional current is also driven in the plasma shaping coil to control the plasma position and shape.

The magnetic fields of plasma current and plasma shaping coil combine to generate the poloidal magnetic field, which in turn combines with the toroidal field to establish the magnetic "bottle" to maintain the plasma.

Initially, the plasma is heated by the current flowing through it, in exactly the same manner that an electrical current heats a light bulb filament. This initial heating (called ohmic heating) is not sufficient to raise the plasma to a high enough temperature for significant fusion reactions to occur. The additional power required to do so is supplied by auxiliary heating systems, either neutral beam or radiofrequency heating.

Neutral beam heating is accomplished by injecting high-energy neutral hydrogen atoms into the plasma. In operation, positively-charged atoms of hydrogen (H^+, H_2^+, H_3^+) are accelerated electrically to speeds of about eight million miles per hour. By a process called charge exchange, most of these atoms are electrically neutralized (the H^+ ions pick up an electron within a gas cell to become H^0) before leaving the injector. All the remaining charged particles are removed by an ion dump, preventing their injection into the plasma. Unlike the electrically charged plasma particles, the neutral atoms are not affected by the magnetic confinement field and penetrate into the plasma. Once there, they are ionized and trapped in the magnetic field. They eventually collide with the plasma particles and thus raise the bulk plasma temperature. Radio-frequency heating uses a transmitting antenna located at the vacuum vessel wall to launch a high-frequency electronmagnetic wave into the plasma. The energy in this wave is eventually absorbed by the plasma particles, again heating the bulk plasma. The process is similar in some respects to the heating of food in a microwave oven. With either of these auxiliary heating processes, it is possible to increase the plasma temperature to the point where, if the plasma confinement is good enough, a thermonuclear reaction will begin.

WHAT DOUBLET III IS DESIGNED TO ACCOMPLISH

Feasibility of the magnetic confinement method of producing fusion energy requires both satisfactory plasma confinement and adequate temperature. The two fundamental measures of a fusion plasma are the confinement quality and the plasma temperature (T). The confinement quality ($n\tau$) is expressed as the product of the ion density (n) in particles per cubic centimeter multiplied by the confinement time (τ) in seconds.

The $n\tau$ and T values of immediate significance to today's fusion development program are those of the "Lawson Criteria" first suggested by British physicist J. D. Lawson, which describe the minimum requirements for attaining "breakeven" power conditions. A minimum temperature of 100,000,000°C (or an ion energy of 10,000 electron volts) combined with an $n\tau$ equal to or greater than 10^{14} (hundred trillion) particles per cubic centimeter per second (cm^{-3}-sec) allows the fusion reaction to produce as much energy as was invested to create the fusion conditions.

Results from plasma physics experiments performed in the early 1970's have shown significant advances in plasma density, confinement and temperature. Fusion reactions have been demonstrated in small-scale laboratory experiments, although demonstration of fusion breakeven with an $n\tau$ on the order of 10^{14} has yet to be achieved. The ultimate goal of the Doublet III program is a demonstration of the breakeven condition.

ADVANTAGES OF DOUBLET

Although the plasma confinement attained in tokamak experiments is encouraging, there may be an upper limit on the plasma pressure that can be contained. Since fusion power output increases dramatically with plasma pressure, there is a strong incentive to operate future reactors at higher pressures and thus minimize potential size and cost. The elongated plasma cross section of Doublet promises to allow a Doublet reactor to operate at higher pressures than a circular cross section tokamak reactor of the same size. This pressure advantage of Doublet may be the key to an economically viable fusion reactor.

The ability of a magnetic confinement system to contain plasma pressure is characterized by a parameter called "beta" (β). Beta is defined to be the ratio of the plasma pressure to the maximum magnetic pressure that the magnetic confinement field can exert. The higher the β-value, the greater the plasma pressure than can be confined with a given magnetic field strength. Since there are definite technological and economic limitations on the strengths of magnetic fields, higher β translates directly into higher plasma pressures and fusion power output. It is presently anticipated that a Doublet reactor can operate at a β which is up to five times as high as a similar tokamak system. This higher β-limit is a direct consequence of the physics of the Doublet's unique plasma cross section.

Experimental results obtained with elongated plasma cross sections are encouraging. The plasmas obtained in Doublet IIA (a predecessor to Doublet III) are similar to those obtained in tokamaks of the same size, but with up to four times the toroidal magnetic field. Studies in Doublet IIA in which the plasma cross section was varied from circular to elliptical to doublet explicitly demonstrate the beneficial effect of increasing noncircularity on plasma confinement and stability.

Present-day plasma theory predicts that similar benefits of noncircularity will continue to apply at higher plasma temperatures and densities. Doublet III is designed to test this premise and to carry out experimental investigations of noncircular plasmas in the reactor regime. If the high-β expectations are borne out, Doublet III will not only demonstrate the scientific feasibility of fusion power, but, by making it possible to build smaller fusion reactors, may also establish the basis for fusion's economic viability.

EXPERIMENTAL PROGRAM

Operation of Doublet III will be divided into two phases, an ohmic heating phase and a neutral beam heating phase. The ohmic heating phase is expected to last until early 1980 and will emphasize optimization of plasma confinement at moderate temperatures. Confinement values ($n\tau$) of up to 10^{14} cm^{-3}-sec are anticipated by the end of this phase. The plasma temperature will be about 500 electron volts (eV), or five million degrees centigrade. Physics studies will include plasma shaping, reduction of plasma impurities and confinement measurements.

Completion of 3.6 megawatts (MW) of the neutral beam system in early 1980 will allow beginning of the second phase of the experimental effort. Emphasis in this phase will be on increasing the plasma temperature while maintaining good confinement. The presently authorized 7.2 MW beam system should be sufficient to reach a plasma temperature of 3000 electron volts. At this temperature, the plasma will be sufficiently reactor-like to permit a meaningful study of plasma confinement and β-limits in the reactor regime. Determination of an optimum plasma shape for future reactor designs will be a key result of this study.

Doublet III has the potential to demonstrate breakeven plasma conditions. Based on our present understanding of the dependence of confinement on plasma density and magnetic field strength, breakeven plasma parameters ($n\tau=10^{14}$ cm^{-3}-sec, T=8000 electron volts) are possible in Doublet III if the toroidal field is increased to 40,000 gauss (40 kG) and the plasma current is increased to five million amperes (ME). Approximately 22 million watts of neutral beam heating will be required. Since Doublet III is designed for 40 kG, five MA operation, the major upgrades needed for breakeven operation with a Doublet plasma configuration are additional power supplies for the toroidal and ohmic heating systems, plus four additional neutral beam injectors. A second motor-

generator set and upgraded plasma-shaping power supplies are also required.

MULTIFACETED SUPPORT

Funding for the Doublet III device and facilities has been provided by various sources. The Electric Power Research Institute (EPIR) supplied the funds for the conceptual design in 1974–75. The major funding support covering detailed design, construction, facility operation and experimental capital equipment has come from the U.S. Department of Energy (formerly the United States Energy Research and Development Administration). General Atomic contributed the land, buildings and related facilities. Funding from DOE for research operations, capital equipment, and the Neutral Beam Program will continue after the initial operation in February 1978. Doublet III is an excellent example of how private industry, the federal government and the utility industry have collaborated on a new energy source development program.●

ERA: NO TIME LIMIT ON EQUALITY FOR MEN AND WOMEN

● Mr. BAYH. Mr. President, the importance of extending the time period for ratification of the proposed 27th amendment to the Constitution—the equal rights amendment—continues to be acknowledged by a wide spectrum of organizations around the country. Each group named below is unanimous in its support for the ERA extension as a legal and moral base for the ending of sex discrimination in our country.

In a recent correspondence, the National Woman's Party, which was founded in 1913 by Alice Paul who wrote the equal rights amendment in 1923, voiced its support for extension. In an excerpt from their statement, the National Woman's Party noted that:

The ERA is a matter of simple justice and should not be thwarted by technicalities.

The board of directors of the Girl Scouts of America was equally adamant in their support for the ERA extension:

An artificial time limit of seven years seems an extremely arbitrary figure in which to determine . . . constitutional rights. I plea . . . for the elimination of an arbitrary, artificial deadline.

Nan F. Waterman, chairwoman of Common Cause, wrote that:

The extension of the time period is an appropriate exercise of Congressional authority. Article V of the Constitution sets forth . . . no mention . . . of time limits for consideration by the states of a proposed amendment and in regard to the first seventeen amendments, no deadlines were imposed.

Mr. President, I ask that the following statements of the National Woman's Party; the Girl Scouts of America; Common Cause; the National Board of the Young Women's Christian Association; the American Association of University Women; the National Women's Program Development; and the Fifty Annual International UAW Women's Conference be printed in full in the RECORD.

The statements follow:

STATEMENT BY ELIZABETH L. CHITTICK

president of the National Woman's Party, the organization founded in 1913 by Alice Paul to seek legal equality under the law for women. After leading the fight for the suffrage amendment, including jail terms and force feeding, she studied law, securing three degrees, and in 1923 wrote the Equal Rights Amendment. It was introduced in the Congress by two Republicans from Kansas, Senator Carl Curtis and Representative Dan Anthony, nephew of Susan B. Anthony, the author of the suffrage amendment.

I shall not speak to the legal issues as you have had testimony from very distinguished constitutional authorities, and you, yourselves, are authorities on the Constitution. It seems clear that the issue is political rather than a legal issue.

My thesis is that the seven year limitation should not and never would have been in the amendment if we had read history or listened to the voice of experience—Alice Paul. Although it was a mistake for organizations and Congresspersons supporting the ERA to accept the provision, it is not an irreversible error and should be corrected by extending the time limitation.

Although the 18th Amendment had a seven year time limitation, there was NO limitation on the suffrage amendment (and not from oversight), and there was no time limitation on ratification of the ERA in any of the resolutions introduced by the sponsors until the 92nd Congress, when, after consultation with the organizations supporting the ERA, the Chief sponsors added it, along with several other procedural changes.

To get back to the suffrage amendment, the House Judiciary Committee in the 65th Congress reported the suffrage amendment without recommendations as to the substance but recommended addition of a new Section 3:

The article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of the several states, as provided in the Constitution, *within seven years* from the date of submission hereof to the States by the Congress (emphasis supplied).

Congressman Dyer in an elequent minority report recommending that the suffrage amendment be passed included the following on the seven year limitation:

To limit the time allowed the several States for ratification of the amendment is to trip up justice by technicalities. When Congress has once endorsed the principle involved in the extension of the franchise to women it will defeat its own ends if it limits the legislatures in their procedures (H.R. No. 219, 65th Congress, 2nd session, December 15, 1917).

The suffrage amendment was not passed until the 66th Congress when the seven year clause was proposed in the floor debate in the House of Representatives by Congressman Clark of Florida, the leading opponent. It was defeated without debate (58 Cong. Rec. 93, 1919).

Incidentally, I wish those who oppose the Equal Rights Amendment would read the debate on the Suffrage amendment. Congressman Clark's remarks are crude and racist, as well as sexist and emotional. Any Congressman today would be ashamed to make such remarks, and I think a generation from now the ERA opponents' remarks will seem as irrational, emotional, farfetched and contrary to all the ideals of our nation.

The ERA was introduced without any time limitation, and none was added when the Senate Judiciary Committee in 1943 revised the substantive and procedural provisions (S. Rept. No. 267, 78th Congress, 1st session, May 28, 1943). This obviously was deliberate since the language was carefully revised and the practice of including the seven year limitation had been established by the eighteenth, twentieth, and twenty-first amendments.

Twice later Senate Judiciary Committee reports recommended inclusion of a seven year time limitation (80th and 82nd Congresses); and when the ERA was considered by the Senate in the 81st Congress, it was amended to include a seven year limitation before the Hayden rider was added. The many other Senate Committee reports did not recommend amendment, and when the ERA was considered by the Senate in the 83rd and 86th Congresses, no amendment as to a time limitation was proposed by the Committee or on the floor.

We could not find any Senate or House Joint Resolutions that included a time limit.

Hindsight and belated research makes it clear that a time limitation was deliberately and properly excluded from the suffrage amendment and the ERA and that such a limitation was too casually added to the ERA when the substitute amendment was proposed in October 1971, after fatal amendments were added to the original ERA in the Senate.

The supporting organizations rejected the substitute amendment apparently giving little attention to the addition of the seven year limitation, and it was accepted as suitable for inclusion in the joint resolutions to be introduced in the next session.

When Miss Paul learned of the acceptance of the limitation by supporting organizations, she objected vociferously, but other organizations did not support her. Her experience with the suffrage amendment must have given her the wisdom to anticipate the difficulties in educating the public on the ERA and the problems with Southern legislatures.

Others of us did not anticipate what have become the chief obstacles to ratification:

(1) the failure of the media to educate the public on the issues and to treat the amendment as a serious constitutional issue.

(2) the emergence of opposition by the radical right using smear tactics and instilling doubts in the public through simplistic and sensational predictions as to impact, totally ignoring legislative history.

(3) the great power exercised by the very conservative leadership in some of the Southern States.

The media, with a few exceptions, has trivialized the ERA, ignoring the fact that it is an important constitutional issue with impact on a number of complex legal areas. Persons who are not even lawyers, let alone experts in Constitutional law or any of the areas the law affected, have been treated as equally credible with chief proponents who are Constitutional lawyers.

Although great care was exercised by the leading proponents and the appropriate House and Senate Judiciary subcommittees to prepare a comprehensive and clear legislative history, the media has all but ignored it.

The usual way of presenting the controversy has been to quote persons with pro and con views but with no mention of legislative history. For example, the New York Times Magazine of June 24, 1973, had a long article in which Phyllis Schlafly was quoted as if she was equally credible with Congresswoman Griffiths, chief proponent in the Congress. No mention was made of legislative history and its importance to the Courts in interpreting the ERA, although the author had been given a copy of the majority report of the Senate Judiciary Committee and the importance of the debate in Congress had been explained to him. This piece also quoted articles from the Harvard Law Review based on testimony on the ERA in the September 1970 hearings by Professors Freund and Kurland. Although both the Freund and Kurland testimony spoke to the importance of legislative history and the tentativeness of predicting impact without it, this part of the testimony was not referred to. It was not even mentioned that the testimony and the Harvard Law Review occurred before the Senate Committee report.

The pattern of the New York Times piece has been followed almost without exception by newspapers and magazines throughout the country. The U.S. News & World Report has published a number of reports on the ERA that did not mention that proponents' views were supported by the legislative history. After the first such item, the Chair of the Citizens Advisory Council on the Status of Women wrote the editor pointing out the importance of the majority report and the unfairness of quoting pro and con arguments as if of equal validity. Nevertheless, later references to the ERA controversy did not refer to legislative history.

There is no excuse for failure of the media to recognize the importance of legislative history Hundreds of thousands of copies of the majority report of the Senate Judiciary Committee (which incorporates the views of the chief proponents in the House) have been distributed by the Subcommittee on Constitutional Amendments of the Senate Judiciary Committee. Several hundred thousand copies of the publications of the Citizens Advisory Council on the Status of Women have been distributed, and all stress the importance of the legislative history in interpreting the ERA. Most reporters writing stories and TV researchers preparing programs have had copies of Council publications and the majority report.

The 1976 report of the National Commission on the Observance of International Women's Year, which has been widely distributed and used extensively by the media, stresses legislative history and report on a survey of court decisions interpreting State ERA's, all of which have been in line with the intent of Congress in passing the Federal ERA.

The media has given an undeserved credibility as an ERA expert and representative of women to Phyllis Schlafly, who is not a lawyer and furthermore has little respect for fact, never supporting any changes in law that have or would benefit women. She and her followers have not even supported changes in domestic relations law designed to enhance the status of the homemaker. Yet she is presented as a leader of women. Her predictions of effects of the ERA are an insult to the Congressmen who voted for the ERA, an insult to State legislators who will be passing laws to implement the ERA, and an insult to the judges who will be interpreting it.

The subliminal effect of the Schlafly campaign is to undermine confidence in our legislative bodies and our courts. Her writings on other subjects, which are voluminous, are of the same nature, casting doubts on the integrity of our leaders and our institutions.

A third unanticipated problem is the great power and conservatism of the leadership in Southern legislatures. As has been pointed out in earlier testimony, defeating key State legislators frequently has no impact. Too many of the leaders who make appointments to committees, assign bills, and distribute benefits to legislators, have been in office for many, many years, and are from rural areas or other conservative areas where it is impossible to unseat them. Furthermore, they have the power to change the votes of legislators committed to ERA. The more progressive legislators who are supporters of ERA do not tend to have great power.

Women throughout the country, have been getting a political education, and in the long run the power of the leaders will be diffused, but not soon enough to get the ERA through by March 22, 1979.

The ERA is needed even though great reforms have been made in many State and Federal laws as a result of the ERA debate. These reforms are not uniform in every state and future state legislators could pass legislation which would rescind or change reforms to the detriment and disadvantage of women. Furthermore, the ERA is needed to insure that all States and the Federal government review all their laws and official practices and revise those not in conformity with the ERA.

Because women are a minority in the governing bodies and other powerful institutions in our country, changes in law and official practice are secured by concentrated lobbying by women's organizations. These organizations do not have the resources to make systematic reviews of all present laws and official practices and to keep a watchful eye on all activities of legislatures and other governmental institutions to see that hard won legal gains are not lost and that new laws do not disadvantage women.

Our forefathers forgot the women and the blacks when they wrote the Constitution. The blacks have since received their legal rights as persons in the Constitution. Women will receive theirs when the ERA becomes the 27th Amendment. Women need this kind of permanency under the law.

I urge you to correct the seven year mistake of 1972 and give women the time needed to educate the public on the ERA. The ERA is a matter of simple justice and should not be thwarted by technicalities.

AUGUST 14, 1978.

Hon. BIRCH BAYH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: I am writing on behalf of the National Board of Directors of Girl Scouts of the United States of America to support S.J. Res. 138 to extend the time limitations for States to consider ratification of the Equal Rights Amendment to the Constitution of the United States.

As a long-time friend of Girl Scouting, you are aware of the major program thrusts of our organization nationally. With a membership of over 3,000,000 girls and adults, Girl Scouting today is committed to guiding each of its members in developing values, deepening self-awareness, relating to others, and contributing to society.

Worlds to Explore, the first major revision in Girl Scout educational activities released in 1977, reflects this commitment and represents an exhilarating renewal of the vitality of the Girl Scout program.

The World of Well-Being emphasizes physical and emotional health, interpersonal relationships, nutrition, and exercise, work and play;

The World of People portrays cultural diversity with a multitude of opportunities to appreciate ethnic, national, and religious conditions;

The World of Today and Tomorrow addresses the changing roles and responsibilities for girls and women;

The World of the Arts encourages girls to explore themselves through the art forms;

The World of the Out-of-Doors depicts national treasures so needful of humankind's understanding.

Paralleling the efforts of Girl Scouts of the U.S.A. in developing Worlds to Explore, developments in the women's movement have been of considerable interest to the Girl Scout movement. In 1976, the National Board of Directors of Girl Scouts of the U.S.A. voted to provide educational activities to the Girl Scout membership "to encourage local councils to engage in reflection and discusison of the Amendment for Equal Rights . . . as a means to help girls form independent opinions." In 1977, the National Board of Directors of Girl Scouts of the U.S.A. voted to endorse the Equal Rights Amendment. Although this action was not binding on the Girl Scout membership, it was a clear statement from the Board reflecting its own duties and responsibilities.

During that same year, I served on the President's Commission on the Observance of International Women's Year, whose primary focus was the planning and implementation of the National Women's Conference that took place in Houston, Texas. And you, Senator, are well aware of the decisions reached in Houston. The message from Houston was poignant and clear—women seek as a human right a full voice and role for women in determining the destiny of the world and the nation—women seek full partnership with men in order to achieve a world in which the whole human race can live in peace and security. Ratification of the Equal Rights Amendment was one of the points in the 25-point plan approved.

I am no expert in constitutional law, but as a citizen of the United States, and a woman, an artificial time limit of seven years seems an extremely arbitrary figure in which to determine my constitutional rights. What makes seven years more timely than ten years—or fourteen years. I have not found the answer to this question in anything I've read, and can only make a plea to those of your colleagues on the Committee and in the full Senate for the elimination of an arbitrary, artificial deadline and the acceptance of the proposal you have suggested in S.J. Res. 138.

As President of the National Board of Directors, and as a woman, I thank you for your unending efforts to improve the status of women in this country and the world.

With best wishes, I remain

Sincerely,

GLORIA D. SCOTT,
President.

COMMON CAUSE,
Washington, D.C., September 8, 1978.

DEAR SENATOR: Common Cause believes that, prior to adjournment, it is crucial for the Senate to schedule consideration of H.J. Res. 638 to extend the deadline for ratification of the Equal Rights Amendment until June 30, 1982. On August 15, the House passed H.J. Res. 638 by a vote of 233–189. Common Cause supports this extension which would provide an additional three years and three months for states to ratify the amendment.

Some opponents of the Equal Rights Amendment have made clear that they intend to use obstructionist tactics in order to bar consideration of the extension resolution. Common Cause strongly urges you to oppose any such tactics by voting in favor of cloture on the first ballot. If cloture is invoked, this will still provide ample time to debate the issue of extending the period for ratification. This fundamental issue should not be held hostage to parliamentary delaying tactics—it should be decided on its merits by the full Senate.

Common Cause has been actively involved in the effort to gain adoption of the Equal Rights Amendment. Initially we lobbied for passage of the amendment in the Senate and House and since then we have worked for ratification in state legislatures across the country. We consider adoption of the Equal Rights Amendment to be a crucial item of unfinished business. The case-by-case attack on discriminatory laws and regulations which has been waged in the legislatures and the courts for more than 50 years has not succeeded in eradicating sex discrimination. Only a constitutional amendment—with its fundamental legal, moral and symbolic impact—can provide the impetus for the necessary changes in our laws.

CASE FOR EXTENSION

Common Cause believes that extension of the time period is an appropriate exercise of Congressional authority. Article V of the Constitution sets forth in general terms the process for amending that document. No

mention is made of time limits for consideration by the states of a proposed amendment and in regard to the first seventeen amendments, no deadlines were imposed.

The Supreme Court has had two occasions to construe Article V with regard to time limitations on the ratification process. In reviewing the validity of the Eighteenth Amendment, where Congress had imposed a seven year deadline, the Court unequivocably stated that "[as to the] power of Congress, keeping within reasonable limits, to fix a definite period for the ratification we entertain no doubt." *Dillion* v. *Gloss*, 256 U S. 368, 375 (1921). The Court further described the time limit as one of those "subsidiary matters of detail" which the Congress may deal with "as the public interests and changing conditions may require." *Id.* In *Coleman* v. *Miller*, 307 U.S. 433 (1939), the Court reiterated that the question of what constitutes a reasonable period of time for purposes of ratification of a proposed amendment "lies within the congressional province." *Id.* at 454.

The seven year time period originally set for ratification of the Equal Rights Amendment was not placed in the text of the proposed amendment. It was a statement of what the 92nd Congress believed would constitute a reasonable time for debate of the issues involved. Such an expression at the outset of official debate over the amendment does not bar this Congress from exercising its authority to determine whether the debate has run its course or whether an additional period is warranted.

The issue before the Congress today is not whether the Equal Rights Amendment itself has merit. Nor is the Congress asked to consider an alteration of language in the text of a proposed amendment. The question is whether the public interest in full and informed debate and consideration of the proposed amendment and the relevant political, social and economic conditions require that an adjustment be made in "a matter of detail," the time for consideration of that amendment. The fervor with which proponents and opponents alike are currently debating the issue and the level of public awareness of the issue on the eve of the expiration of the original time period for consideration of the Equal Rights Amendment make it clear that defeat of H.J. Res. 638 would mean a premature end to debate and consideration of this amendment Extension of the time for consideration for three additional years would permit a full airing of all sides of the issues and would still ensure that the end result would reflect the contemporaneousness necessary for the valid ratification of a constitutional amendment.

RESCISSION

Common Cause strongly opposes any amendment to authorize rescissions during the extended period. There has been a great deal of debate about the question of rescission and whether fairness requires Congress to authorize rescission in previouly ratified states during the extended time period. While this argument is characterized by a certain symmetry, we find it inappropriate and highly confusing for this Congress to make any determination as to the question of the validity of efforts to rescind.

Under the Supreme Court decision in *Coleman* v. *Miller*, it is clear that the Congress sitting at the time at which state ratifications are presented will be the interpreter of Article V in deciding whether the requisite number of states have approved an amendment. The issue before the Congress is whether the 95th Congress should state what interpretation a future Congress, whether it be the 96th or 97th, must or should place upon the powers of state legislatures under Article V.

It is Common Cause's view that H.J. Res. 638 properly takes no position with regard to rescission and that the House properly rejected a rescission amendment. H.J. Res. 638 neither prohibits rescission nor sanctions it. While our reading of the various legal and historical precedents lead us to conclude that rescissions are to be ignored in the ratifying process, Congress need not pass any judgment on that question at this time. Regardless of what a future Congress may do in the way of recognizing the validity of a purported rescission, *this* Congress should not hold out to state legislatures the option of recission as a viable course of action.

A subsequent Congress would not be bound by any determination by the 95th Congress regarding rescission, since it has historically been the prerogative of the Congress sitting at the time of the final ratification to determine whether ratification has taken place in the requisite number of states. If the subsequent Congress were to disagree with this Congress on the matter of rescission there would be considerable confusion and frustration particularly in those states which might have rescinded approval of the amendment in reliance upon this Congress views.

SIMPLE MAJORITY VOTE

Although a two-thirds vote of each House of Congress is required to propose a constitutional amendment to the states, Article V does not require a supermajority in Congress to set the mode of ratification or to conclude that a proposed amendment has been ratified. Time for ratification is not a part of the text of the amendment, and in no way changes its substance. As the time requirement is not a part of the substance and does not require a supermajority vote, extension of that time period should also not require a supermajority.

The matter of extending the period for consideration of a constitutional amendment assuring equality before the law regardless of sex is plainly a matter of great importance to all citizens. To have the public debate over the implications of the Equal Rights Amendment cut off in March 1979 while interest in it and public opinion for it still run strong would be premature and unwise. Common Cause strongly urges you to support adoption of H.J. Res. 638 and to oppose any efforts to amend it.

Sincerely,

NAN WATERMAN,
Chairwoman.

STATEMENT OF NAN WATERMAN

Common Cause has been an active supporter of the Equal Rights Amendment since 1972. In the 92nd Congress we lobbied for passage of H.J. Res. 208 proposing the Amendment to the states, and during the last six years we have worked for ratification in state legislatures around the country. We are pleased to have the opportunity to present our views on this vital issue to this subcommittee and to commend you, Mr. Chairman, for the outstanding leadership you have provided on this subject over the years.

Adoption of the Equal Rights Amendment remains a crucial item of unfinished business. The case-by-case attack on discriminatory laws and regulations which has been waged in the legislatures and the courts for more than 50 years has not succeeded in eradicating sex discrimination. Only a constitutional amendment—with its fundamental legal, moral and symbolic impact—can provide the impetus for the necessary changes in our laws.

THE NEED FOR AN EXTENDED PERIOD FOR CONSIDERATION

Common Cause strongly supports the pending legislation to provide additional time for states to ratify the Equal Rights Amendment. We believe that extending the time period is an appropriate exercise of Congressional authority.

Article V of the Constitution sets forth in general terms the process for amending that document. No mention is made of time limits for consideration by the states of a proposed amendment and, in regard to the first seventeen amendments, no deadlines were imposed. Only since 1917 has the Congress established deadlines for ratification.

The Supreme Court has had two occasions to construe Article V with regard to time limitations on the ratification process. In reviewing the validity of the Eighteenth Amendment, where Congress has imposed a seven year deadline, the Court unequivocably stated that "[as to the] power of Congress, keeping within reasonable limits, to fix a definite period for the ratification we entertain no doubt." *Dillon* v. *Gloss*, 256 U.S. 368, 375 (1921). The Court further described the time limit as one of those "subsidiary matters of detail" which the Congress may deal with "as the public interests and changing conditions may require." *Id.* In *Coleman* v. *Miller*, 307 U.S. 433 (1939), the Court reiterated that the question of what constitutes a reasonable period of time for purposes of ratification of a proposed amendment "lies within the congressional province." *Id.* at 454.

It is our view that the appropriate standard by which this Congress should measure the reasonableness of the proposed extended time limit is that set out by the Supreme Court in the *Coleman* case. The court in that case offered guidance to the Congress in reaching that determination:

[T]he question of a reasonable time in many cases would involve . . . an appraisal of a great variety of relevant conditions, political, social and economic. . . . *Id.* at 453.

The court went on to suggest the following as proper areas of inquiry by the Congress in making its determination:

"[T]he nature and extent of publicity and the activity of the public and of the legislatures of the several States . . . should be taken into consideration" . . . When a proposed amendment springs from a conception of economic needs, it would be necessary . . . to consider the economic conditions prevailing in the country, whether these had so far changed since the submission as to make the proposal no longer responsive to the conception which inspired it or whether conditions were such as to intensify the feeling of need and the appropriateness of the proposed remedial action. 307 U.S. at 453.

The House Judiciary Committee recently applied these standards to the case of the Equal Rights Amendment, examining "the current political, legal and economic situation [to] determine whether the amendment is still vital, whether the need for the amendment still exists and whether it still represents an appropriate solution to the problems it was originally designed to solve." Cite report at 11. The Committee concluded that "nothing the committee or subcommittee heard in its hearings and debates indicated other than an affirmative response to those questions." *Id.* Common Cause shares this view. Abundant evidence of discrimination on the basis of sex. which was the original rationale for the amendment, still exists.

The seven year time period originally set for ratification of the Equal Rights Amendment was not placed in the text of the proposed amendment. It was a statement of what the 92nd Congress believed would constitute a reasonable time for debate of the issues involved. Such an expression at the outset of official debate over the amendment does not bar this Congress from exercising its authority to determine whether the debate has run its course or whether an additional period is warranted.

There is no particular magic to the seven-year figure. When in 1917 Congress first set a seven-year limit—in the case of ratification

of the proposed 18th amendment—debate indicated that the reason for the limit was to insure the "vitality" of the proposed amendment, i.e., that it be ratified while the issue was still of great public importance in the nation.

The issue before the Congress today is not whether the Equal Rights Amendment itself has merit. Nor is the Congress asked to consider an alteration of language in the text of a proposed amendment. The sole question is whether the public interest in full and informed debate and consideration of the proposed amendment and the relevant political, social and economic conditions require that an adjustment be made in "a matter of detail," the time for consideration of that amendment. The fervor with which proponents and opponents alike are currently debating the issue and the level of public awareness of the issue on the eve of the expiration of the original time period for consideration of the Equal Rights Amendment make clear that defeat of H.J. Res. 638 would mean a premature end to debate and consideration of this amendment. Extension of the time for consideration for a few additional years would permit a full airing of all sides of the issues and would still ensure that the end result would reflect the contemporaneousness necessary for the valid ratification of a constitutional amendment.

NO MORE THAN A MAJORITY VOTE IS NEEDED FOR EXTENSION

Just as the Congress has the authority to determine the time period during which the actions of state legislatures in ratifying the Equal Rights Amendment are reasonably contemporaneous, Congress also has the prerogative of establishing its own procedures for making that determination. When the Congress votes on the matter of a time limit for ratification (whether to decline to set a deadline, to set a deadline, to extend a time limit, or to determine whether a reasonable time has elapsed) Congress must also decide whether these matters must be decided by a majority of both Houses or by a two-thirds vote.

Article V expressly states what aspects of the amending process require supermajority votes: Amendments must be proposed by two-thirds of both Houses or by a convention convened on request of two-thirds of the states; legislatures or special conventions of three-fourths of the states must ratify the proposed amendments.

No congressional supermajority is required by Article V to propose the mode of ratification—by state legislature or state convention—or to conclude that a proposed amendment has been ratified. Because the timeliness of state ratification decisions is one of those "subsidiary matters of detail" which Congress may settle "incident [to] its power to designate the mode of ratification," Dillon, at 371, 376, it follows that no supermajority vote is required for settling the timeliness issue.

A further factor underlies this conclusion. The time for ratification of the Equal Rights Amendment is not included in the text of the amendment itself. It is simply stated as part of the proposing resolution. In this way, this proposed amendment differs in form from the Eighteenth, Twentieth Twenty-first and Twenty-second Amendments where the time for ratification was included in the text of the amendment itself and was thus itself voted upon and approved by three-fourths of the states. The Twenty-third, Twenty-fourth, Twenty-fifth and Twenty-sixth Amendments, like the Equal Rights Amendment contained no textual time limitations. However, the resolving clause of the legislation proposing the amendments set a time limit as a procedural facet of the amending process. As such, the amendment's time limit need not have received a two-thirds vote as part of H.J. Res. 208 in the 92nd Congress, nor need it be voted upon or "ratified" by the thirty-eight states which must ratify the text of the amendment itself.

One additional point has been raised relatives to this aspect of extending the time for consideration of the Equal Rights Amendment which deserves response. It has been questioned whether H.J. Res. 638, if passed by majority vote, must be submitted to the President for his signature as are all Joint Resolutions except those proposing a constitutional amendment (and therefore passed by a two-thirds vote). The answer to this question is that the text of Article V of the Constitution plainly accords the Executive no role in the amending process. While Congress's authority to create or extend time limits derives from its express authority to propose amendments to the states, there is no basis on which to imply any presidential role in any aspect of the amending process. Any contrary conclusion would be unprecedented and would violate the Constitution's division of responsibilities between the branches of the federal government and between the federal and state governments.

In sum, supermajority votes are not favored as a matter of constitutional construction. Where, as in Article V, supermajority votes are specifically required for certain aspects of the amending process, it would be contrary to this principle to require a two-thirds vote for a matter not expressly enumerated among those requiring such a vote. The time limit set by the proposing resolution in no way touches upon the meaning, intent, or substance of the amendment itself. Consequently, any resolution amending or altering that original time limit should require no more than a simple majority vote.

THE ISSUE OF RESCISSION IS INAPPROPRIATE FOR CONSIDERATION AT THIS TIME

Some have contended that, if Congress chooses to extend the time period for consideration of the Equal Rights Amendment, fairness requires that Congress also authorize rescission during the extended period by states which have already ratified the amendment. While this argument is characterized by a certain symmetry, we find it inappropriate, unnecessary and highly confusing for this Congress to make any determination as to the question of the validity of efforts to rescind.

Under the Supreme Court decision in *Coleman* v. *Miller*, 307 U.S. 443 (1939), it is clear that the Congress sitting at the time at which state ratifications are presented will be the interpreter of Article V in deciding whether the requisite number of states have approved an amendment. The issue before the Congress today is whether the 95th Congress should state what interpretation a future Congress, whether it be the 96th or the 97th, must or should place upon the powers of state legislatures under Article V.

It is Common Cause's view that H.J. Res. 638 properly takes no position with regard to rescission—it neither prohibits rescission nor sanctions it. While our reading of the various legal and historical precedents leads us to conclude that rescissions are to be ignored in the ratifying process, Congress certainly need not pass any judgment on that question at this time. Regardless of what a future Congress may do in the way of recognizing the validity of a purported rescission, this Congress should not hold out to state legislatures the option of rescission as a viable course of action.

A subsequent Congress would not be bound by any determination by the 95th Congress regarding rescission, since it has historically been the prerogative of the Congress sitting at the time of the final ratification to determine whether ratification has taken place in the requisite number of states. If the subsequent Congress were to disagree with this Congress on the matter of rescission, there would be considerable confusion and frustration particularly in those states which had rescinded approval of the amendment in reliance upon this Congress's views.

In sum, the issue of whether the Congress should recognize the rescission efforts of several states need not be reached now, would inevitably create substantial confusion and seems wholly inappropriate until such time as the requisite number of states are claimed to have ratified the amendment.

CONCLUSION

The matter of extending the period for consideration of a constitutional amendment assuring equality before the law regardless of sex is plainly a matter of great importance to all citizens. To have the public debate over the implications of the Equal Rights Amendment cut short in March 1979 while interest in it and public opinion for it still runs strong would be premature and unwise. Enactment of H.J. Res. 638 should be carried out promptly.

COMMON CAUSE,
Washington, D.C., September 8, 1978.

DEAR SENATOR: Common Cause believes that, prior to adjournment, it is crucial for the Senate to schedule consideration of H.J. Res. 638 to extend the deadline for ratification of the Equal Rights Amendment until June 30, 1982. On August 15, the House passed H.J. Res. 638 by a vote of 233–189. Common Cause supports this extension which would provide an additional three years and three months for states to ratify the amendment.

Some opponents of the Equal Rights Amendment have made clear that they intend to use obstructionist tactics in order to bar consideration of the extension resolution. Common Cause strongly urges you to oppose any such tactics by voting in favor of cloture on the first ballot. If cloture is invoked, this will still provide ample time to debate the issue of extending the period for ratification. This fundamental issue should not be held hostage to parliamentary delaying tactics—it should be decided on its merits by the full Senate.

Common Cause has been actively involved in the effort to gain adoption of the Equal Rights Amendment. Initially we lobbied for passage of the amendment in the Senate and House and since then we have worked for ratification in state legislatures across the country. We consider adoption of the Equal Rights Amendment to be a crucial item of unfinished business. The case-by-case attack on discriminatory laws and regulations which has been waged in the legislatures and the courts for more than 50 years has not succeeded in eradicating sex discrimination. Only a constitutional amendment—with its fundamental legal, moral and symbolic impact—can provide the impetus for the necessary changes in our laws.

CASE FOR EXTENSION

Common Cause believes that extension of the time period is an appropriate exercise of Congressional authority. Article V of the Constitution sets forth in general terms the process for amending that document. No mention is made of time limits for consideration by the states of a proposed amendment and in regard to the first seventeen amendments, no deadlines were imposed.

The Supreme Court has had two occasions to construe Article V with regard to time limitations on the ratification process. In reviewing the validity of the Eighteenth Amendment, where Congress had imposed a seven year deadline, the Court unequivocably stated that "[as to the] power of Congress, keeping within reasonable limits, to fix a definite period for the ratification we entertain no doubt." *Dillion* v. *Gloss*, 256 U.S. 368, 375 (1921). The Court further described the time limit as one of those "subsidiary mat-

ters of detail" which the Congress may deal with "as the public interests and changing conditions may require." *Id.* In *Coleman v. Miller*, 307 U.S. 433 (1939), the Court reiterated that the question of what constitutes a reasonable period of time for purposes of ratification of a proposed amendment "lies within the congressional province." *Id.* at 454.

The seven year time period originally set for ratification of the Equal Rights Amendment was not placed in the text of the proposed amendment. It was a statement of what the 92nd Congress believed would constitute a reasonable time for debate of the issues involved. Such an expression at the outset of official debate over the amendment does not bar this Congress from exercising its authority to determine whether the debate has run its course or whether an additional period is warranted.

The issue before the Congress today is not whether the Equal Rights Amendment itself has merit. Nor is the Congress asked to consider an alteration of language in the text of a proposed amendment. The question is whether the public interest in full and informed debate and consideration of the proposed amendment and the relevant political, social and economic conditions require that an adjustment be made in "a matter of detail", the time for consideration of that amendment. The fervor with which proponents and opponents alike are currently debating the issue and the level of public awareness of the issue on the eve of the expiration of the original time period for consideration of the Equal Rights Amendment make it clear that defeat of H.J. Res. 638 would mean a premature end to debate and consideration of this amendment. Extension of the time for consideration for three additional years would permit a full airing of all sides of the issues and would still ensure that the end result would reflect the contemporaneousness necessary for the valid ratification of a constitutional amendment.

RESCISSION

Common Cause strongly opposes any amendment to authorize rescissions during the extended period. There has been a great deal of debate about the question of rescission and whether fairness requires Congress to authorize rescission in previously ratified states during the extended time period. While this argument is characterized by a certain symmetry, we find it inappropriate and highly confusing for this Congress to make any determination as to the question of the validity of efforts to rescind.

Under the Supreme Court decision in *Coleman* v. *Miller*, it is clear that the Congress sitting at the time at which state ratifications are presented will be the interpreter of Article V in deciding whether the requisite number of states have approved an amendment. The issue before the Congress is whether the 95th Congress should state what interpretation a future Congress, whether it be the 96th or 97th, must or should place upon the powers of state legislatures under Article V.

It is Common Cause's view that H.J. Res. 638 properly takes no position with regard to rescission and that the House properly rejected a rescission amendment. H.J. Res. 638 neither prohibits rescission nor sanctions it. While our reading of the various legal and historical precedents lead us to conclude that rescissions are to be ignored in the ratifying process, Congress need not pass any judgment on that question at this time. Regardless of what a future Congress may do in the way of recognizing the validity of a purported rescission; *this* Congress should not hold out to state legislatures the option of rescission as a viable course of action.

A subsequent Congress would not be bound by any determination by the 95th Congress regarding rescission, since it has historically been the prerogative of the Congress sitting at the time of the final ratification to determine whether ratification has taken place in the requisite number of states. If the subsequent Congress were to disagree with this Congress on the matter of rescission there would be considerable confusion and frustration particularly in those states which might have rescinded approval of the amendment in reliance upon this Congress's views.

SIMPLE MAJORITY VOTE

Although a two-thirds vote of each House of Congress is required to propose a constitutional amendment to the states, Article V does not require a supermajority in Congress to set the mode of ratification or to conclude that a proposed amendment has been ratified. Time for ratification is not a part of the text of the amendment, and in no way changes its substance. As the time requirement is not a part of the substance and does not require a supermajority vote, extension of that time period should also not require a supermajority.

The matter of extending the period for consideration of a constitutional amendment assuring equality before the law regardless of sex is plainly a matter of great importance to all citizens. To have the public debate over the implications of the Equal Rights Amendment cut off in March 1979 while interest in it and public opinion for it still run strong would be premature and unwise. Common Cause strongly urges you to support adoption of H.J. Res. 638 and to oppose any efforts to amend it.

Sincerely,

NAN WATERMAN,
Chairwoman.

AUGUST 25, 1978.

Hon. BIRCH BAYH,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BAYH: The National Board of the YWCA of the U.S.A., representing an Association of two and one-half million women from every state in the union, wishes you to know that our members are expressing to us a unanimity of interest and a degree of concern for the passage of the Equal Rights Amendment that has been equalled seldom in our long history.

We urge you to support the extension of the ratification deadline as it passed in the House of Representatives, to oppose a clause allowing states to rescind their prior approval, to vote against a call for a two-thirds vote on the extension, and to support any cloture votes to override an attempt to filibuster.

The Equal Rights Amendment is a matter of basic human rights for half of our population. We hope that it will have your strong support.

Sincerely yours,

Mrs. SARA-ALYCE P. WRIGHT,
Executive Director.

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN,
Washington, D.C., August 11, 1978.

Hon. JAMES O. EASTLAND,
Chairman, Judiciary Committee,
Washington, D.C.

DEAR SENATOR EASTLAND: The American Association of University Women would like to have the attached testimony in the record of the Senate Judiciary Committee's hearings on the extension of the Equal Rights Amendment.

I do wish to call the Senator's attention to the fact that the first amendment to have a seven year limit was the Prohibition Amendment and that the second one was the Repeal of Prohibition. In between these two amendments, amendments had no time limit. One of these was of course the Women's Suffrage Amendment. I cannot help but believe the precedent of setting a time limitation had something to do with the subtle politics of alcohol. Please note the Congress thought nothing of establishing that seven year precedent. Nor were they concerned on the Repeal Amendment about setting another precedent in requiring amendment by convention.

The Senators' sudden fear of setting a precedent is but one more refusal to accord the majority of this so-called democratic nation's citizens equal rights under the Constitution. I urge your Committee to make real the American commitment to human rights by voting for the extension of the ratification period without amendment.

Respectfully yours,

MARJORIE BELL CHAMBERS.

Enclosure.

STATEMENT IN SUPPORT OF SENATE JOINT RESOLUTION 134

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN,
Washington, D.C., August 10, 1978.

The American Association of University Women is an organization of 190,000 members in 1,900 branches in the 50 states, District of Columbia, Puerto Rico, and Guam, as well as 1,000 colleges and universities as corporate members. Our membership is representative of a broad spectrum of American women: one-third of our members are full-time homemakers, one-third are educators, one-third are employed in business and the non-teaching professions. For almost a century AAUW's purpose has been the advancement of women. In 1971 our organization put its full weight behind support for the Equal Rights Amendment. It is our top priority. AAUW strongly favors extending the time period for the ratification by the states of the Equal Rights Amendment. Support for S.J. Res. 134 was unanimously reaffirmed in June 1978 by the presidents of all AAUW State Divisions throughout the nation. We entreat you to vote in favor of S.J. Res. 134 without amendments or deletions.

I. POLITICS AND LEGISLATIVE POLICIES

That ratification of the Equal Rights Amendment would warrant additional time for full discussion by the states is well justified because of the nature of the issue. Congress should be keenly aware that the type of policy it advocates directly influences the type of political activity associated with it. Thus, the Equal Rights Amendment, like civil rights concerns of the 1960s, constitutes a form of redistributive legislation which affects broad groups of society. Unlike regulatory policies, such as harbor legislation, the impact of redistributive legislation reaches to to core of the American vision of liberty and equality for all persons. Full and fair airing of its immediate, as well as future, benefits requires several years for deliberation.

History reminds us that progressive social legislation which challenges the status quo can be a slow, time-consuming process. Thus, had it not been for the victory of the Northern states in the Civil War it is highly doubtful that the Fourteenth and Fifteenth Amendments to the U.S. Constitution would have been ratified for many years. Would Congress have given up, then, on the ratification of the Fourteenth Amendment simply because several states showed reluctance to ratify it and to move history forward? We think not. Instead, Congress believed so strongly in the need to enshrine due process and equal protection guarantees into the Constitution that it reacted reconstituting the legislatures of several Southern states to guarantee ratification of this paramount amendment. Such a precedent was extraordinary for its time, but was deemed necessary for progress and justice in our great nation.

The American Association of University Women and hundreds of reputable organiza-

tions who solidly support the Equal Rights Amendment and the time extension for its ratification do not ask Congress to do today what it did over a century ago to resuscitate the life of the Fourteenth Amendment. Instead, we ask for a simple extention of the time period for ratification to secure the dream which our forefathers promised, but did not deliver, over two hundred years ago—equality of rights under the law for all Americans, regardless of sex.

II. THE PRECEDENT FOR THE TIME EXTENSION

Congress establishes precedents on a daily basis in a variety of its activities. Each of its decisions reflects the responsibility of nationally elected public officials to carefully mold the principles of American democracy to the needs of its citizenry in the Twentieth Century. Altering the dates of certain federal holidays to allow employees the opportunity for three-day weekend holidays, for example, was a radical departure from established precedent. To date, there are still small pockets of vocal resistance to this policy. Yet, the majority of Americans enjoy and applaud the innovation of the Congress in fostering the three-day weekend concept.

Extension of the time frame for the ratification of the Equal Rights Amendment offers a similar opportunity to enrich the principles of American democracy and to enact legislation to enhance, not to thwart, the public will. Thirty-five states, representing over 70% of the American public, have ratified the ERA. Yet, full equality under the law has been effectively denied to all Americans as a result of a concentrated, vocal campaign by a few individuals whose tactics in the unratified states have been to prevent debate of the Equal Rights Amendment on its true merits.

The need for the Equal Rights Amendment is as crucial now as it was when the article of amendment was first sent to the states. The Senate Judiciary Report in 1972 concluded that "the (Supreme) Court has upheld many laws which plainly discriminate against women." To date, the Supreme Court has refused to elevate sex discrimination to the level which race discrimination now holds in the law. Failure of the Congress to support the political decision to extend the time period for ratifying the ERA can only be interpreted as a signal to the courts that the Congress of the United States is no longer committed to Constitutionally guaranteeing equality of rights under the law.

Twenty-Two of the Twenty-Six Constitutional Amendments—the First through Seventh, the Nineteenth, Twenty-Third, Twenty-Fourth, Twenty-Fifth and Twenty-Sixth Amendments to the Constitution, respectively—had no time limits placed upon them. In only four amendments—the Eighteenth, Twentieth, Twenty-First and Twenty-Second Amendments, respectively—Congress imposed time limitations directly into the article of amendment which it sent to the states. In the proposed Twenty-Seventh Amendment to the Constitution—the Equal Rights Amendment—no time limitation was placed in the article of amendment. Consequently, extension of the ERA ratification period would not affect any previous ratification of it. By passing S.J. 134 by a majority vote, Congress would in essence be exercising properly its sole and unreviewable authority in a vital issue of upmost national and international significance. Surely human rights must begin at home if it is ever to be assimilated to nations abroad.

III. THE SEPARATION OF EXTENSION AND RESCISSION

Extension of the time period for ratifying the ERA and rescission of a state's ratification are entirely separte and distinct issues. To extend the time period for ratification of the ERA is a political decision which Congress alone can make. Court cases, such as *Coleman v. Miller*, provide strong indications that an article of amendment is deemed politically alive and vital as long as there is evidence of public interest in it. The vitality of the ERA is readily seen in current Gallop polls which show that the majority of the American public favors the Equal Rights Amendment. In addition, the recent Rally for Equality in Washington, D.C. on July 9, 1978, saw tens of thousands of women, men and children petitioning Congress through their physical presence demonstrating their commitment to and belief in equality of rights under the law. Over four hundred members of AAUW, representing all states, including Alaska and Hawaii, travelled at their own expense to the nation's capitol to show their support for the extension of the ERA time frame.

In the case of rescission Congressional precedent is well established and cannot be ignored. Rescission attempts by Ohio and New Jersey on the Fourteenth Amendment were to no avail. New York's rescission of its ratification of the Fifteenth Amendment was ignored by the Congress. With century-old precedents to guide rescission efforts, it would behoove Congress to look to these examples as its guide.

Nor should it be overlooked that there is already available a remedy for States which may wish to rescind ratification of an amendment. Once an amendment becomes law, it can be recalled by the same number of States needed to place an amendment into effect. Congress need not invent a new system, or place a rider onto S.J. Res. 134. Those who might wish to rescind an amendment must repeal it through well established procedures.

The national goal of equality of rights under the law for all individuals regardless of sex is truly an idea whose time has come. The vitality and salience of this issue is greater now than ever before. Constitutional provisions, legal precedents, and Congressional procedures clearly favor an extension of the time period for ratification of the ERA. Only Congress can exercise this prerogative. It alone has the sole authority to act on the matter. If any State wishes to rescind its ratification of the ERA, it can do so through well-established recall procedures applicable only after the ERA is ratified by three-fourths of the States. AAUW urges you to voice your convictions in support of human rights and liberties under the law, and to exercise your responsibilities as elected national representatives of the world's greatest democracy by supporting extension of the time period for ratification of the Equal Rights Amendment to the United States Constitution.

Dr. NANCY DOUGLAS JOYNER,
Association First Vice President.
KATHERINE EATON,
Chairman, Association Legislative Program Committee.

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN,
Washington, D.C., September 5, 1978.

DEAR SENATOR: In 1971, the American Association of University Women put its full weight behind support for the Equal Rights Amendment. It is our top priority. AAUW strongly favors extending the time period for the ratification by the States of the Equal Rights Amendment. Support for the extension was unanimously reaffirmed in June 1978 by the presidents of all AAUW State Divisions throughout the Nation. We urge you to vote in favor of H. Res. 638 without amendments or deletions.

History reminds us that progressive social legislation which challenges the status quo can be a slow, time-consuming process. Thus, had it not been for the victory of the Northern States in the Civil War it is highly doubtful that the Fourteenth and Fifteenth Amendments to the U.S. Constitution would have been ratified for many years. Would Congress have given up, then, on the ratification of the Fourteenth Amendment simply because several States showed reluctance to ratify it and move history forward? We think not. Instead, Congress believed so strongly in the need to enshrine due process and equal protection guarantees into the Constitution that it reacted by reconstituting the legislatures of several Southern States to guarantee ratification of this paramount amendment. Such a precedent was extraordinary for its time, but was deemed necessary for progress and justice in our great Nation.

The American Association of University Women and hundreds of reputable organizations who solidly support the Equal Rights Amendment and the time extension for its ratification do not ask Congress to do today what it did over a century ago to resuscitate the life of the Fourteenth Amendment. Instead, we ask for a simple extension of the time period for ratification to secure the dream which our forefathers promised, but did not deliver, over two hundred years ago—equality of rights under the law for all Americans, regardless of sex.

Extension of the time frame for the ratification of the Equal Rights Amendment offers a similar opportunity to enrich the principles of American democracy and to enact legislation to enhance, not to thwart, the public will. Thirty-five states, representing over 70% of the American public, have ratified the ERA. Yet, full equality under the law has been effectively denied to all Americans as a result of a concentrated, vocal campaign by a few individuals whose tactics in the unratified states have been to prevent debate of the Equal Rights Amendment on its true merits.

To date, the Supreme Court has refused to elevate sex discrimination to the level which race discrimination now holds in the law. Failure of the Congress to support the political decision to extend the time period for ratifying the ERA can only be interpreted as a signal to the courts that the Congress of the United States is no longer committed to Constitutionally guaranteeing equality of rights under the law.

Sincerely,
MARJORIE BELL CHAMBERS, Ph. D.

AMERICAN ASSOCIATION OF UNIVERSITY WOMEN,
Worthington, Ohio, August 26, 1978.

Hon. JAMES EASTLAND,
Senate Office Building,
Washington, D.C.

DEAR SENATOR EASTLAND: Ohio members of American Association of University Women urge your support for Senate Joint Resolution 134, without crippling amendments, to extend the time limit for ratification of the Equal Rights Amendment.

Since ERA is already favored by the majority, its passage through the state legislatures should be allowed to continue. Debate is still active and should not be short-circuited by an arbitrary deadline.

We believe ERA to be a fundamental guarantee of human rights in the American tradition of basic constitutional guarantees. Please vote for the extension and to support cloture, if needed, in the Senate.

Sincerely,
SARA DUGAN WOLFE,
Co-Chairman, Legislative Program Committee.

NATIONAL WOMEN'S PROGRAM DEVELOPMENT,
San Antonio, Tex., September 6, 1978.

Hon. JAMES O. EASTLAND,
Senate Judiciary Committee,
Washington, D.C.

DEAR MR. EASTLAND: On behalf of members of our Board of Directors and myself, I would like to express our strong support of

the Equal Rights Amendment Extension Bill without the rescission provision.

It is difficult to understand why in a Democracy and free country we would be forced to struggle so hard for equality.

Sincerely,

LUPE ANGUIANO,
President.

HOUSE OF REPRESENTATIVES,
Washington, D.C., August 24, 1978.

MS. LUPE ANGUIANO,
Marquette Drive,
San Antonio, Tex.

DEAR MS. ANGUIANO: Thank you for your recent communication requesting my support for H.J. Res. 638 to extend the time for ratification of the Equal Rights amendment to the Constitution.

I am pleased to advise you that the bill passed the House by a vote of 233 to 189 without any crippling amendments, and it had my strong support. The next step will be to get the measure through the Senate before Congress adjourns.

With best wishes.

Sincerely yours,

HENRY B. GONZALEZ,
Member of Congress.

RESOLUTION

Whereas: The required 38 states have not ratified the proposed 27th Amendment to the United States Constitution; and

Whereas: The deadline for the ratification of the 27th Amendment to the Constitution is March 22, 1979; and

Whereas: The State Legislature in several states are recessed or adjourned for the balance of the year, making ratification impossible in those states; and

Whereas: 35 of the required 38 states have already ratified the 27th Amendment to the United States Constitution.

Therefore be it resolved: That the Delegates to the Fifth Annual International UAW Women's Conference held at the Walter and May Reuther UAW Family Education Center go on record supporting HJR638, which extends the time for ratification of the 27th Amendment to the United States Constitution.●

ENGINEERS ENDORSE S. 2011

● Mr. SCHMITT. Mr. President, the Subcommittee on Administrative Practice and Procedure of the Judiciary Committee held hearings last week on S. 2011, the Regulatory Reduction and Congressional Control Act. At that time, Dr. Richard Vaughan presented testimony on behalf of the National Association of Professional Engineers, the American Consulting Engineers Council, the American Society of Civil Engineers, and the American Society of Mechanical Engineers. I ask that this testimony be printed in full in the RECORD.

The testimony follows:

STATEMENT OF RICHARD G. VAUGHAN, P.E.

SEPTEMBER 12, 1978

Mr. Chairman, my name is Dr. Richard G. Vaughan. I am a registered professional engineer and a senior partner in the engineering firm of Cottrell/Vaughan and Associates of Albuquerque, New Mexico. I am here today on behalf of the National Society of Professional Engineers, the American Consulting Engineers Council, the American Society of Civil Engineers, and the American Society of Mechanical Engineers. The combined representation of our engineering organizations is almost 350,000 individuals. With me today are Michael M. Schoor, NSPE's Director of Legislative and Government Affairs, Richard L. Corrigan, ACEC's Director of Governmental Affairs, and William P. Miller, ASME's Director of Federal Government Relations.

Our societies welcome this opportunity to present our views on S. 2011, the Regulatory Reduction and Congressional Control Act of 1977 and other legislative proposals pending before you to reform the Federal regulatory process. We believe that S. 2011 is one particularly well-conceived step toward equitably solving an extremely complex problem. A problem that, admittedly, may require several different approaches and solutions. We believe S. 2011 is a realistic and feasible approach and we commend Senator Schmitt for developing the bill and you, Mr. Chairman, Senator Thurmond, and seven of your colleagues in the Senate for cosponsoring it.

The engineering profession's interest in the issue of reforming the Federal regulatory process stems from the unfortunate position in which many of our members find themselves due to the current situation. Like so many other Americans, our members are bombarded daily by a barrage of Federal regulations—some duplicative, some conflicting, some unnecessary—and as a result, are beginning to feel a powerlessness and alienation from a government whose impact upon their lives, their livelihoods, and America's free enterprise system increases every day. Of course, there are many reasons for this feeling of powerlessness and alienation from the government, but several factors which can and should be considered by the Subcommittee during these deliberations are the following: (1) an overgrown, self-serving, and seemingly insatiable bureaucracy; (2) an ever increasing intervening administrative layer being placed between those who must perform in technically productive roles and those responsible for crucial decisions; (3) the enactment of legislation over the past several years without adequate consideration as to its ultimate cost in terms of the economy and the loss of individual freedom and also, we hasten to point out, without adequate technological consideration; and (4) a body of regulations often duplicative or conflicting among various agencies promulgated without regard to their costs to consumers or to American productivity and innovation.

American engineering continuously receives reports of problems caused by excessive government regulations. We will not burden the Subcommittee with a litany of "horror" stories but will describe one or two experiences that are indicative of the type of experiences being related to us. A West Coast engineering firm is eliminating programs within its operation so Federal reporting requirements can be cut down and more time can be devoted to the practice of engineering. Another engineering firm comprised of fewer than 30 people has reported that it is considering abandoning its profit-sharing plan rather than going to the expense in time, money, and manpower to comply with the paperwork requirements under the Employee Retirement Income Security Act. Still another engineering firm complains of experiences with municipalities which have actually given up applying for EPA construction grants because of the enormous number of reports and forms required just to qualify for the grants. In this last case, funding that would benefit the general population goes unused.

Engineers also report frustrations with burdensome and unnecessary regulations that mandate technology that is not required and is frequently unavailable. In these instances, the program suffers immeasurably because implementation, in many cases, is delayed for many years. When this happens, Congress' will is thwarted. When implementation does occur, the program may then be outdated; also its cost is higher than it would have been if implemented promptly.

The National Society of Professional Engineers recently submitted testimony to the Joint Economic Committee on the cost of excessive regulations. In general, their testimony concluded that excessive and unnecessary regulations have burdened Americans to the tune of billions of dollars in direct costs. More importantly though, the hidden costs of lost productivity and innovation will cause serious harm to the American economy for decades to come. A copy of that statement is attached to this testimony for your study.

We realize that in a society as large and complex as ours, some regulation is necessary and we certainly do not advocate throwing out the baby with the bathwater. But, we do strongly believe that the degree of Federal regulations of our free enterprise system, particularly that part involving engineers, has far exceeded any tolerable level. We reject the concept of a government-controlled economy—we must return to the free market system that made America the economic and technological titan that it always has been and should be. A position that is being undermined daily and is slipping slowly and steadily away and, most assuredly will be gone entirely if corrective action is not taken now.

We commend the current Administration for recognizing the complex regulatory problems our Nation now faces and for taking a step to focus attention on the issue. In his January 1978 State of the Union Address, President Carter said:

"During these past years, Americans have seen our government grow far from us. For some citizens the government has almost become like a foreign country . . . This cannot go on. We must have what Abraham Lincoln wanted—a government for the people."

Later, in March, the President continued on this subject:

"One of my administration's major goals is to free the American people from the burden of overregulation. We must look, industry by industry, at what effect regulation has—whether it simply blunts the healthy forces of competition, inflates prices, and discourages business innovation. Whenever it seems likely that the free market would better serve the public, we will eliminate government regulations."

In this direction, the President issued Executive Order 12044 directing Federal agencies to simplify and reduce regulations and to assess the broad impact of Federal rules and procedures as a means of reducing paperwork burdens and costs.

But this same approach, as commendable as it is, was tried by previous administrations, and sadly, with little or no results. While the engineering profession applauds the Administration's concern over excessive government regulation, we view the President's action only as a preliminary step toward solving the problem. We believe that regulatory agencies are the creatures and responsibility of Congress. Ultimately, it is Congress that must correct, by legislation, the excesses and burdens of excessive regulation that were created by legislation.

We are pleased to know that this Subcommittee has before it several bills to do just that. Foremost, among these bills, in our opinion, is S. 2011, the Regulatory Reduction and Congressional Control Act of 1977. Most of our societies supported S. 2011 soon after it was introduced last year. More recently, Senator Schmitt explained S. 2011 at the 1978 Engineers Public Affairs Forum held this past June here in Washington. The Public Affairs Forum was sponsored by 19 engineering societies, and the hundreds of engineers in attendance generally supported the thrust of the bill. In general, the engineering profession supports S. 2011 because it (1) establishes a reasonable procedure for congressional review of proposed rules and regulations which may have serious impact on the public; (2) expands opportunities for pub-

lic participation in the rulemaking process; (3) strengthens congressional oversight of regulatory agencies; (4) requires agencies to consider the impact of proposed regulations on the economy, paperwork and the Federal judiciary; and (5) requires agencies to provide more complete information on proposed regulations.

With regard to specific provisions of S. 2011, most of our societies are particularly pleased with the provision that gives Congress the opportunity to approve or disapprove a proposed rule or regulation. A uniform set of procedures and a review period would be mandated before such rules and regulations could go into effect. We feel that this provision will go a long way toward reestablishing Congress, the elected representatives of the people, as the controllers of Federal law making. This is most appropriate since Congress is the exclusive legislative arm of the Federal government. This will also help to insure that all rules and regulations promulgated are done so according to the intent of Congress. A similar precedent was set four years ago when Congress passed the Congressional Budget and Impoundment Control Act to reestablish its control over Federal budget procedures.

Our societies also strongly support the provision of S. 2011 which requires an agency proposing a new rule or regulation to file an economic impact analysis of that rule or regulation, taking into consideration paperwork requirements to complete compliance; a judicial impact analysis of each rule and its alternative; and an index of all existing rules and regulations on the same subject, cross-referenced. We feel that taking into account the effects of a proposed rule on American productivity, competition, employment and other important economic factors must be a consideration in the promulgation process, and currently, these factors are too often overlooked or disregarded. We urge the Subcommittee, however, to strengthen the economic impact provision to assure the statement's accuracy. All to often, we find agency cost estimates to be everything but accurate. You may wish to consider an approach whereby an agency would be precluded from enforcing a rule or regulation after its economic impact statement is determined to be substantially inaccurate. Requiring a judicial impact analysis is directly in line with Supreme Court Chief Justice Warren Burger's recommendation that the government carefully weigh the impact of its actions on the American court system and its administration of justice. Mandating this process will weed out a multitude of Federal regulations which cause far more problems than they solve.

We also support the provision of S. 2011 which provides that authorization of every rule adopted cease automatically at the end of five years from its effective date. Of course, prior to that date, an agency may recommend that a rule be renewed or amended, but will again be subjected to the approval of Congress. In this way, Congress can help insure that current rules are relevant to current needs.

We urge this Subcommittee to favorably consider these and the other provisions of S. 2011. We feel that the bill's restoration to Congress of the exclusive legislative function provided it by the Constitution is an idea long overdue.

Although our societies have not examined in depth the results of a government regulation's study by the American Bar Association which has been submitted to this Subcommittee, I would like to take a few moments to comment briefly on the general thrust of that study. As you know, the report was made by a group of lawyers and economists after three years of investigations into the impact of Federal regulations on the Nation's economy. As a result, the report's major finding—and I might add, one in which we agree—is that "congressional and administrative consideration has been undertaken all too often without adequate analysis and evaluation of the potentially adverse economic impact of the various forms of intervention, both by increasing the cost of goods and services and by impeding private initiatives." The study concludes, "In short, government by regulation, in pursuit of a variety of economic and social goals, increasingly controls, restrains, and limits many of the productive elements of our society." The engineering profession agrees with these results and view, them as further evidence of the need for regulatory reform in general and enactment of S. 2011, with its economic and judicial impact analysis requirements, in specific.

The engineering profession would like to take this opportunity to comment on legislation which would require the periodic review of certain Federal regulatory programs. Periodic review of the regulatory reform system is essential to keeping the multitude of regulatory arrangements in harmony and to assure their relevance to current problems. Engineers generally support the concept of such review legislation, not as a substitute for conventional legislative oversight or budget reviews, but as a supplement to those measures. By critically reviewing regulatory agency policies, as would be required under such legislation, Congress could end the potentially dangerous tendency of assuming that the duties imposed upon a specific agency were imposed wisely and should continue ad infinitum. We also believe that such legislation would encourage agencies, in anticipation of their scheduled reviews, to complete in a timely fashion compilations and reports desired by Congress and to orient their programs toward serving current needs. Further, by providing machinery which permits cooperation between the legislative and executive branches in initiating the review process, the Executive branch would be more inclined to monitor the ongoing justification for economic regulation.

Organized engineering would be remiss if it did not point out that Congress must accept partial responsibility for agency excesses with regard to the regulatory process. Congress, many decades ago, delegated rule making authority to the Executive agencies and departments. With this delegation goes the authority to issue rules and regulations necessary to implement legislation enacted by Congress. However, Congress, in our estimation, all too often passes legislation without adequately considering the technological implications of their actions. This type of practice allows, and even encourages, bureaucratic excesses in rule making. We believe that Congress must better analyze the technological impact of legislation and reflect this analysis when legislation is approved. When this is done, Congress will pass better legislation and provide agencies with less discretion with regard to rule making. To this end, we urge Congress to better use those technological resources available to it including engineering and scientific organizations, and their members, who are reservoirs of technological experience and knowledge.

As I stated previously, there are several different approaches to regulatory reform legislation that merit consideration. Proposals, such as some before the Finance Committee, would allow tax credits for each form filed in compliance with a Federal rule or regulation and would put agencies on notice that excessive regulations are going to cost the Federal government dollars. Also, proposals to reimburse the costs incurred by a business or individual who wins an action brought by a Federal agency under authority of a regulation might prove beneficial. However, we believe that enactment of S. 2011 would be a first step in benefitting all Americans.

In closing, I would like to remind the Subcommittee of a charge made long ago against King George III of England in our own Declaration of Independence when it said that he had . . . "erected a Multitude of New Offices and sent hither Swarms of Officers to harrass our people . . . " That charge is still a valid warning for us about the dangers of too much government regulation. It was not a laughing matter to our colonial forefathers and it certainly is not a laughing matter to us today. It is an issue about which the engineering profession feels very strongly—an issue of enormous impact on our Nation, present and future. I assure the Subcommittee that your efforts to reform our regulatory system will be deeply appreciated not only by the engineering profession but by the general public as well. We would be pleased to answer any questions the Subcommittee has at this time.

STATEMENT OF THE NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS ON THE COST OF GOVERNMENT REGULATIONS TO THE SUBCOMMITTEE ON ECONOMIC GROWTH AND STABILIZATION, JOINT ECONOMIC COMMITTEE, UNITED STATES SENATE

JUNE 9, 1978.

The National Society of Professional Engineers welcomes the opportunity to comment on the cost of government regulations to American business and the extent to which these regulations inhibit the performance of the American economy. NSPE, a nonprofit organization headquartered in Washington, D.C., represents 76,000 members engaged in virtually all disciplines of engineering. Many of NSPE's members are employed in industry; others are partners or employees of engineering consulting firms and therefore represent the small business community. Our members are confronted daily by the regulatory process and for this reason NSPE is particularly concerned with the issue of excessive government regulation.

According to a recently completed study at Washington University in St. Louis, the cost to American business for complying with government regulations exceeded $62 billion in 1976. Entitled "Public and Private Expenditures for Federal Regulations of Business," the study broke down the cost of regulation into specific areas and revealed that the administrative and compliance cost of consumer safety and health regulations alone was an estimated $6.6 billion in that calendar year. Regulation of milk by the Department of Agriculture, only one of many areas of regulation by that agency, was estimated to cost $986 million. The cost of compliance with Department of Transportation auto safety and damage regulations was estimated at $3.7 billion for 1976. The study cited many other areas of federal regulation and their costs, but the estimate of the total cost to American business of the paperwork alone required to comply with all federal regulations was set at $18 billion. The Commission on Federal Paperwork estimated that figure substantially higher in its final report; it set the cost of the federal paperwork burden at $100 billion per year.

Regardless of which figure is more accurate, the sad truth is that both figures almost certainly understate the actual cost to American business and the public-at-large since they do not reflect "hidden costs" of federal regulation burdens—the cost of diverting time, money, and manpower from productivity to the preparation of reports and compliance with regulations. And lower productivity only means higher consumer prices and additional fuel for the inflationary spiral.

NSPE believes that, with regard to engineering, the burdens of compliance with regulatory requirements hit small businesses hardest. Regulatory and reporting requirements frequently impose burdensome legal,

accounting, and consulting costs as well as inequitable demands. It is difficult, if not impossible, for small engineering businesses to be aware of and to understand the vast numbers of government regulations. And even when small engineering businesses are aware of all pertinent regulations they often lack most of the resources necessary to comply adequately. Many simply cannot afford the necessary attorneys and accountants to complete the paperwork involved with a compliance which often amounts to a duplication of regulatory and reporting requirements, contradictory requirements, regulations demanding more information than is needed, regulations demanding more frequent reporting than can be useful, regulations that do not fit the scale of those being regulated, or regulations demanding reports from firms so small that they have little or no impact on the area being regulated.

NSPE continuously receives many reports of the problems caused by the excesses of government regulation. One West Coast engineering firm reported that it is eliminating some specific programs within its operation so that the awesome number of reporting requirements can be cut down. Individual engineers have reported repeatedly that as much as 40% of their time is taken up by record keeping for government agencies.

Another engineering firm comprised of fewer than 30 people has reported that it is considering abandoning its profit-sharing plan rather than going to the expense in time, manpower, and money to comply with mountainous paperwork requirements under ERISA.

Still another engineering firm reported experiences with municipalities who have given up applying for EPA federal construction grants because there are so many forms and applications required just to qualify for the grants. The result is that much-needed EPA funding goes unused due to the difficulties inherent in excessive government regulation.

NSPE certainly does not advocate the elimination of all federal government regulation. We do urge, however, that Congress approve pending regulatory reform legislation, such as H.R. 959 or S. 2011, which would reduce the regulatory and paperwork burdens now imposed upon American business and which would retain a competitive free enterprise system encouraging productivity and innovation. We further urge that the Congress take the necessary legislative measures to ensure that any future efforts to draft government agency regulations eliminate uneven and inequitable enforcement; that they eliminate regulatory duplications or conflict; that the regulations consider the costs versus actual benefit; and that they provide only the amount of regulation essential to monitor properly our Nation's competitive free enterprise system.

NSPE offers these recommendations with the hope of helping the Congress achieve much-needed regulatory reform. Our Society wishes to assure the Committee of our continued interest in this issue and of our willingness to assist the Committee in any way possible.●

COAST GUARD SHINES

● Mr. MARK O. HATFIELD. Mr. President, it is truly a pleasure to take this opportunity to publically praise and express my deepest admiration for the men of the 13th Coast Guard District who recently risked their lives to save 11 people and assist 182 others who were caught in a major storm 20 miles off the coast of Oregon.

The courage and dedication of these men, reflected daily in the normal course of their work, was especially evident as they were called upon to make the major rescue effort in a storm which packed winds of up to 60 miles per hour and seas as high as 18 feet.

The extent of the rescue is demonstrated by the fact that during the 2-day ordeal, 97 distress calls were received and responded to by almost 400 Coast Guard personnel, using all available boats and aircraft including 11 motor lifeboats, five helicopters, and several Coast Guard cutters from Oregon, Washington, and California. Off the Oregon coast alone, 7 fishing vessels were lost, 23 boats taken under tow or in escort, 17 other vessels were assisted, and pumps were delivered to still 7 others. Several people had to be taken from the water and one occasion Coast Guard motor lifeboats were observed herding 14 vessels to safety. Despite the very present danger, it stands as tribute to the Coast Guard that not one life was lost.

One particular rescue of an Oregon man (Mr. George Jameson of Seaside) is characteristic of the long-suffering efforts of our Coast Guard team. On Friday, at 6:30 p.m., Mr. Jameson transmitted a radio distress signal from his 31-foot fishing vessel, the *Joycily*, that his boat was sinking and was abandoning ship. Mr. Jameson informed the Coast Guard that he was wearing a survival suit and would be taking a crabpot marker with a red flag to aid in his recovery. Two helicopters and a motor lifeboat joined in the search which lasted through the night.

The 210-foot medium endurance cutter *Venturous*, was recalled from port to direct the search. Later, the 327-foot high endurance cutter, *Campbell*, and a C–230 fixed wing aircraft from Sacramento Air Station, Calif., were added. At 4:39 p.m. Saturday, after nearly 22 hours in the 50-degree Pacific Ocean, Mr. Jameson was recovered from the water by the *Campbell*. He was discovered 20 miles north of where his boat went down on the "search trackline" called for in the search plan. Except for fatigue and hunger, Mr. Jameson was in good condition, his body temperature only 1 degree below normal.

The massive effort to save the life of this one man reflects the very fiber of our national heritage—that being, that one life is as important as many. The unselfishness and dedication of the Coast Guard represents the very best of our Nation. We owe it our deepest appreciation and continued support.●

INTERVENOR ATTORNEYS' FEES AND THE DEPARTMENT OF JUSTICE

● Mr. LAXALT. Mr. President, earlier this year the Judiciary Committee considered at length the merits of S. 270, a bill which would have permitted Government agencies to pay expert witness and attorneys' fees to intervening public interest law firms and agency proceedings. After extensive hearings and lengthy debate, the Judiciary Committee declined to report the bill to the full Senate. Again, during the last several months, the bill reappeared in the Administrative Practice and Procedure Subcommittee of the Judiciary Committee, was reported to the full committee without recommendation, but has gone no further. Accordingly I think it is fair to say that the consensus of the committee was that the bill should not be passed.

On March 1, 1978, Assistant Attorney General John Harmon, of the Office of Legal Counsel of the Department of Justice, issued an opinion directed to the Department of Transportation, to the effect that agencies of the Government were free to find authority for intervenor reimbursement programs without explicit statutory authority. His opinion was based on the fact that the only circuit court opinion discussing such matters, *Greene County Planning Board* v. *Federal Power Commission*, 559 F. 2d 1227 (1976), cert. denied, February 21, 1977 (77–481)—did not explicitly state that agencies did not have such power.

I have sent, together with 11 other Senators, a letter to Attorney General Bell pointing out that Mr. Harmon's opinion of March 1, 1978, flew directly in the face of the law, and that such funding is neither authorized by case law nor, of course, by statute. To the contrary, we pointed out in our letter to Attorney General Bell that the Greene County case, which was the only case which has discussed the matter, specifically says that such payments cannot be made; additionally we pointed out that since Congress has not passed a law authorizing such payments, there was no authority whatever on which the Justice Department could have honestly based its opinion.

It is distressing to me, and to the other 11 Senators signing the September 15 letter to the Attorney General, that the head of the Office of Legal Counsel of the Department of Justice would issue an opinion so at variance with the law. However, it is even more distressing to us that the reason for Mr. Harmon's opinion appears to be a blatantly political, rather than a good faith attempt of interpreting the law. In that regard, we said in our letter:

We believe that one of the lessons of Watergate is that a politicized Department of Justice is intolerable. In addition to our specific concerns regarding Mr. Harmon's opinion letter of March 1, 1978, we are thus troubled by what appears to be the Department's subordination of its paramount responsibility to fairly construe the law and by its clearly political accommodation to the so-called public interest law movement. A quick look at the political persuasions of those advocating public intervenor funding does, we believe, shed strong light on the politics behind the Harmon opinion, and as a result, on the Department itself.

We note that the Harmon letter was addressed to the Department of Transportation, whose National Highway Traffic and Safety Administration ("NHTSA") is pressing most anxiously to initiate an intervenor reimbursement program for the so-called public interest participants in its proceedings. The Director of NHTSA, Joan Claybrook, is of course the former chief lobbyist for Ralph Nader. It takes little experience with Washington reality to know that the immediate effect of the Harmon letter, and therefore that its almost certainly intended purpose,

is the transfer of what will at first be hundreds of thousands, soon millions of dollars from the Federal Treasury to the current network of organizations dominated by Nader, and to other similar groups. We believe that the high percentage of alumni of the so-called public interest movement who occupy many of this Administration's senior policy positions make it particularly important for the Department of Justice to be wary of the appearance and reality of conflict of interest and unauthorized payments. This is particularly true because of the high percentage of public interest alumni in high positions at the Department of Justice.

We shudder to think of the public outcry which would greet so questionable a construction of a court case were it to result in substantial money payments to a former business associate of but a single high Administration official. Here, the Harmon letter, which appears to us to fly in the face of controlling precedent and Congressional authority, will enormously enrich many such former employers. If the Harmon letter stands, Ms. Claybrook and others, including a number of high Justice Department officials, will have federally endowed jobs and political bases to which to return when their government jobs end. The circumstances surrounding the Harmon letter thus make it, at a minimum, suspect, and at worst shameful.

We have asked that the Attorney General withdraw the Harmon opinion letter, and advise Federal agencies that such payments are not warranted under the law. I hope, Mr. President, that the Attorney General will comply with our request in order to preserve the integrity of the Department of Justice.

I ask that the full text of the September 15 letter be printed in the RECORD.

The letter follows:

WASHINGTON, D.C.,
September 15, 1978.

HON. GRIFFIN BELL,
Attorney General of the United States, Justice Department, Washington, D.C.

DEAR MR. ATTORNEY GENERAL: On March 20, 1978, we wrote to you with regard to the opinion letter of Assistant Attorney General John Harmon, dated March 1, 1978, regarding the use of public funds to reimburse intervenors in administrative proceedings. In that letter, written to the General Counsel of the Department of Transportation, Mr. Harmon purported to construe the effect of *Greene County Planning Board* v. *Federal Power Commission* 559 F. 2d 1227 (1976), *cert denied*, February 21, 1977 (No. 77-481), in which the Second Circuit determined that the Federal Power Commission lacked authority to award counsel fees and expenses to intervenors in its proceedings. Briefly stated, Mr. Harmon's letter sets forth the official position of the Justice Department that *Greene County* only applied to the Federal Power Commission and that agencies are free to find authority for intervenor reimbursement programs without any explicit statutory authorization for such programs.

We have received your response to our letter dated June 14, 1978, with its enclosed memorandum from Mr. Harmon, and are deeply troubled by a series of unanswered questions which still linger.

So as to avoid any problems, we shall try in this letter to pose more explicit questions to you than were posed in our earlier letter.

Before doing so, we wrote our agreement with Mr. Harmon as to the major outstanding issue which is posed by the Second Circuit's opinion in *Greene County*. That question, as Mr. Harmon notes, is whether, to quote him, "the holding of the Second Circuit in *Greene County* involved only a construction given to the Federal Power Act", or whether "(t)he Second Circuit * * * based its decision on a broader ground; for example, (by taking) the position that no compensation for expenses such as attorneys' fees could be paid absent explicit statutory authority."

As stated and as you know, Mr. Harmon has advised all federal agencies that the Second Circuit's ruling in *Greene County* was on the former ground. Yet, in reaching his conclusion, Mr. Harmon gave no basis for his finding other than the fact that a *footnote* in the three-judge panel opinion in *Greene County* "appeared to give great weight" to an earlier view of the Federal Power Commission that it lacked authority to establish an intervenor reimbursement program. Mr. Harmon thus took the position, which is the official position of the Department, that an agency which finds that it can establish such a program on the basis of its enabling act or other non-explicit legislation would, under *Greene County*, be held to have such authority.

Such a view, in our opinion, appears to be a shamefully distorted misreading of the Second Circuit's opinion and the law, for the following reasons:

1. The point made by Judge Van Graafeiland in the footnote cited by Mr. Harmon was not repeated in the opinion of the court. As you know, the controlling opinion of the Second Circuit was an en banc decision in which no reference to the footnoted point appears.

2. Mr. Harmon's opinion is in essence a recitation of opinion letters of the Comptroller General, and in any event leaves agencies free to follow the reasoning of those opinion letters. This is so notwithstanding the fact that the validity of the Comptroller General's opinion was clearly and explicitly rejected by the Second Circuit.

3. The view that the *Greene County* decision was in any measure based upon the Federal Power Commission's denial of its authority to establish an intervenor reimbursement program was presented to the Supreme Court in the certiorari petition of the Solicitor General. The Supreme Court, of course, denied the petition.

4. Mr. Harmon's opinion appears to make unnecessary, indeed ironic, the extensive congressional involvement which has recently taken place with regard to the intervenor reimbursement programs. For one, Mr. Harmon's opinion creates the anomaly of giving the Federal Trade Commission *less* authority than any other federal agency for the reimbursement of intervenor expenses, even though the Commission, under the Magnuson-Moss Act, is unique amongst all federal agencies in having explicit congressional authority to institute such a program. The authority of the Federal Trade Commission is specifically restricted by statute to rulemaking proceedings, which would appear to rule out any Commission reimbursement of intervenors in other types of administrative proceedings. By explicitly freeing all other federal agencies, on the basis of generalized enabling act language, "to determine the standards and procedures under which compensation may, in its discretion, be provided," Mr. Harmon and the Justice Department thus appear to clearly authorize all agencies but the Federal Trade Commission to reimburse intervenors in non-rulemaking proceedings.

5. More generally, and critically, it is unclear to us why Congress has lavished the considerable energies on the subject of intervenor reimbursement which have been spent if Mr. Harmon's view reflects the law. Congress has debated and, in Committee, voted on such issues as whether reimbursement should be restricted to rulemaking proceedings, whether reimbursement should be made by a central funding agency rather than by the agencies which conduct the proceedings, whether and to what extent legal fees should be limited in amount, whether and to what extent the financial condition of applicants should determine their right to reimbursement, whether small businesses and municipalities are to be eligible for reimbursement, and many other such important questions. Above all, Congress has, of course, been engaged in active debate as to the viability of the entire concept, but has passed no bill authorizing such payments. Yet, as noted, under Mr. Harmon's view, each agency is to have full authority, "to determine the standards and procedures under which such compensation may, in its discretion, be provided". We believe that there should be deference to Congress to determine the above issues, particularly in light of Congress's intense and continuing interest in the entire subject area.

In this regard, the views of Chief Judge Irving Kaufman in *Greene County* appear to us to be instructive and controlling. Judge Kaufman, an avowed supporter of intervenor financing programs, nonetheless wrote as follows in his concurring opinion in *Greene County*:

"The decision whether to expend public funds to advance an essentially private point of view by its very nature is political and, in a democracy, more appropriately made by the elected representatives of the people.* * * Indeed, the Supreme Court, in the *Alyeska Pipeline* case, refused to give the courts the right to determine, in the absence of legislative guidelines, which public policies are sufficiently important to warrant exceptions from the general prohibition of fee shifting. And the Comptroller General himself in *Matter of Costs—NRC*, at 8, stated:

"'. . . (W)e believe it would be advisable for the parameters of such financial assistance, and the scope and limitations on the use of appropriated funds for this purpose to be fully set forth by the Congress in legislation, as was done in the case of the FTC by the "Magnuson-Moss" Act.'

* * * * *

"(I)f Congress is of the view, as I am, that a reliable source of funding is a *sine qua non* to effective public participation in agency proceedings, it should appropriate money to that end. At the same time it should establish a comprehensive and flexible framework that will assure vigorous and independent representation of the public interest and avoid potential abuses."

In Mr. Harmon's view, the sole apparent purpose of the hearings, committee sessions and bills now pending before Congress regarding intervenor financing is for the purpose of restricting and not expanding the power of agencies. Such a view, of course, comes as a surprise to the proponents and opponents of the legislation, whose debates and positions have been premised upon the absolutely contrary view.

6. Most critically, and inexcusably for one holding the position of Assistant Attorney General in charge of the Office of Legal Counsel, we believe that Mr. Harmon's opinion ignores the earlier decision of the Second Circuit in *Greene County*, written in 1972, see 455 F. 2d 412, 425-27, which the 1976 *Greene County* opinion explicitly reaffirmed. In the 1972 opinion, the Second Circuit flatly held that generalized statutory language giving broad authority to the Federal Power Commission to "perform any and all acts, and to prescribe, issue, make, amend, and rescind such orders, rules and regulations as it may find necessary or appropriate to carry out the provisions of (the Federal Power Act)" were not sufficient to authorize reimbursement of intervenor expenses. Other general statutes giving broad powers to the Commission but not explicitly authorizing an intervenor reimbursement program were held insufficient to permit intervenor reim-

bursement. In words which appear to us to be clear, the Second Circuit held as follows after discussing the various non-explicit Federal Power Commission statutes brought to its attention:

"We would need a far clearer congressional mandate to afford the relief requested, especially in dealing with counsel fees, when Congress has not hesitated in other circumstances explicitly to provide for them when to do so was in the public interest. See Clayton Act, 15 U.S.C. 15; Communications Act of 1934, 47 U.S.C. 206; Interstate Commerce act, 49 U.S.C. 16(2)" See 455 F.2d at 426.

It is the above holding of the Second Circuit, rendered in 1972 and explicitly reaffirmed in 1976 en banc, which makes it almost impossible for us to understand how Mr. Harmon could advise all federal agencies, as he did with your approval, that "notwithstanding the *Green County* decision (each) department is required to interpret its own organic statute and any other relevant statutory provisions and determine whether Congress has authorized it, *explicitly or implicitly*, to provide compensation in proceedings before it." (Emphasis added). Even more difficult to accept are those portions of Mr. Harmon's letter, which still stand as the official position of the Department of Justice, and which read as follows:

"(W)e (do not) think that the Second Circuit, in reaching its conclusion regarding the Federal Power Act, announced a principle of law broad enough to cover other departments and agencies.

* * * * *

The Second Circuit could have based its decision on a broader ground; for example, it could have taken the position that no compensation for expenses such as attorney's fees could be paid absent explicit statutory authority. Had it done so, its decision would have created doubt as to whether other departments and agencies could construe their respective organic statutes as providing power to compensate where such authority was not explicit. The Second Circuit did not, however, do so * * *."

In light of the above, we ask for an expression of your views with regard to each of the items set forth in this letter. We are particularly interested in learning of your personal view of whether the 1972 opinion of the Second Circuit does not in fact state the view of that court, contrary to Mr. Harmon's finding, that general enabling acts do not constitute sufficient legislative authority for an agency to engage in an intervenor reimbursement program. We also wish to learn your personal view of whether the discretion of each individual agency or the will of Congress should, in the present context, most properly determine whether such programs are lawful, and if so, "the standards and procedures under which compensation may * * * be provided" for intervenors in agency proceedings. Is not the view of Judge Kaufman persuasive to you, both as a matter of law and policy?

It is our view that Mr. Harmon's opinion letter of March 1, 1978, should be immediately withdrawn, to be superseded by a letter which advises the various agencies that they lack authority to establish an intervenor reimbursement program in the absence of explicit authorizing legislation, and that general language of enabling and other acts does not constitute sufficient authority. Agencies should also be advised that the Comptroller General's opinion is without warrant in law. Finally, and at a minimum, we believe that agencies should be advised that intervenor reimbursement programs are lawful only to the extent that the language of their enabling acts or other nonspecific statutes are materially different from the language of the statutes cited and rejected in the Second Circuit's 1978 Green County opinion.

We believe that one of the lessons of Watergate is that a politicized Department of Justice is intolerable. In addition to our specific concerns regarding Mr. Harmon's opinion letter of March 1, 1978, we are thus troubled by what appears to be the Department's subordination of its paramount responsibility to fairly construe the law and by its clearly political accommodation to the so-called public interest law movement. A quick look at the political persuasions of those advocating public intervenor funding does, we believe, shed strong light on the politics behind the Harmon opinion, and as a result, on the Department itself.

We note that the Harmon letter was addressed to the Department of Transportation, whose National Highway Traffic and Safety Administration ("NHTSA") is pressing most anxiously to initiate an intervenor reimbursement program for the so-called public interest participants in its proceedings. The Director of NHTSA, Joan Claybrook, is of course the former chief lobbyist for Ralph Nader. It takes little experience with Washington reality to know that the immediate effect of the Harmon letter and therefore that its almost certainly intended purpose, is the transfer of what will at first be hundreds of thousands, soon millions of dollars from the federal treasury to the current network of organizations dominated by Nader, and to other similar groups. We believe that the high percentage of alumni of the so-called public interest movement who occupy many of this Administration's senior policy positions make it particularly important for the Department of Justice to be wary of the appearance and reality of conflict of interest and unauthorized payments. This is particularly true because of the high percentage of public interest alumni in high positions at the Department of Justice.

We shudder to think of the public outcry which would greet so questionable a construction of a court case were it to result in substantial money payments to a former business associate of but a single high Administration official. Here, the Harmon letter, which appears to us to fly in the face of controlling precedent and congressional authority, will enormously enrich many such former employers. If the Harmon letter stands, Ms. Claybrook and others, including a number of high Justice Department officials, will have federally endowed jobs and political bases to which to return when their government jobs end. The circumstances surrounding the Harmon letter thus make it, at a minimum, suspect, and at worst shameful.

We believe that it is not too late to gracefully withdraw the Harmon letter. In any event, we respectfully request a response to the questions we have here posed.

Further, we specifically request a listing of the public agencies other than the Federal Trade Commission which have adopted or currently propose the adoption of intervenor reimbursement programs.

Very truly yours,

Paul Laxalt, Jesse Helms, Carl T. Curtis, Dewey F. Bartlett, Strom Thurmond, Orrin G. Hatch, Maryon Allen, William L. Scott, Jake Garn, James A. McClure, Pete V. Domenici, Harrison Schmitt, U.S. Senators.●

CONGRESS AND THE PRESIDENT

● Mr. BAYH. Mr. President, there has been a great deal of talk recently about the relationship between the Congress and the President. Some people have said that we have not been able to get along. Some people have said that we have not been able to accomplish anything together. But, Mr. President, I dispute these claims. Sometimes the Congress and President Carter have had differing views, it is true. But this give-and-take is an integral part of our system of Government, and I feel that a great deal has been accomplished in the almost 2 years of the 95th Congress.

My good friend and fellow Hoosier, Congressman JOHN BRADEMAS, spoke recently to the Government Affairs Committee of the American Newspaper Publishers Association, on this subject. I feel his remarks are very much to the point, and that my colleagues will find them interesting and informative. Mr. President, I ask that the text of Congressman BRADEMAS' speech be printed in the RECORD.

The speech follows:

REMARKS OF HOUSE MAJORITY WHIP JOHN BRADEMAS OF INDIANA

After having missed two previous opportunities to meet with the ANPA, I am delighted to be able to be with you this morning.

As I looked over the roster of the Government Affairs Committee, I noticed that your group is about as geographically representative as is mine, the House of Representatives. I expect it may be as politically one-sided also, though in the opposite direction—a situation I expect will continue among my group.

In inviting me to this breakfast, Jerry Friedheim suggested that I discuss political and legislative issues of general interest. This is an appropriate time for that because we are, as you know, within a few weeks of adjourning the 95th Congress.

We are on the verge of completing an unusual two-year span, one in which the Senate, the House and the executive branch of the government have had new leadership which contributed greatly to the substantial achievements of this Congress and of President Carter.

Before giving you my assessment of those two years, I want to revert to the years when, before I became a politician, I was a political scientist.

THE SEPARATION OF POWERS

In order really to understand what happens in Washington, it is essential to recognize that unlike the British, we have a governmental system characterized by genuine separation of powers.

Again and again, however, I find that Americans lack an understanding of this basic fact.

People know the phrase, "separation of powers," but for some reason the words lack meaning for them. They fail to comprehend that Congress and the executive, even when controlled by members of the same political party, are separate and distinct institutions performing different roles and answering to constituencies whose demands and expectations are also different.

Each President, each Senator and each Member of the House was his own mandate and his own responsibility to the people. This system has no parallel in the world today, a fact that sometimes eludes Congressmen and Presidents—and even the press and political scientists.

It perplexes me to find high school and college students, laborers and lawyers, reporters and editors, and publishers and presidents who are unaware of this arrangement and of what the separation of power means.

In order to get anything of consequence accomplished under this curious system of what Richard Neustadt called "separated institutions sharing powers," the executive and the legislative branches must work together.

Each must recognize that it is part of an over-all political system which represents diverse and often conflicting interests.

For a common result to be attained, there must be accommodation bargaining, compromise, words that unfortunately have, to some, an unwholesome meaning.

In the American government, when the executive and legislative branches are controlled by the same party—as they have been for the past 21 months—the two branches are likely to have common goals. Rarely, however, is there agreement on just how those goals are to be reached.

Successful politicians learn rather quickly that none of us has the sagacity of an editor or the perspicacity of a publisher. That is why we have a form of government that insists that no one person's proposals be accepted until they have been thoroughly aired and deliberately debated. That may be a terribly inefficient way of getting anything done, but it is also the system that enables us to develop support for public policy and to live in freedom.

The American system was not designed for peaceful coexistence between the executive and legislative branches nor have political realities done much to eliminate the potential for tension between them.

Much reporting from Washington deals with the relationship between the President and Congress, usually in terms of conflict. Most of that reporting is exaggerated because it fails to recognize that tension was deliberately built into our political system and that democracy makes no provision for revealed wisdom.

Two other aspects of contemporary political life deserve mention because, in combination with the constitutional separation of powers, they further dilute authority and thus make governing more difficult.

DECLINE OF PARTY LOYALTIES

The first of these is our lack of highly disciplined political parties. The fact of a decentralized party system significantly affects the relationships between Presidents and Members of Congress.

Our two traditional major political parties have made possible durable coalitions of diverse but broad compatible interests. Groups with substantially different goals have found enough common advantage to be mutually supportive under the broad umbrella of party.

The parties have served us as instruments for developing consensus across the spectrum of major issues. This is a crucial role in a nation as large as ours with its great differences of region, religion, race, ethnic origin and economic interests.

We have, however, been witnessing a significant decline in loyalties to even these relatively undisciplined parties. Vietnam and Watergate contributed to a demythification of the Presidency which has weakened the Presidential image in its several dimensions, including that of party leader.

The increased availability of television has intensified the impact of the President, and the presidential candidate, as a person, further diminishing the party role. Similarly, television has enabled Members of Congress and candidates for Congress to bypass the already weakened local party organizations and go directly to the people for support.

When coupled with the sheer complexity of American society, this decline in party loyalty contributes to the difficulty of holding Members of Congress of the same party together on issues. The United States is so large, so populous and so diverse that regional or economic interests, rather than partisan considerations, predominate.

As the party recedes from its primacy, it is more and more being supplanted by special interest groups that tend to concentrate on a single issue to the exclusion of all others.

THE NEW CONGRESS

A third factor that must be reckoned with in the contemporary political system is the new composition—and the new style—of the post-Vietnam, post-Watergate Congress. This development is linked closely with Congressional assertiveness.

The Members of the House and Senate today differ significantly from those who were there when I first came to Congress nearly 20 years ago.

The newer Members—and here I speak more knowledgeably of the House—are young, intelligent, well educated, very hard working, and they are skeptical. Those characteristics are not unlike those of your younger reporters and editors—and you know the probelms they sometimes cause you.

In the House, some 156 Members—more than one-third of the total—have served but one term or less. And 242 Members, well over a majority, have been elected since 1970.

These new Members bring both new vigor and new difficulties. It is not possible for either Presidents or Speakers easily to have their way with them. Neither the White House nor the House leadership can prevail by edict or command. To convince Members today, it is necessary to rely on reason and persuasion.

At the same time there has been a profound change in the legendary committee structure of the House. The chairmanships of some 30 to 40 subcommittees, where the bulk of the legislative work is done, are held by junior Members. Committee chairmen, once all powerful, now must pay heed both to members of their committees and to their colleagues in the House, for ascension to committee chairmanships no longer is assured by seniority.

To be effective today, a committee chairman must operate like a politician, not an autocrat.

These changes in the operation of the House—and I have mentioned only a few of them—have made the House more open, more democratic, more accountable—and I strongly support them, having been among those who worked to make them possible.

But these reforms also have extracted a price: it takes considerably more time and effort to get things done, no trivial consideration at a time when the problems government is asked to address threaten to grow beyond management.

Having lowered your expectations by explaining how difficult it is to do anything, I want now to tell you what we have done.

Perhaps the single most significant accomplishment of this Congress and this Administration—one that is not, I believe, adequately reported in your newspapers or on television—is our record in putting people to work.

More new jobs have been created over a 12-month span—almost four million in the year ending last July 31—than in any similar period since 1940. And we have done it in peacetime.

SIX MILLION NEW JOBS

In the 21 months since President Carter and this Congress came into office, we have worked together to produce nearly 6 million new jobs—virtually all of them in the private sector.

That achievement has meant reduced government spending for welfare and unemployment and increased tax revenue. And it has also meant a stronger consumer market. Each of you, I'm sure, knows that your advertising lineage figures have risen considerably over the past year and that your profit margins are rising.

This didn't just happen. Recall the situation in late 1976: the country was facing a severe recession; unemployment was 7.8 percent; business faced a very unstable economic climate.

You will recall that President Carter and the congressional leadership, myself included, met at Plains even before we had taken office to discuss these problems and to shape an economic agenda for the nation.

The result of our efforts was the economic package—a number of new laws enacted in early 1977—that turned the economy around and pointed us toward recovery. The legislation included tax cuts for business and individuals, a tax credit to business for creating new jobs, local public works, anti-recession assistance to states and localities, and other economic recovery measures.

All of this combined to bring the remarkable improvement in our economic situation during 1977 and 1978, most spectacularly, as I have said, in the number of people put to work.

But there have been other good signs as well.

Just two weeks ago, the Labor Department announced that wholesale prices were down in August for the first time in two years.

Since January 1977, business investment has been at an annual rate of nine percent compared to an annual rate of only one percent over the eight years of the Nixon-Ford Administrations.

I don't say that we have made everything right in the world. We know that business still faces considerable problems in the form of high interest rates, inadequate capital formation and continuing inflation.

Indeed, the problem of inflation affects us all, not only in this country, but throughout the world.

We are perceived by other countries—rightly, I think—as the nation that must lead in the fight against inflation. I know that the people in my congressional district feel that way. They've made it pretty clear to me that they want something done about inflation.

CONGRESS CUTS SPENDING

And Congress is paying heed; as part of our contribution to the fight against inflation, we are cutting government spending. The House last month passed a binding budget resolution for fiscal 1979 that sets the lowest federal deficit in five years. We cut over $10 billion from the President's January budget request of $60 billion. House and Senate conferees are now meeting to resolve differences in their respective versions of the budget resolution, and we expect to have a bill in final form in a few days. It will undoubtedly carry a budget deficit many billions of dollars below the Carter request of January.

We have been able to make these overall reductions because throughout the year, during the consideration of the many spending bills that came before the House, we voted again and again to cut nonessential items and to hold spending in check. Let me give you some examples of these cuts—$8.1 million for an unnecessary executive jet for military brass; across-the-board slashes in specific appropriations bills; denial of the federal comparability pay raises to Members of Congress and senior government officials in 1977 and, in 1978, a 5.5 percent cap on pay raises for federal rank-and-file workers and the military; reductions in foreign aid; a $350 million cut in the New York City Loan Guarantee Act, and most recently, a deletion of $2 billion for a nuclear aircraft carrier the President made clear we did not need.

Cuts like these add up. They enable us to make room in the federal budget for essential economic measures like the new tax cut bill.

CONGRESS CUTS TAXES

Last month the House approved a tax cut bill that will mean a reduction of $16 billion in taxes on business and on individuals as well as some capital gains relief. We did this after first rejecting an inflationary alternative that would have reduced federal revenues by 30 percent over three years and

forced huge deficit spending. The measure we finally sent to the Senate was pared by one-third from the $25 billion measure proposed early this year. We settled on what we believe is a prudent, balanced net reduction—enough to avert recession but not too much to spur inflation.

One of the principal purposes of the bill is to relieve the inflation tax on middle-income taxpayers—the increased tax you pay for being moved by inflation into a higher tax bracket.

Another goal is to provide relief for homeowners. A third is to give businesses an incentive to invest and produce. And finally, we acted to provide capital gains tax relief, one effect of which we hope will be to stimulate capital formation.

The bill is in the Senate, where some changes will occur. While it is as yet too early to tell what the final form of the tax bill will be, its general outline will not change drastically.

One other objective in cutting income taxes in 1978 is to offset, to some extent, the forthcoming increase in employer and employee Social Security taxes legislated earlier. That measure was necessary to preserve the financial soundness of a system that makes payments to 34 million Americans every month. At the same time, we recognize the burden on business and the worker and so Congress authorized the creation of a special panel of private experts to review the entire Social Security System. Some of the questions the commission must address include whether to supplement Social Security financing with general Treasury funds and whether to combine Social Security and public employee retirement systems.

These are just some of the ways in which Congress and the President have been working together to provide a strong, balanced economic program.

As our efforts shift further toward the problem of inflation, we must bear in mind that no quick, overnight fix is likely to solve it. If we are really serious about the fight against inflation, we must attack it on several fronts simultaneously—in both the public and private sector and with a variety of approaches.

TWELVE WAYS TO FIGHT INFLATION

Some of you may have already read a guest column about inflation I wrote for the Los Angeles Times Syndicate. In it I suggested a number of steps which I will run over briefly:

1. Keep lowering the size of the deficit in the federal budget. This means gradually reducing the proportion of the gross national product represented by federal spending from the current 22 percent to 20 percent by 1982.

2. Scrutinize the impact of the costs of government regulations. Estimates are that they add about three-quarters of one percent annually to the rate of inflation.

3. Keep reducing unemployment. Stimulating recession is no way to fight inflation. It would take an additional one million unemployed to lower the inflation rate one percentage point—a bad tradeoff.

4. Press for a national energy policy that sharply reduces our reliance on imported oil, steps up energy conservation and develops alternative sources.

5. Encourage private investment and higher productivity by tax cuts for both individuals and business. The bill the House passed in August would mean $12.2 billion in tax reductions for individuals, including $1.8 billion in capital-gains relief and $4.1 billion for business.

6. Intensify the drive to sell American goods abroad, thus improving our trade balance and strengthening the dollar.

7. Urge restraint on business and labor in price and wage policies. We should take a careful look at tax-incentive plans—tax credits to workers for holding down wage demands and to companies for holding down price increases, plus penalties for stiff boosts by either business or labor.

8. Consider the use of voluntary guidelines for wages and prices, geared to productivity, for companies and unions of significant size. Fact-finding, mediation and presidential jawboning would be the instruments of compliance.

9. Reduce interest rates as inflation subsidies. The rising cost of money is part of the rising cost of living.

10. Encourage competition in the private sector. Airline deregulation is a dramatic example of how a little free enterprise goes a long way in helping both consumers and business.

11. Focus with special efforts on those sectors of the economy that have special inflation problems, such as health care, food and housing.

12. Provide job training and employment opportunities to chronic welfare recipients who are able to work, thereby reducing unwarranted public expenditures.

No single one of these remedies will eliminate the curse of inflation. All will mean sacrifice by some sector of our society. But, taken together, they can improve the well-being of all Americans.

I'd like to turn now to another matter that is commanding the attention of the Senate this week and next. That is, of course, energy—and specifically the natural gas deregulation bill. This is a key part of President Carter's energy package. If the bill, which is in its final or conference report form, clears the Senate, we will take it up in the House, where chances for its passage are good.

It has been a long and arduous process since President Carter unveiled his energy plan more than a year ago.

In light of the experience of the past year, our performance in the House—where, with the strong guiding hand of Speaker O'Neill, we passed the President's program in just four months—is all the more remarkable.

CONGRESS AND PRESIDENT CARTER COOPERATE

Where it counts, Congress and President Carter have never lost the firm working relationship established at Plains almost two years ago. Certainly, we have our differences. That is the American way—and especially the Democratic way, since our party serves as the umbrella for so many different shades of politcal belief.

But we support the President. We in the congressional leadership have regular, biweekly White House breakfasts with the President to talk over legislation and other matters. We communicate. And we still work together.

A prime example, of this cooperation took place over the last two weeks while the President was at Camp David. In one day we won three major victories in the House—for the President, for Congress, for the country.

We voted decisively to sustain his veto of the defense authorization bill which contained over $2 billion for the nuclear carrier; the opposition was not even able to muster a majority to override, to say nothing of two-thirds.

Second, we beat off an attempt to prohibit the President from imposing oil import fees if they were needed as a last-resort conservation measure.

Third, the House approved a Foreign Intelligence Surveillance Bill which was strongly supported by the Administration.

And late last week we passed the monumental Civil Service Reform Bill which so many reporters and columnists had given up for dead.

Another conspicuous indicator of the good relations between Congress and the President—conspicuous by its absence—is the veto situation. President Ford vetoed 49 bills during his first 21 months in office. Today it is exactly 21 months since President Carter took office. In that time, he has vetoed only five bills.

I have not even touched upon the great success the President has had in the field of foreign policy, both legislatively and diplomatically. From the legislative standpoint, he won the Senate's support for ratifying the Panama Canal treaty and Congress agreed to support him in the sales of planes to Egypt and Saudi Arabia and in lifting the Turkish arms embargo.

The most dramatic and far-reaching foreign policy success is, of course, the agreement between Prime Minister Begin and President Sadat which the President was able to produce at Camp David.

Still to come are a second SALT agreement with the Soviets and what I believe will be the further improvement of our relations with both the Soviet Union and the People's Republic of China.

Having spoken too long about too many issues, I shall end by reiterating what I observed at the outset of my remarks—that the uniquely American constitutional system of government requires a certain amount of tension to exist between the legislative and executive branches. It is when that tension does not exist that there is cause to worry.

The existing relationship between Jimmy Carter and Congress is, therefore, I think, a healthy one. It is built on mutual respect and understanding. The results so far—and I have touched on only some of them—demonstrate that these two branches of our national government are working together, effectively, for the benefit of the American people.●

EQUAL RIGHTS AMENDMENT

● Mr. GARN. Mr. President, I am prepared to vote for House Joint Resolution 638, the resolution purporting to extend the time for ratification of the Equal Rights Amendment (ERA), if it is amended so that the concepts of fair play and constitutional integrity are integrated into the resolution. If the resolution is amended, I still think it will be of dubious constitutionality, but I am prepared to vote for it thereby giving the benefit of my doubts to those who wish to see an extension. If the resolution is not amended, then I will be unable to support it, because it will represent bad law—if it be "law" at all—and very bad policy.

At a minimum, House Joint Resolution 638 should be amended so as to require a two-thirds vote on final passage and to set out the policy of the 95th Congress with respect to State legislatures that change their minds regarding acceptance and rejection of the proposed amendment. These are the only two amendments with which I am primarily concerned and, as I have said, I think the success of these two amendments will cure some of the defects in the measure as passed by the House.

Many of us are aware of the recent action of the American Bar Association in refusing to agree to a resolution calling upon Congress to extend the ratification period. I was pleased to hear of the ABA's action, and particularly so because of the organized attempt to get the ABA to adopt the resolution. The delegates who voted against the resolution were not organized, they had only one unifying principle: Their opposition to a position that smacked of unfairness and crass expediency.

The organized bar's opposition to extension was also gratifying for another reason, viz., it was consistent with the report of the Special Constitutional Convention Study Committee which was established by the American Bar Association in response to resolutions passed by the board of governors and house of delegates in 1971. The Special Committee's report, "Amendment of the Constitution by the Convention Method Under Article V," (copyright 1974 by ABA) contains a section on ratification which expressly recommends that article V principles "more cogently argue in support of a rule permitting a State to change its position either way until three-fourths of the States have finally ratified."

The entire section of the ABA study will be of interest to our colleagues and I ask that it be printed in the RECORD.

History and reason also indicate to me that this resolution, if it is to have any legal effect at all, must be passed by a two-thirds vote of the Senate. Congressman HAROLD L. VOLKMER of Missouri has made an excellent case for this position, and so that his views will be widely available I ask that his supplemental views and appendix (from H. Rept. 95-1405) be printed in the RECORD. Also very useful is an appendix from Congressman WIGGINS' views and I ask that it be printed in the RECORD following the Volkmer material.

The material follows:

RATIFICATION

As part of our study, the Committee has considered the advisability of including in any statute implementing the convention method a rule as to whether a state should be able to rescind its ratification of a proposed amendment or withdraw a rejection vote. In view of the confusion and uncertainty which exists with respect to these matters, we believe that a uniform rule would be highly desirable.

The difficult legal and policy question is whether a state can withdraw a ratification of a proposed amendment. There is a view that Article V envisions only affirmative acts and that once the act of ratification has taken place in a state, that state has exhausted its power with respect to the amendment in question.[80] In support, it is pointed out that where the convention method of ratification is chosen, the state constitutional convention would not have the ability to withdraw its ratification after it had disbanded. Consequently, it is suggested that a state legislature does not have the power to withdraw a ratification vote. This suggestion has found support in a few state court decisions[81] and in the action of Congress declaring the ratification of the Fourteenth Amendment valid despite ratification rejections in two of the states making up the three-fourths.

On the other hand, Article V gives Congress the power to select the method of ratification and the Supreme Court has made clear that this power carries with it the power to adopt reasonable regulations with respect to the ratification process. We do not regard past precedent as controlling but rather feel that the principle of seeking an agreement of public support espoused in *Dillon* v. *Gloss* and the importance and comparatively permanent nature of an amendment more cogently argue in support of a rule permitting a state to change its position either way until three-fourths of the states have finally ratified: *[82]

SUPPLEMENTAL VIEWS OF HON. HAROLD L. VOLKMER

The proponents of House Joint Resolution 638 are applying two new concepts to the constitutional amendment process: (1) The power of Congress to extend a time limit for State ratification on a proposed constitutional amendment; and (2) the use of a new legislative vehicle, a House joint resolution passed by a majority vote without Presdential signature, to accomplish the extension. I agree with the first concept but reject the second as in violation of the constitutional process and having no binding effect.

Serious constitutional questions are raised by these concepts. If a time limitation set by the 92d Congress can be extended, by what process is a binding extension to be accomplished? My research of the testimony and statements of the constitutional experts, the Supreme Court cases, the discussions of the constitutional debates, the Constitution, the statutes, and the precedents, has led me to the conclusion that proper constitutional procedures requires the use of a joint resolution passed by two-thirds of both the House and the Senate. (See: article V, article I, section 7, and article VI, clause 2 of the Constitution; *Hollingsworth* v. *Virginia*, 3 Dall. 378 (1798) and *Hawke* v. *Smith*, No. 1,253 U.S. 221, 229).

I am supported in this conclusion by the following constitutional authorities: Prof. Charles L. Black, Prof. Thomas I. Emerson, Prof. William Van Alstyne, and Mr. Erwin Griswold. (See appendix following the supplemental views for statements by these authorities.)

Those that support the proposition that a majority vote of the House and the Senate is all that is required to extend the time for ratification of a proposed Constitutional amendment base their position on three premises: (1) The limitation is merely a detail of ratification and that under *Dillon* v. *Gloss*, 256 U.S. 368, Congress has the right by majority to determine details; (2) Congress initially decides a limitation or no limitation for ratification during the amendatory process by majority vote; and (3) if there is any question as to whether the required number of States have ratified, a majority of Congress could decide this question by majority vote.

I agree that a majority vote is all that is required in the last two instances. However, a distinction must be made between determining the number of years and determining final passage of the resolution. This distinction must be maintained on a resoluton extending the period of ratification when that period will go beyond the life of the Congress enacting the resolution, and is to be delivered to the GSA for the Administrator to follow. Under the 5-minute rule, when House Joint Resolution 638 is considered, amendments may be offered on the time limit therein and be determined by a majority vote. However, that is a process separate and distinct from final passage.

If the time limit is just a detail in the submission of a constitutional amendment, so is the mode of ratification. The preamble of the original equal rights amendment provided for ratification by State legislatures. Article V provides for ratification by the State legislatures or State conventions. Proponents of a majority vote have to logically argue that the mode of ratification could also be changed, in midseason, by a majority vote to require ratification by State conventions.

I believe that any such change would require a two-thirds vote for final passage. Both the time limit and the mode of ratification, although in the preamble of the proposed constitutional amendment, are integral parts thereof and by reference incorporate the amendments as part of the total resolution (H.J. Res. 208, 92d Cong.). For any Congress to change it, a two-thirds vote is mandated. (See article V of the Constitution.)

The proponents of majortiy vote are also caught on the horns of a dilemma. There is no precedent for a joint resolution, which is to have legal effect beyond the period of the Congress enacting it, to be passed by a majority vote and not be submitted to the President for approval or disapproval. Yet, proponents insist that House Joint Resolution 638 will not be and need not be submitted to the President for approval, and that it will be binding on later Congresses and the Administrator of GSA. The Constitution (article I, sec. 7), the statutes (title I, secs. 106 and 106A), and the precedents (Jefferson's Manual, sec. 397), all require a joint resolution passed by a majority vote to be submitted to the President.

The framers of our Constitution, the Supreme Court (*Hollingsworth* v. *Virginia*, 3 Dall. 378 (1798), and a careful reading of article V, clearly demonstrate that the President has no power of participation in the submission of a proposed amendment to the Constitution. Only: (1) The Congress and State legislatures or State conventions, or (2) State legislatures and National Constitutional Conventions can effect changes in our Constitution. Justice Chase, in *Hollingsworth* v. *Virginia*, in reply to the contention that the 11th amendment was not valid because it had not been submitted by Congress to the President for approval, stated:

"There can surely be no necessity to answer that argument. The negative of the President applies only to the ordinary cases of legislation: He has nothing to do with the *proposition* or adoption, of amendments to the Constitution."

The proponents of House Joint Resolution 638 recognize that the President has no part in the process, so they say his signature is not necessary. However, our statutes and Constitution say a joint resolution is a bill to be signed by the President under article I, section 7, unless it is passed by a two-thirds vote under article V as part of the constitutional amendment process. This is the only time a joint resolution is not submitted to the President. In addition, what would happen if the President vetoed the joint resolution? Two-thirds is required to override a veto. If two-thirds of both Houses could not be obtained, then the President would be determining the constitutional amendment process. This, he has no power to do under our Constitution.

Proponents of House Joint Resolution 638 are attempting to bind subsequent Congresses and the Administrator of General Services Administration. Although designated a "joint resolution", if passed by a majority vote without the signature of the President, it can only have the effect on a

[80] Jameson, supra note 17, at §§ 582-584; Dodd, "Amending the Federal Constitution," 30 Yale L.J. 321, 346 (1921).

[81] *Wise v. Chandler*, 270 Ky. 1, 108 S.W.2d 1024 (1937) (also holding that state legislative *rejection* of a proposed constitutional amendment cannot be reconsidered); *Coleman v. Miller*, 146 Kan. 390, 71 P.2d 518 (1937) (dicta). The issue was discussed, though not passed on by the Court, in Chief Justice Hughes' opinion in *Coleman v. Miller*, 307 U.S. 433, 447-50 (1938).

[82] This rule would taken precedence over the action of Congress in refusing to permit New Jersey and Ohio to rescind their ratifications of the fourteenth amendment. The right to ratify after a previous rejection would confirm precedent established in connection with the ratifications of the Thirteenth and Fourteenth Amendments. *See generally Myers, The Process of Constitutional Amendment*, S. Doc. No. 314, 76th Cong., 3rd Sess. (1940).

*These views of the Committee are in accord with the rule which is expressed in S. 1272 and its predecessor, S. 215, which was unanimously passed by the Senate in October 1971. See page 4, *supra*.

"concurrent resolution". Its effect would be only to express the sense of this Congress (95th) that the States have extended time to ratify. The resolution would appear on its face to have a binding legal effect, yet it could not and clearly would not be binding on any subsequent Congress.

I cannot bring myself to vote for legislation which purports to perform a certain purpose, but clearly does not. I cannot vote to tell State legislatures they have additional time to ratify when that is not binding on a later Congress. The later Congress would not have to recognize the extended time and would not have to recognize the ratification.

Proponents' argument that a majority of Congress determines if three-fourths of the States had ratified a proposed constitutional amendment, based upon *Coleman* v. *Miller*, 307 U.S. 433, is not totally correct. Congress has delegated, to the Administrator of the General Services Administration, the responsibility to make this decision. (See title I, sec. 106B). Without a positive action by the Administrator, such as occurred on the 14th amendment, Congess does not act. Is it necessary for the Administrator of GSA or the Congress to act when the 38th State has ratified? It is my opinion, from a careful reading of *Dillon* v. *Gloss*, 256 U.S. 368, at 376 and *ex parte Dillon* 262 F. 563, at 565, that when three-fourths of the States have ratified a proposed amendment, it becomes part of or Constitution without action by the Administrator of GSA or by Congress.

Could Congress today pass a concurrent resolution by a majority vote stating that Congress finds 38 (three-fourths) of the States had ratified the equal rights amendment? The answer is "Yes." Congress could pass such a resolution. Would such a resolution have any effect? The answer is obviously "No," since the records of GSA show only 35 States have ratified. Would you vote for such a resolution? I hope not.

For these reasons I cannot support a resolution extending the time limit unless it requires a two-thirds majority vote of the House and the Senate for final passage. I have introduced House Joint Resolution 1063 for that purpose. I support extension but believe it can only be done by a two-thirds vote on final passage.

I have approached the problem of extension from an objective viewpoint and urge my fellow Members to do likewise. We are not just dealing with the extension of time for ratification of the equal rights amendment. We are also setting a precedent in the amendatory process of our Constitution. We should respect precedents of our forefathers and not discard them summarily for the necessity of extending the time period for the States to ratify the equal rights amendment.

HAROLD L. VOLKMER.

APPENDIX

Erwin Griswold, former Solicitor General of the United States, and former Dean of the Harvard Law School:

"* * * this seems to me to be essentially a part of the process of amending the Constitution, as to which the Constitution is explicit that two-thirds majorities are required in both Houses of Congress."

Charles L. Black, Jr., Sterling Professor of Law, Yale Law School, hearings before the Subcommittee on Civil and Constitutional Rights of the Committee on the Judiciary, November 4, 1977:

"If the original resolution combined the proposal of the amendment and the setting of the time limit as an integral, locked-in part of that proposal, grammatically and as a matter of necessity of voting, the integral package being passed by a two-thirds vote—and that was true of the equal rights amendment—then it seems to me plainly right that a two-thirds vote of each House of Congress should be required for an extension.

"It may easily happen in any given case that a vote for the original resolution is cast partly on the ground that, in the view of the caster of the vote, the time is suitably limited. If that is not possible, then it must be because the limitation is simply nugatory or idle, it means nothing to anybody.

"It is impermissible to assume that this question of time means nothing to anybody. If that were so, why put it in? It cannot, therefore, be assumed that the original would surely have passed by the requisite two-thirds majority if the time had been longer."

Prof. Thomas I. Emerson, Lines Professor of Law Emeritus, Yale Law School, same hearings, same day:

"I think the general principle should be that you either have a two-thirds vote (on House Joint Resolution 638) or a Presidential signature; and that is a sound general principle."

Prof. William Van Alstvne, College of William and Mary, Marshall Wythe School of Law, Williamsburg, Va.; same hearings, same day:

"It is in this light that I believe that while extension of the period for ratification may well be desirable (because Congress may well conclude that the circumstances which justified the proposal of the equal rights amendment have not so changed that further consideration of the amendment is no longer timely), the joint resolution which would extend the time for an additional seven years should be deemed by Congress to require two-thirds majorities of both Houses rather than simple majorities. My reasons for this view are these:

"First, we are mutually aware that when the proposed equal rights amendment commanded the two-thirds majorities required by the Constitution, it did so in the form of a joint resolution which provided that the amendment would become valid 'when ratified by the legislatures of three-fourths of the several States within 7 years from the date of its submission by the Congress.' I do not think it fair or plausible to suppose that the provision for this original expiration date was without purpose or effect. None of us can know with any degree of reasonable certainty to what extent the provision for that expiration date may have rendered the amendment more acceptable to some Members of Congress than it would otherwise have been. That all but one amendment proposed during the last half century have been proposed only when accompanied by this same expiration date, and that at least some Members of Congress might not have approved the submission of an amendment with no expiration date at all, however, seem to me to be matters which this Congress ought now conscientiously to take into account.

"Insofar as article V itself requires two-thirds majorities as a condition of proposing an amendment to the Constitution, and insofar as we cannot know whether this proposed amendment would have commanded those majorities without provision of the original expiration date, it seems to me that this Congress ought not now resolve that further consideration of the amendment is still timely except by a similar consensus, i.e., by two-thirds majorities."

APPENDIX

EXCERPTS FROM DEBATE IN THE COMMITTEE ON JUDICIARY, JULY 18, 1978*

[The question of the purpose and effect of H.J. Res. 638 first arose during the discussion of an amendment expressly authorizing rescissions offered by Mr. Railsback. He and others were originally under the impression that the rescission amendment would not bind future Congresses. Since there appeared, however, no logical basis on which to distinguish the effect of the rescission amendment from the effect of the text itself, the question inevitably arose whether H.J. Res. 638 would have any binding effect.]

Mr. SANTINI. As I understand the debate as it has progressed on the issue of rescission, it seems to me that it is generally acknowledged and conceded that the amendment, if adopted, at best would represent an expression of intent and advice to future Congresses, or some of the quotes that are taken from a cross section of the membership that have examined this issue.

What comes screaming home to me in the context of those kinds of deductions about the capacity of this body to effect a rescission is that you can lay the very same indictment at the feet of the efforts to affirmatively extend the time limit and suggest that it is nothing more than an expression of intent and advice to a future Congress, and if it be that, *whatever anomalous sort of legislative creature are we concocting here under the guise of House Joint Resolution 638.*

I had understood, and obviously I was misguided, misdirected or misinformed. I had understood that this would have some sort of legally binding or perpetuating effect. I would ask the very distinguished subcommittee chairman to respond to these preliminary observations. What is the legal effect of House Joint Resolution 638?

Mr. EDWARDS. Well, we asked that question of experts during the hearings, and as I recall, the Department of Justice—are you talking about reducing the time?

Mr. SANTINI. Or extending it.

Mr. EDWARDS. The testimony of the Department of Justice was that it very clearly has the constitutional power by statute to extend the time in Congress.[1] However, when Mr. Harmon[2] was asked the question, could a future Congress reduce the time, it was his opinion no. He said the effect would be a withdrawal of the amendment from consideration by the States and that it would be unconstitutional.

However, I will say that there was some dispute on that. Professor Tribe[3] said the next Congress can change it up and down. So I think it points out, and I am glad the gentleman from Nevada has spoken on this, it really points out the fallacy of this advisory opinion that the gentleman from Illinois, Mr. Railsback, wants us to enact into statute.

Mr. EDWARDS. Two of the most recent constitutional amendments were submitted to the President. President Johnson signed the 22d and 25th. They were very happy occasions in the Rose Garden and it would be very nice to have the President sign this one, too.

Mr. SANTINI. *It seems to me, then, that in order to give this document that we have designated a resolution legal efficacy of some binding consequence beyond this Congress, that you must pursue some course of action*

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*Emphasis supplied throughout this excerpt indicated by italics.

[1] To the contrary the Department of Justice memorandum on this subject states the following: "With regard to the question of form, it is our view that H.J. Res. 638 need not be presented to the President for his approval. It has long been established that the President has no role to play in the amendment process. *Hollingsworth* v. *Virginia*, 3 Dall. 378 (1798). . . . We recognize that this may be the only instance in which Congress is empowered to take action (apart from purely internal 'housekeeping' matters) without either the constraint of a two-thirds vote requirement or the safeguard of a Presidential veto."

[2] Assistant Attorney General, Office of Legal Counsel, Department of Justice.

[3] Professor of Law, Harvard Law School.

such as the one you suggest, otherwise this becomes a concedingly grandiose but nonetheless advisory directive to succeeding legislative bodies.

Mr. VOLKMER. Would you yield?

Mr. SANTINI. Yes.

Mr. VOLKMER. *The gentleman from California just mentioned the word "statute" and this bothers me. As I understand it, then, and I ask the gentleman of California, is this going to be submitted to the President for signature?*

Mr. EDWARDS. *Well, that is an entirely different subject.*

Mr. VOLKMER. *In order for it to be a statute, it would have to be submitted to the President.*

Mr. RAILSBACK. Would you yield?

Mr. SANTINI. Yes.

Mr. RAILSBACK. I thank you for yielding and I want to try to cite now an even more ardent proponent of ERA who is Professor Emerson.[4] He was asked, "Assume that the 95th Congress extended the period for 7 years and then let us assume that in the elections of November 1978 all of the floor leaders of such a movement and some of those who voted for it were defeated. Could the 96th Congress in January 1979 rescind the extension?"

"Professor EMERSON. Insofar as they are dealing with what is a reasonable time and if they change their views as to what was a reasonable time, they could rescind. If they were attempting to withdraw the amendment from consideration by States, they could in my judgment not do that."

I don't think anybody would disagree that we cannot bind a future Congress that may want to do something different.

The CHAIRMAN. The time of the gentleman from Nevada has expired.

The gentleman from Pennsylvania, Mr. Ertel.

Mr. ERTEL. Thank you, Mr. Chairman.

I have to admit that this argument has left me totally confused. I have been sitting here trying to read the *Dillon* case[5] and the *Coleman* case.[6] Somehow we seem to have confused a couple of concepts unless I am confused But it seems to me the amendment that was submitted to the States for ratification is different than what we are talking about now. We are talking about a detail of the ratification and therefore that can be done by resolution which is a statute which can be submitted to the President.

I quote to you from *Dillon* v. *Gloss*, the Supreme Court decision where the Supreme Court says: "Whether a definite period for ratification shall be fixed so that all may know what it is and speculation of what is a reasonable time can be avoided is a matter of detail which Congress may determine as an incident of its power to designate the mode of ratification."

Mr. Railsback has indicated to me that rescission is not valid. But I am wondering if that is not one of the details of the mode of ratification, and in fact he could not offer an amendment here designating how you go about ratifying and the rescission in fact could be valid to rescind a prior ratification.

In fact, in another case it so indicates, and if I can find the exact words, I refer to the *Coleman* v. *Miller* when it was talking about ratification and rescission. In its opinion the precise question is now raised as whether when the legislature of the State as we have found has actually ratified the proposed amendment, the court should restrain the State officers from certifying the ratification to the Secretary of State because of an earlier rejection and thus prevent the question from coming before the political departments.

Skipping two lines, "Nor has the Congress enacted a statute relating to rejection."

It seems to me that implies we can enact a statute relating to rejection and we could put it in this resolution and have it signed by the President and we would have set up a procedure to ratify and the way it would be ratified for future times. It would be done as a matter of detail which is allowed us under the Constitution.

So I question whether Mr. Railsback, when he says that we cannot set this out, really if that is a valid statement. Could we not set out the ratification process?

Then comes the question, can we modify a statute? It is obvious that we have always modified a statute in this Congress by further legislative enactments. But it seems to me we are getting a little bit confused.

I would be willing, since we are looking for contemporaneous ratification, to have a provision in here for rescission and then we would have a contemporaneous ratification and require all the States to have it.

One further point: It seems that according to the procedures as I read them, the court can then concurrently or we can come back to the legislature and they must pass a concurrent resolution that it has been ratified. That has been done in one of the cases. We make the decision whether it has been ratified. That was done in the *Coleman* case. We determine whether there is a ratification. Then it is certified.

So it seems to me we have the option of doing anything we desire in this matter.

Mr. RAILSBACK. I wanted to say if you are right, that personally makes me feel even better. In other words, I was perhaps accepting some wisdom that appeared in the testimony, but if you are right that we could bind in the absence of any kind of a formal statutory repudiation or anything like that, in other words, I like that even better.

Mr. SANTINI. If you will yield further, if extending from the point that you have left the examination of these two cases, *it then seems to me, Mr. Subcommittee Chairman, that unless House Joint Resolution has the signature of the President to give it the force and effect of statutory law, that it is then nothing more than an expression of intent and not law.*

Mr. ERTEL. If I may reclaim my time, *I agree with you.* We are trying to pass at this point a resolution, we are not passing an amendment to the Constitution. *A resolution becomes a statute upon signature by the President.*

* * * * *

The CHAIRMAN. The gentleman from Virginia, Mr. Butler?

Mr. BUTLER. I move to strike the last word.

The CHAIRMAN. The gentleman is recognized for 5 minutes.

Mr. BUTLER. I want to clarify what our subcommittee was told with reference to the question of whether a President's signature would be required on the resolution.

Only one witness felt the extension proposal must be submitted to the President for signature. That was Mr. Black. Other witnesses seemed to agree with the statement of the Justice Department that the duty, power and accompanying obligation to oppose the amendment was reserved solely to Congress under Article V of the Constitution.

So far as I can determine, there was no intention expressed during our deliberations in our markup to submit this to the President for signature. If we have a different view of that presently, I would like for the record to show that.

Mr. SEIBERLING. If you will yield, I would like to say, as I read *Coleman* v. *Miller*, it stands for the proposition that the question of the reasonableness of the time is a political question to be determined by the Congress. That is what this bill does.

Now I see no objection to submitting it to the President if he wants to sign it, but *I do not read the Supreme Court decisions nor do I read the Constitution as requiring that he do.*

Mr. BUTLER. I thank the gentleman.

Of course, I am not speculating about the requirement and the necessity for it, I am just telling you. And you were a member of the subcommittee, although you did not attend the hearings.

Mr. SEIBERLING. If the gentleman would yield, I did attend the hearings.

Mr. VOLKMER. Will the gentleman yield?

Mr. BUTLER. I yield.

Mr. VOLKMER. I, too, have the concern because I can remember during the debates and in private discussions this was what concerned me. *It was my understanding that this joint resolution would not be submitted to the President.* I submitted to each of you a proposal on why I thought two-thirds was necessary because I feel if we are proceeding under Article V, that a two-thirds vote on final passage is necessary and a majority is required to determine the details in the meantime.

But if we are proceeding under Article I and VI, in other words, laws, then it could be done, but it has to be submitted to the President.

It is my opinion that if we did not do either, you did not do the two-thirds or you did not submit it to the President, the joint resolution was no more actually than the expression of the sense of Congress, that it was no more than a concurrent resolution.

I have now heard for the first time today that this may be submitted to the President. I know there are reservations and some say we don't think it is required. That may be, but *I, too, would like to know definitely* that answer because it makes a difference to me about the effectiveness of it, in my opinion.

Mr. BUTLER. *There is no intention to submit it to the President for signature, and if there is a contrary intention, I am sure somebody will state it.*

Mr. VOLKMER. Will the gentleman from California state on that?

Mr. ERTEL. If you will yield, the *Coleman* case talks about ratification and contemporaneous ratification after the fact of the passage when the legislature makes up its mind whether there is contemporaneous passage.

Are we not here dealing with a statute setting out a procedural way of passing this and therefore we are talking ahead of time and that is what we are doing?

Mr. VOLKMER. You are beginning the question.

Mr. ERTEL. If I may complete, *if we are talking about the proposal and the detail of how this will be ratified and the procedure, then it is statutory and needs the signature of the President.* But if we are only talking about after the fact and it is coming back to the Congress and being submitted, we can make a political judgment as to whether or not it was contemporaneously ratified. *It seems to me we need the signature of the President now because this was before the fact and we are setting out a statute.* We are not making the political judgment at the end of the process.

The CHAIRMAN. The time of the gentleman from Virginia has expired.

The gentleman from Michigan, Mr. Sawyer.

Mr. SAWYER. *I am disturbed about this waffling on the question of submittal to the President.* In this particular case it probably will be just routine because the President has made it perfectly clear, but if we are creating a precedent to follow, it may be some time in the future we will have a President who is against it and what happens to it if he vetoes it?

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[4] Lines Professor of Law Emeritus, Yale Law School.

[5] *Dillon* v. *Gloss*, 256 U.S. 368 (1921).

[6] *Coleman* v. *Miller*, 307 U.S. 433 (1939).

I think we should give some mechanical thought to this problem. I think we ought not myopically look at this particular amendment knowing that the President will as a matter of ceremony sign it.

I think we have to look ahead that if we are establishing a precedent on how we are to do this, there may come a day when the President and a White House will be prepared to veto such a situation and why should we put future Congresses into that kind of a box where *really the President, as I see it, doesn't have any place in constitutional amendments.*

Mr. WIGGINS. If you will yield, I think we should pay careful attention to the fact of these cases and understand what the *Coleman* stands for and what *Dillon* against *Gloss* stands for.

Now there is a lot of discussion in *Coleman* about contemporaneous consensus, but the fact remain that it was considering the action of the Kansas Legislature with respect to a child labor amendment which never became part of the Constitution. There was no occasion to determine whether or not a consensus had been received with respect to the child labor amendment.

The whole controversy there was whether or not the lieutenant governor was a member of the legislature to break the tie. That was the political question which the court properly stayed out of, and said the Congress, if the time should ever arise, could determine whether the lieutenant governor is part of the legislature.

That fact is quite relevant to the situation in Kentucky with reference to the current amendment. That is the political question, however. It is not that everything is submitted to Congress related to these amendments on the authority of Coleman. It doesn't stand on that proposition.

The CHAIRMAN. The gentleman from Ohio, Mr. Kindness, is recognized.

Mr. KINDNESS. Thank you, Mr. Chairman.

I have an amendment in the nature of a substitute.

The CHAIRMAN. The clerk will read the amendment.

The CLERK. On page 1, strike the lines 3–10 and insert the following in lieu thereof: * * *

Mr. EDWARDS. I believe this was the same substitute referred to earlier. I make a point of order against the amendment.

* * * * *

The CHAIRMAN. The gentleman from California.

Mr. EDWARDS. My point of order is based on the fact that I believe the amendment is not germane. House Joint Resolution 638 deals with the conditions of ratification by the States of the amendment proposed by House Joint Resolution 208 back in 1972. It deals with the times and conditions for considering that proposal.

The amendment from the gentleman from Ohio clearly does not relate to that proposal at all but offers instead an entirely different constitutional amendment to send to the States. I suggest that it is not germane.

The CHAIRMAN. Does the gentleman wish to be heard?

Mr. KINDNESS. Yes, Mr. Chairman.

As has been brought out very clearly in the last few minutes of debate and discussion before the committee, *it is very difficult for the Chair to determine the question of germaneness because we are not sure what we have before us.*

What we have before us purports to be a House Joint Resolution that is not going to be signed by the President, not going to be submitted to the President for signature, not going to be legislation. It is going to be subject to interpretation by the courts, but very likely to be only advisory in nature.

What I would submit to the Chair in considering the point of order that has been raised is that we don't know what we have before us and we might as well do something constructive. We could settle the question of whether the President signs this or not by considering and hopefully adopting this amendment in the nature of a substitute.

* * * * *

The CHAIRMAN. [The Chair ruled that the amendment was not germane and that the point of order was sustained.]

The gentleman from Missouri, Mr. Volkmer.

Mr. VOLKMER. I would like to strike the last word.

The CHAIRMAN. The gentleman is recognized for 5 minutes.

Mr. VOLKMER. As I have previously stated, one of my major concerns with Resolution 638 was that it does provide an action, proposal, under article V that it would need two-thirds, but if it is proceeding under article I and then article VI which says that the Constitution and the laws of the treaties are the supreme law, then, as I have stated earlier in my statement to each member of this committee, that would have to go to the President for signature.

I have found no precedent as to the effect of a joint resolution without signature by the President passed by a majority vote. This is of great concern to me. For the first time here—and by the way, I would say in all fairness that Mr. Harmon and other authorities did state in their opinion it would not require the signature of the President. I disagree with that.

They also said, Mr. Harmon also said, by the way, anything we do would not be binding on later Congresses. That disturbs me. *I have now heard today that this resolution may very well go to the President.*

I would like to ask the gentleman from California, Mr. Edwards, if he has any statement in that regard because that holds a considerable weight with me as to whether or not we are using a proper procedure, and if so, that determines my vote.

Mr. EDWARDS. If the gentleman will yield, the Parliamentarian of the House advised us that as a routine matter we may expect the Clerks of the Congress to send House Joint Resolution 638 to the President. *His signature, I believe, is not required, but I for one would welcome it for its symbolic demonstration of this administration's support for the ERA.*

Lest we be concerned that we are engaged in a superfluous act, let me remind you that certifications of ratification have been sent to the President and I am aware of at least two instances involving President Lyndon Johnson where the certification was signed by the President. Clearly that act, though not required, had not affected the validity of those amendments nor the authority of Congress.

Mr. VOLKMER. But you would not use your enthusiasm in any way to attempt to prevent it. *If the joint resolution was passed by the House and Senate, you would not use your influence to attempt to prevent it from going to the President for signature?*

Mr. EDWARDS. No; that is right.

Mr. VOLKMER. Therefore, thank you very much.

Mr. FISH. Mr. Sawyer of Michigan touched on this.

I would just like to establish and hope it will not be controverted because it is in support of what the gentleman from California, the chairman of the subcommittee, just did.

We do have this basic case of *Hollingsworth v. Virginia* decided in 1798. Now that case establishes the President has no role in either proposing or ratifying amendments, but that is all it says. It describes the lack of a role by the President. It neither forbids nor proscribes any role by the President if that is the wish of this committee to do in this particular instance.

But neither would it, I think, diminish either the scope of the power of Congress.

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The CHAIRMAN. There being no further amendments, the question occurs on the motion to recommend to the full House the bill House Resolution 638, as amended.

Mr. BUTLER. Mr. Chairman.

The CHAIRMAN. The gentleman from Virginia.

Mr. BUTLER. I have a motion to recommit at the desk.

The CHAIRMAN. The motion is in order. The clerk will read the motion to recommit.

The CLERK [reading]:

Mr. Chairman, I move to recommit the bill, House Joint Resolution 638, to the Subcommittee on Civil and Constitutional Rights with instructions to report back the same to the full Judiciary Committee no later than August 15, 1978, after consideration of the question whether any extension of the time to ratify a pending constitutional amendment must be passed by two-thirds of each house of Congress, or whether it may be passed by a simple majority and, if so, whether the extension measure must be presented to the President for signature.

The CHAIRMAN. The gentleman is recognized for five minutes.

Mr. BUTLER. Thank you, Mr. Chairman. I won't take the five minutes.

This is a motion to recommit which is self-explanatory. During the course of our discussion today it has become perfectly apparent both from the comments of the gentleman from Missouri and others there are hanging loose two questions which we ought to resolve and which the House is looking to us for guidance. One of them is whether this extension must be passed by two-thirds of each house of Congress or whether it must be passed by a simple majority. Of course if it must only be passed by a simple majority, and I question that, then we have a question of whether this extension must then be presented to the President for signature or not.

It is perfectly apparent on the basis of the discussion here that the previous assumption we have had that it would not be presented to the President for signature has evidently been rejected somewhere else than in the subcommittee, but I think our subcommittee owes it to the full committee, if we are going to report out this resolution, to resolve these two questions before it goes to the floor of the House.

That is the basis for the motion to recommit.

The CHAIRMAN. The gentleman from California, Mr. Edwards.

Mr. EDWARDS. Mr. Chairman, the subcommittee looked into this in great depth and the witnesses testified in great depth on this particular subject. We have also discussed it today. There is nothing really new to learn about the issue, and I urge a no vote on the motion to recommit.

The CHAIRMAN. The question occurs on the motion to recommit. [The motion was rejected on a rollcall vote 15–19.] ●

CZECHOSLOVAKIA 10 YEARS AFTER THE PRAGUE SPRING

● Mr. GLENN. Mr. President, 10 years ago freedom-loving people throughout the world were moved to great happiness by Alexander Dubcek's rise to power as head of Czechoslovakia's reform government.

Dubcek, a peace-loving Slovak, believed that concepts of decency and free speech—or at least freer speech—could exist behind the Iron Curtain. His efforts at peaceful reform stirred the entire free world as a possible harbinger

of better things to come in Eastern Europe.

It seems hard to believe, but 10 years have passed since the end of that dream. August 21, 1968, will be marked forever by historians, because on that date the Soviet Union's Warsaw Pact forces swept through Czechoslovakia to crush Dubcek's government and restore a tightly regressive regime.

Alexander Dubcek, I am happy to note, survived the onslaught and resides today in Bratislava. But the hopes of democracy in Czechoslovakia, even a modified democracy, have been squelched by events of 1968 and subsequent trends.

Andrew Alexander, a Washington-based correspondent for the Cox Newspapers, wrote an article last month from Prague, noting the 10th anniversary of the Soviet invasion.

Mr. Alexander's description of conditions in Czechoslovakia offers us a stark reminder of how a repressive government operates. Despite the relative prosperity being enjoyed by Czechoslovakia today, the restrictions on personal freedom are very great.

I am requesting that Mr. Alexander's article be printed in the RECORD.

This article captures the spirit of modern Czechoslovakia very well, I believe, and is important to all of us who remember the Prague Spring as a noble moment, albeit a fleeting moment, in the history of democracy.

The article follows:

FEAR AND PROSPERITY KEEP CZECHS "IN LINE"

(By Andrew Alexander)

PRAGUE, CZECHOSLOVAKIA.—The Soviet tanks and troops are gone, as are the crowds that angrily jeered them.

The street signs, twisted or removed to confuse the invaders, are now back in their proper places.

The "Long Live Dubcek" graffiti, hastily painted on buildings and streetcars, has long since been scraped away or painted over.

Life in Czechoslovakia, with its history of repression, is now back to "normal."

It was exactly 10 years ago this morning that this nation of 15 million awoke to find itself occupied by Soviet-led Warsaw pact forces. They had moved with frightening speed the previous night to put a violent end to the "Prague Spring," that short-lived experiment in liberal Marxism which had attempted to combine freedom of press and speech with Socialist economic institutions.

A reporter returning here for the first time since those frenzied days following the occupation is struck most by the broken spirit of the Czech people.

Those who were then ready to risk their lives to preserve their newly-acquired freedoms now seem more concerned with the latest Soviet film in town or how to scrape together enough cash for a new Skoda automobile.

The leaders of the Prague Spring have been banished to obscurity, along with more than a half million others, according to Czech Government figures) who have been purged from Communist Party rolls.

Alexander Dubcek, the quiet Slovak who headed the Reform Government, now performs menial bureaucratic tasks in Bratislava where, it is said, old women occasionally hand him flowers on his way to work as a silent sign of appreciation.

Only the so-called Charter 77 group, which monitors human rights violations, has dared to publicly question the hard-line regime of Czechoslovak President Gustav Husak, who replaced Dubcek.

Today, according to U.S. sources, the group is only loosely organized. While more than 1,000 have signed the charter, only a handful are said to be active.

"The closest thing to unity was when they were founded in January of 1977," said an official at the U.S. Embassy in Prague.

"These are the brave exceptions to the rule," echoed a U.S. government expert on Czech political affairs recently in Washington, who termed the group "very ineffectual."

He said Charter 77 leaders have been subjected to "constant harassment," including round-the-clock surveillance, loss of jobs, driver's license, telephone service, pensions, and refusal to permit dissidents' children to receive advanced education.

Under Husak's rule, all published writings must be government-approved. Artists and playwrights must refrain from any expression hinting of government ridicule. Some western crime movies are shown on Czech television, but are usually followed by a discussion of how the film represents the decline of the non-Communist world.

(An exception to this hardline rule is that Czechs may purchase some rock music albums—mainly because they can listen to the music anyway on radio broadcasts from neighboring Austria and West Germany.)

The best intelligence available to the U.S. Embassy here suggests there will be no mass demonstrations marking the anniversary of the invasion, officials say.

One embassy staffer said there has been talk of boycotting public transportation or wearing black arm bands today. "But beyond that, nobody really feels like butting heads," he said.

A worker at the Czech Government Press Agency, C.T.K., gave a similar assessment last Friday as she talked during her lunch hour in downtown Prague.

"Some of the women have said they might wear black dresses to work to show how they feel," she said. "But who wants to be punished? Who wants to lose their pension? What's the use?"

A worker at the Jalta Hotel said with a sigh of acceptance: "We should do nothing and go to our jobs. There has been no talk here (about demonstrations). Nothing will happen."

Just the same, the Czech police in Prague have prepared for the worst.

Teams of patrolmen stand watch near the National Museum at Wenceslas Square, the rallying point for angry demonstrators a decade ago. The policemen prohibit crowds of more than a few to congregate near a large monument in front of the museum.

Surveillance is heavy as policemen with still and film cameras have spent the last several days photographing those who venture near the monument.

Local hotel and shop workers say there has been a marked increase in the numbers of police foot patrols walking the boulevard leading to the museum.

About a half mile away, all but hidden on a back street, are parked two armored personnel carriers which local residents said were brought in last week.

U.S. Embassy officials say they have been told, but have yet to verify, that a "water cannon" has been stationed near the square for use in dispersing large crowds.

Presumably trying to avert bad publicity, the Czechs have permitted few Western journalists to enter their country for the anniversary. And those who do get in are constantly reminded—sometimes subtly, sometimes, overtly—that they are on a short leash.

They are first required to register with the Government's press office, which an official there explained "will help to arrange your program." When told by a reporter that he wished to roam the city and speak with people at random, the official replied: "That must be arranged, also."

Czech Government officials also take down the make and model of visiting reporter's tape recorders and cameras, with special attention given to lens strength.

Speaking with anyone in public is made difficult. For several hours Saturday a young man, posing as a tourist and carrying a camera with a telescopic lens, followed this reporter through the streets of Prague, snapping photos whenever the reporter engaged in conversation, even if only to ask directions.

When the young photographer disappeared, uniformed Czech police took over with a hand-held motion picture camera which they operated from a patrol car. Retaliation by photographing them drew a reprimand.

In addition to the fear of punishment, the country's relatively stable economy may help explain why Czechs are more inclined to grumble privately than to protest actively against their repressive government.

Unemployment is virtually non-existent, and thousands of workers from Poland have even been imported to help with production and housing construction, a priority item.

Prague department stores are well-stocked in comparision to other East European Communist countries, and so-called "Tuzex" stores offer a wide variety of Western brand-name goods.

"Generally, the consumer here is pretty happy," said a U.S. Embassy official. "He sees himself living better than his Communist neighbors."

Also, unlike some Eastern Bloc countries like Poland, the Czechs carry only a very small hard-currency debt to Western nations.

Despite their relative prosperity, U.S. officials believe there is economic trouble ahead for the Husak Government. Ancient production machinery and sky-rocketing energy costs—which U.S. analysts says are rising at about 10 percent annually—are making Czechoslovakia less competitive worldwide in traditionally strong Czech markets like machine tooling.

But for the present, the Czech people seem content—and maybe fearful. ●

HOMEBUILDERS ENDORSE PROVISIONS OF S. 2011

● Mr. SCHMITT. Mr. President, the Subcommittee on Administrative Practice and Procedure of the Judiciary Committee held hearings last week on S. 2011, the Regulatory Reduction and Congressional Control Act. At that time, Herman J. Smith, vice president of the National Association of Home Builders, presented testimony on the costs borne by the housing industry in complying with Federal regulations. I ask that this testimony be printed in full in the RECORD.

The testimony follows:

STATEMENT OF THE NATIONAL ASSOCIATION OF HOME BUILDERS

Mr. Chairman and Members of the Subcommittee: My name is Herman J. Smith, and I am a homebuilder from Fort Worth, Texas. I am testifying today on behalf of the more than 105,000 members of the National Association of Home Builders (NAHB). NAHB is a trade association of the homebuilding industry, of which I am Vice President and Secretary. Accompanying me today are Robert D. Bannister, Senior Staff Vice President, and Gary Paul Kane, Associate Legislative Counsel.

We appreciate the opportunity to appear today and discuss the effects government regulation is having on the housing industry and the home-buying public. At the same time, however, it is distressing to have to be here to discuss government overregulation. It is distressing because we believe

the function of government should be to help the free market system in this country function rather than frustrate it. NAHB, however, commends this Committee for its attention to the serious problem of government overregulation. In our appearance here today I will outline how government regulations have added to the cost of housing to the point where only 30% of American families can afford to purchase the median priced home in this country.

HOUSING COST SPIRAL

NAHB would like to bring to your attention a serious trend that is developing in the housing industry. A trend, if left unabated, will literally deprive tens of millions of Americans the opportunity of home ownership. There is little question that this country is facing a housing cost problem of serious proportions. Since 1974, the median sales price of a single family home has increased from $35,900 to $57,300. (See Chart 1). From April to June of this year, the median sales price of a new home has increased $4,200. In urban areas housing costs have increased even more rapidly. The hundred thousand dollar ($100,000) home, once thought to be a dream estate for the very wealthy, now is not unusual in many areas throughout the country. Housing prices and operating expenses have increased and are continuing to increase more rapidly than family income and consumer prices generally.

IMPACT ON HOME-BUYING PUBLIC

The impact of housing costs on the homebuying public is dramatic. For every $1,000 increase in the cost of a house an average of 700,000 families are priced out of the home buying market. At the median sales price of $57,300, and assuming all families to be first time home buyers, 16 million or only 28% of the 57 million families in the United States can afford to buy a new home (See Chart below).

NUMBER AND PERCENT OF FAMILIES WHO ARE PRICED OUT OF THE HOUSING MARKET IN THE UNITED STATES BY $1,000 INCREASES IN THE SALES PRICE

Sales price	Income needed to afford	Percent of families who can afford	Number of families who can afford	Difference (priced out of the market)
$35,000	$14,000	57.7	33,013,000	-------
$36,000	14,400	56.2	32,166,000	847,000
$37,000	14,800	54.7	31,319,000	847,000
$38,000	15,200	53.2	30,438,000	881,000
$39,000	15,600	51.6	29,523,000	915,000
$40,000	16,000	50.0	28,608,000	916,000
$41,000	16,400	48.6	27,784,000	824,000
$42,000	16,800	47.1	26,960,000	834,000
$43,000	17,200	45.7	26,159,000	801,000
$44,000	17,600	44.4	25,381,000	778,000
$45,000	18,000	43.0	24,602,000	779,000
$46,000	18,400	41.7	23,836,000	766,000
$47,000	18,800	40.3	23,069,000	767,000
$48,000	19,200	39.0	22,302,000	767,000
$49,000	19,600	37.6	21,536,000	766,000
$50,000	20,000	36.3	20,769,000	767,000
$51,000	20,400	35.2	20,134,000	635,000
$52,000	20,800	24.1	19,493,000	641,000
$53,000	21,200	33.0	18,858,000	635,000
$54,000	21,600	31.9	18,223,000	635,000
$55,000	22,000	30.7	17,588,000	635,000
$56,000	22,400	29.6	16,936,000	652,000
$57,000	22,800	28.5	16,306,000	630,000
$57,300 (June 1978)	22,920	28.2	16,135,000	-------

Note: (1) Based on the 2½ times income rule (1977 data); (2) number of families in United States, 57,215,000.

Source: U.S. Department of Commerce, Bureau of the Census; analysis by NAHB Economics Department.

All Americans are affected by increasing housing and operating costs. Those who have purchased homes before the dramatic price increases, since 1970 or even 1973, have been least adversely affected. Those harmed most are newly formed families who are potential first-time home buyers, low income families, and elderly or others on fixed income. For those individuals, the rapid increase in cost of housing quickly outstrips the gains in income they may have. The gap between income and the sales price of new homes is continuing to widen.

The National Association of Home Builders believes that all Americans are entitled to enjoy housing that is decent, sanitary, and safe—and affordable, as a matter of right. Frankly, however, unless a concentrated and conscientious effort is taken to address this problem millions of Americans may never realize that right.

Why single family housing starts remain high

Despite record high interest rates of 10% and over the high cost of housing, starts remain at a very high level. The reasons for this are complex. It is due in part to strong demand resulting from the rate of new family formations and the perception that homeownership is the best investment most Americans can make.

Housing Demands: The current high demand for housing has been brought about by rapid increase in the rate of family formation. During the first 8 years of this decade (1970 to 1978) the number of households increased by 12.6 million, or 19.9% to a total of 76.0 million. This compares with an increase of 8.0 million households (15%) during the first 8 years of the 1960's. The increased rate of family formation is the result of the postwar baby boom and the number of increased single family households.

The baby boom generation has caused a 39% increase in the number of persons reaching the homebuying age of 30 years over the total from the 1960's. By the end of this decade it is projected that 32 million Americans will have reached the age of 30. During the 1980's about 42 million will reach age 30. We will see no significant drop in housing demand until the 90's when the "baby bust" generation of the 1960's enters the market.

Over the next 5 years, some population projections show an increase of 7.5 million additional households. When combined with the number of families currently occupying substandard housing, and the number of housing units removed from the market each year by demolition, disaster or other means, an additional 12.5 to 14 million housing units could be needed during the next 5 year period.

Good Investment: Even with high interest rates and accelerating prices, home buyers are continuing to purchase. To do this, major sacrifices are being made, and families are using two wage earners in order to make their monthly mortgage payments. Inflationary pressures, however, will continue to make home ownership an excellent investment. It is not uncommon for home owners to double their investment in less than 5 years in many areas throughout the United States.

GOVERNMENT REGULATIONS/REASON FOR HIGH COST

NAHB believes that the major contributor to the increase in housing cost is government regulations. We will spend the balance of our time this morning discussing specific proposals that adversely affect the home building industry.

Overview

The impact of government regulations on the housing industry and on housing cost almost defines any rational analysis. It ranges from the IRS Capital Gains Tax to the Forest Service timber policies and from EPA's environmental standards to HUD's Interstate Land Sales Regulations. Even the Federal Reserve Board with its impact on interest rates and the Army Corps of Engineers Wetland Protection Regulations make their contributions.

Before I address the specifics of government regulations and their relation to housing cost, I would like to bring into focus the magnitude of the problem. One means of documenting the increase in federal regulations is to look at the number of pages added to the Federal Register each year. The number of pages has increased from 7,952 in 1949 to 65,574 in 1977 (See Chart 2). Since 1969, there has been a startling 320% increase in the amount of regulations published in the Federal Register.

A more graphic demonstration of the cost of regulations can be observed by viewing Chart 3 based on a study by the Center for the Study of American Business in St. Louis. They have estimated that federal government expenditures for regulatory cost have increased from $2.2 billion in FY 1974 to $4.8 billion in FY 1979. The cost to the businessman and the consumer to comply with federal regulations has increased from $44.6 billion to an estimated $97.9 billion. In 1976 the aggregate cost of complying with federal regulations came to $300 for each man, woman and child in the United States. The estimate in 1979 could reach as high as $500 for every man, woman and child.

REGULATORY COSTS

[In millions of dollars]

	Administrative costs	Compliance costs (business and consumer pays)	Total
Fiscal year:			
1974	$2.2	[1] $44.6	$46.8
1975	2.7	[1] 54.7	57.4
1976	3.1	62.9	65.0
1977	3.7	[2] 75.4	79.1
1978	4.5	[2] 92.2	96.7
1979	4.8	97.9	102.7

[1] Computed by NAHB Governmental Affairs Division using a multiplier effect of 20.29 per the Center for the Study of American Business.

[2] Subtraction of figures provided by the study from cols. 1 and 3.

Note: Figures drawn from the study done for the Joint Economic Committee, "The Costs of Government Regulation of Business," by Murray L. Weidenbaum, director, Center for the Study of American Business, Washington University, St. Louis, Mo.

Effect of Government regulations on housing costs

When taken collectively the impact of government regulations dwarfs all other factors in their contribution for significantly increasing housing cost.

Rutger's University has completed a study which details excessive regulation at all 3 levels of government, federal, state, and local. The study estimates that the cost of excessive government regulation could add as much as $9,844, or almost 20 percent, to the purchase price of a $50,000 house. The excess regulation cost was broken down as follows: Development Stage, $5,115, Construction Stage, $4,129, and Occupancy Stage, $600.

The impact of government overregulation on the consumer is not just felt in the purchase price of the house. Using the housing market "rule of thumb" that 1 percent of the purchase price of a house is an approximate indication of monthly expenses (mortgage, taxes, insurance, operating and maintenance) a $50,000 house would cost almost $100 a month more in financing and operating expenses because of unnecessary regulations. Government regulations could be adding over $1,000 a year for the homeowner purchasing a median priced new home.

Regulations at all levels of government have added to these costs. Chart 4 shows the housing cost components affected by the various types of government regulation. At the federal level, we have countless government regulation eminating from the Clean Air Act, Coastal Zone Management Act, Federal Water Pollution Control Act, Interstate Land Sales Regulation Act, National Flood Insurance Act, Occupational Health and Safety Acts, etc. It has been estimated that over 40,000 permits annually will have to be filled by builders and others, under just one

Section, Section 404, of the Federal Water Pollution Control Act. Under the Interstate Land Sales Regulation Act, it can cost a developer $20,000 just to file for an exemption with HUD. I would like to point out that filing this exemption is required by HUD even though local subdivision regulations, which are more comprehensive, are followed by each builder. Local regulations, include land use restrictions, zoning, building codes, subdivision controls, sewer and water connection approval and fees, environmental impact statements, and the like. States are beginning to play a more dominant role in land developments in many cases following the "lead" by the federal government.

The Rutgers study found that a developer of a typical residential project in Los Angeles needed to contact a total of 36 different offices, file 12 different application forms, and produce 87 supporting documents and/or duplications in order to comply with all regulations. In Maryland a residential developer had to pay a total of 18 permit fees and 4 bonds for the project requirements. In New Jersey a project needed 14 reviews for various stages of water, sewer and site plans, 6 agency fees, 4 permits and the payment of 1 bond. Construction could not commence, however, until a building permit was obtained and plumbing inspection fees were paid.

The HUD Task Force on Housing Costs lists increased government regulation as a nationwide problem. In analyzing the housing cost question, the Task Force states:

"Regulation by all levels of government is a major factor in increasing housing costs through both substantive requirements and processing delays. The proliferation of government regulations, many of which are unduly burdensome, affects all areas studied by the Task Force. Increased and excessive standards are a factor in escalating the costs of financing, land development, housing construction and rehabilitation, and the provision of supporting amenities, as well as occupancy costs. Many localities impose burdensome fees and impact taxes on newly developed lots, in an effort to shift the cost of facilities from the community to the new homebuyer. Time-consuming and expensive review procedures and lengthy processing exact a heavy cost in terms of overhead, inflation, reduction in the return on investment, and fees and charges from construction or rehabilitation delays."

COMPONENTS OF HOUSING COST

Chart 5 shows the relationship to the major components of housing costs. Labor represents 16 percent, materials 30.7 percent, land 25 percent, financing 10.8 percent, and overhead, marketing and profit 17.5 percent. Chart 6 shows the proportionate cost of housing for each housing cost component since 1949. The major cost increase has been land and site development. In 1949 the percent of cost for land and land development was 11 percent. Today, that share of the median price of a single family home is 25 percent. By contrast, the portion of cost allocated to home price figures for labor and materials has actually decreased, from 69 percent in 1949 to 46.7 percent in 1977. While financing doubled over that period, it remains less than 11 percent of the total house cost. Nonetheless, it is a growing concern of NAHB.

Land and site development

Policies for federal, state and local governments constrained the supply of developable land, increased the cost of infrastructure development, and added new environmental requirements (many beyond what is necessary to protect public health and welfare). Land development regulations and procedures in many cases are unnecessarily complex, duplicative and overlapping.

Project Delays: A study completed by the Rice Center for Community Design and Research in Houston last May documented that the largest single percentage increase in the cost of a new, single family home was the cost of its lot. The report stated that a substantial portion of the lot costs resulted directly from government regulation. Between 1967 and 1977 there has been an increase of 13 months in the time needed to develop home site lots. This delay is extremely costly because the developer is continuing to carry overhead cost for financing through the delay period.

In 1967 no projects took over 39 months to develop. Only 9 percent took over 30 months. Today, however, there is a 33 percent chance that the project will run over 30 months and an 18 percent chance that it will take longer than 39 months. Land development time increased 64 percent between 1967 and 1977. Consumer cost increased from 17 to 27 percent. In other words, the consumer had to pay $1,140 to $2,100 per lot more because of delays created by government regulations. If application cost and cost of conformance with government specifications is added, the total increase would be between $3,200 and $5,400.

Excessive Local Requirements: The Government Accounting Office has measured how much the cost of single family housing in 11 metropolitan areas including 87 communities has been increased by land development fees and requirements. The study points out that the most restrictive communities had: (1) standards for streets and related site improvements that could increase the cost of a house by as much as $2,655; (2) requirements for 150 to 200 foot wide lots that further increased site improvement costs; (3) requirements for dedicating land for parks and schools costing up to $850 a house; (4) municipal fees as high as $3,265 a house for such items as local reviews, permits, inspections, and utility connections; and (5) local review and approval processes that took up to 21 months.

The report identified 17 costly site improvement items which, if required by communities could add to the cost of a house. These site improvement costs were broken down into 4 categories—streets, sidewalks, driveways, and water and sewer systems. For example, for each inch of asphalt pavement above 2 inches, an estimated $130 is added to the cost of a new house. Each 1 inch reduction in sidewalk thickness could save about $60 a house, a reduction of 2 inches in the size of the water pipe could save $155 a house.

Building Codes: Restrictive building codes according to the study requiring the use of expensive methods and materials afforded opportunities for savings if communities accept less expensive items. Potential savings varied widely among the sampled communities with a median savings of about $1,700 a house. The range was from zero in 2 communities to $7,300 in another.

The GAO report showed 64 building materials and methods and the savings per item if less expensive materials and methods were allowed. Individual, potential savings per item ranged between a low of $15 (use of gravel instead of sand under concrete floors) to $2,870 (basement versus no basement) per house. Collectively, using the less expensive items or methods could significantly reduce the price of a house. Consumer demand may be the cause of the more expensive methods or materials such as a garage. People want it even though it is not required.

Infrastructure Requirements: Many communities through regulation requiring dedication of land, construction of public facilities, or compliance with certain environmental requirements have substantively increased the cost of developing a lot for housing. The Urban Institute found that as much as $4 to $5 billion per year is attributable to the public capital stock by developers who must install community facilities at their own expense. They estimate that this breaks down to an average cost of $4,652 per house. These facilities include minor subdivision roads, water systems, parks, and recreation space.

Local Growth Plans: Many communities have sought to limit or control growth within their jurisdictions. They have imposed controls limiting the capacity of public services (sewer, water, roads), used zoning to limit growth, prohibit certain types of development, discouraged development through property taxes or placed ceilings on building permits or even population.

According to an economic impact analysis prepared by NAHB, $5,300 could be added to the price of a typical home and an estimated 4,800 local jobs could be lost during the first 2 years of a San Diego County proposed growth plan.

Under this limited growth plan, new housing would be restricted to designated urban areas served by existing facilities, including schools, highways, and water and sewer connection. Traditional single family developments in outlying areas would be prohibited until all the designated urban areas were developed. Limited growth policies such as this are short sighted because they ignore the basic market principles of supply and demand. The reductions in the supply of land and a diminished rate of housing production can only increase housing prices in view of the continuing strong demand for housing.

The study demonstrated that a moderate level of new housing construction pays its own way with property tax and other revenues, offsetting increased government expenditures.

Duplicative Regulations: Many federal regulations duplicate local regulations, thereby adding unnecessarily to the housing cost spiral. A classic example of how a federal administrative agency can duplicate local regulations can be observed by studying how the HUD Office of Interstate Land Sales Regulation (OILSR) distorted the purpose and intention of the Interstate Land Sales Full Disclosure Act between the time of its passage in 1968 and today.

OILSR has extended its regulation jurisdiction from undeveloped lots in remote parts of the country to fully improved or developed lots located in metropolitan areas where land development activities are already heavily regulated. In most of these "regulated jurisdictions" before a builder can sell even a single lot, he must gain approval from myriad local and state governmental entities. In addition, he must have either completed, or post a bond for the completion of water, sewer, electrical facilities, and roads.

When confronted with uncertain filing requirements, the potential delays and costs of a protracted dispute, and the potential civil and criminal sanctions, many builders are simply refusing to sell any lots whatever to individuals; they will sell only to other builders. This can prevent a family which does not yet want to be tied to a particular builder from buying a lot in a good neighborhood either as an investment or as a future home site. Those families who do purchase lots from the second builder pay a higher price for the land as the result of paying two builder's markups.

NAHB strongly believes that where lots are provided with the necessary public improvements, constructed under substantive state and local subdivision regulations, there is no need for OILSR to add yet another layer of federal regulations.

Building materials

Today the cost of materials as a share of the price of a new home is about 30%. It has decreased from around 45% in 1949. Hard costs which include labor and material cost has decreased from 69% in 1947 to 47% today.

While the overall percentage of materials

as the cost of a house has gone down, material prices are still increasing. Shortages in cement and insulation and inordinate price hikes in lumber, gypsum and asphalt roofing are causing steep price increases. Construction material prices are increasing at a considerably faster rate than the Wholesale Price Index for all commodities.

The Council on Wage and Price Stability has called hearings in early October on building material price increases. Focus of the hearings will be on: (1) gypsum prices which are up 25.4% from last year; (2) cement which is up at an annual rate of 16%; and (3) lumber which has increased at an annual rate of 22.5% for Douglas fir, 26.7% for hardwood lumber, 14.1% for plywood and 38% for millwork. The Wholesale Price Index for all materials rose at a 13.2% annual rate.

According to McGraw-Hill systems Information, profits for all building materials producers rose 25% in the first quarter of this year as compared to 1977 while gypsum profits were up over 100% and cement profits were up 77% over the same period of time.

Government Regulations and Timber Prices: Fifteen percent of the total purchase price of a house and 30% of the construction cost is made up of lumber. Federal regulations including environmental restrictions and Forest Service policies are hindering timber harvesting in national forests and it is detrimental to the housing industry.

The annual harvest in the 1970's from the national forests—which constitute the single largest source of the softwood timber used in construction—is below what it was at the beginning of the decade. An increase in the timber supply of 1 billion board feet (the sale of 12.4 billion board feet, an increase over FY 78, has been appropriated by Congress for FY 79) could reduce lumber costs by somewhere between 2 and 5%.

Since timber production from privately held lands is expected to decline in the 1980's when housing demands is expected to increase, the national forests will become an even more critical factor in the lumber price situation. The only way lumber prices can be moderated is to increase the supply and the current trends show supply decreasing.

Government Policy and Insulation Cost: Governmental action has caused the price of insulation to increase by stimulating demand based on new federal energy conservation regulations, and the proposal for tax credits for installing additional insulation in existing structures.

Labor

Labor as the cost of the share of a house was much higher in 1949 than the 16% share that it occupies today. Nonetheless, less labor wages has increased significantly since 1949 which shows the dramatic impact of increased land development and financing costs.

Wages have increased astronomically from the minimum wage of 40 cents an hour in 1949 to the present $2.65 an hour. The minimum wage naturally affects other wages and no less than construction industry. The union construction wage has gone from $2.18 in 1949 to $10.63 as of the second quarter of 1978 for the seven main construction industry trades. Wage rates plus benefits for this same period is $13.01. Even the contract construction wage which most of our builders pay went from $1.70 in 1949 to $8.48 as of June of this year.

The Wharton School of Industry Research at the University of Pennsylvania estimates that the Davis-Bacon Act adds as much as $1.5 billion a year to the overall cost of federal construction in the United States. Davis-Bacon was passed in 1931 to prevent workers from outside localities from coming in and working at lower rates than those "prevailing" in the area at the time. This was a serious problem because of the conditions of the depression and does not pertain to modern economic conditions existing today.

Other areas of government regulation affecting labor in the construction industry include OSHA and ERISA.

Financing

The share expended on financing the construction of a single family house has more than doubled since World War II. It has gone from about 5% of the sales price of a new house in 1949 to almost 11% in 1977.

Federal Reserve Policy: The rate of interest builders pay for financing as a rule of thumb is the prime rate plus two. As of August, using this formula, construction financing has reached a level of 11%. The prime rate is affected by Federal Reserve policies in raising the Federal Funds rate and the Discount Rate of Interest. The impact of financing on consumers is particularly drastic during a sharp increase in rates. For instance, between 1970 and 1974 when Federal Fund rates shot up to an unprecedented 12%—and all rates followed—the cost paid for financing a typical home increased nearly 150%.

Sources of Funds. Thrift institutions remain the principal source of long term mortgage credit. Their ability to attract funds for housing investment depends upon their ability to offer investors yields which are competitive with yields from other investments. On the national level the tightening of the overall money supply, general increases in the demand for credit, or large scale borrowing by the U.S. Treasury push up yields on competitive investments reducing the availability of mortgage credit for housing industry.

Federal action through monetary policies and through the action of various administrative agencies can have a significant impact upon the availability of funds flowing into thrift institutions.

Real Estate Settlement Costs: The costs of settlement or closing, including brokerage commissions, points, title search and insurance, attorney's fees and transfer and recording fees, can total up to 10% of the cost of a home. Consumers can negotiate some reductions in some of these fees. But settlement costs remain a large expense, payable at the time of closing rather than over the term of the mortgage.

Overhead, marketing, and profit

On the average builders of new homes make little more than 6% in net profit before taxes. Their general overhead is approximately another 6% of the price while marketing expenses run approximately 3%. As can be seen by the chart, there has not been a great fluxuality in this component as a price of a house; but the longer the delays due to government regulation the greater the increase in this component also.

According to Edward R. Carr Associates, a building firm in Prince William County, Virginia, however, overhead cost increased 230% between 1971 and 1978, largely due to keeping up with all the paperwork and red tape created by the government bureaucracy. His financing costs are up 91%, his indirect costs are up 36%, and his marketing costs 71%. His gross profit is up too, but his percentage of the take is down almost 1%.

RECOMMENDATIONS

Having identified the causes of housing costs increases, I will now address myself to the role the federal government could and should play in alleviating or mitigating those cost increases.

I. Limiting the Volume of Regulations Issued

The increasing awareness of the onerous burdens and costs of government overregulation has brought about various suggestions and proposals, several of which are contained in the legislation before you this morning. We would like to offer our comments on some of the various alternatives.

A. Annual agenda and annual review

NAHB agrees with the concept contained in the Chiles Amendment to the HUD Authorization bill (S. 3084) and in Mr. Ribicoff's bill (S. 2490), that each government agency be required at the beginning of each year to provide an agenda of those regulations it intends to develop and introduce during that upcoming year. Agencies with unreasonably long agendas can be asked to focus on specific priorities and reduce the number of regulations proposed.

We also concur with the concept contained in S. 2490 that a government agency annually review its regulatory activities, noting whether or not its regulation issuances have been in conformance with its annual agenda and noting the length of time necessary from regulation proposal to implementation.

B. Cost/benefit analysis

We strongly endorse the proposal of the Chiles Amendment and of Senator Schmitt's bill (S. 2011) which require a cost/benefit or economic impact analysis to be made prior to or at the time of the promulgation of any regulation. Bureaucrats are frequently unmindful of the additional cost to consumers and to the economy of additional regulations. And while there are many well meaning and well intended regulations, the benefits of those regulations should be balanced against the cost to the public. In assessing the cost, the additional paperwork burden generated by the regulations should be one of the factors considered.

C. Congressional approval or veto

We haven't fully analyzed the impact of the Congressional approval or Congressional veto required in certain cases by S. 2011. Congressional review of those regulations which are expected to have a special or significant impact on the economy, on consumers or one industry has merit. However, we believe this option, as well as those contained in Senator Haskell's bill (S. 2862), should themselves be examined to weigh the cost and benefit of setting up a staff within Congress to monitor and review regulations promulgated by administrative agencies.

D. Sunset provisions

We concur with the concept that regulations once issued should be reviewed periodically to determine whether or not they are still accomplishing the objectives originally set forth and to reassess their cost/benefit ratio. We believe the proposal that regulations with particularly significant economic impact terminate at the end of 5 years unless repromulgated merits serious consideration.

II. Inflation

NAHB believes the national administration should take a strong leadership role in an effort to control inflation. We believe (a) that Congress and the Administration should proceed immediately toward a balanced budget, (b) that no tax cuts be adopted so long as there is a deficit in the federal budget, and (c) that new legislation or regulation be carefully considered for potential inflationary impact. As its part, NAHB adopted a resolution on June 29,1978, whereby NAHB pledged to limit 1978 price increases to less than the average during the December 1975–December 1977 period (barring unusual or unforeseen cost increases in the price of materials or labor beyond the control of the home builder), and to limit 1978 compensation increases to 5 percent.

III. Financing

Through national monetary policy the federal government can both ensure a continuous flow of financing for the housing industry and moderate the sharp fluctuations in housing production.

NAHB believes that housing cycles can be moderated without adversely affecting the national economy. We would support use by the federal government of various monetary policies intended to accomplish that result. Specifically, the use of the government's financial institutions (FNMA, FHLMC, GNMA, FHLBB) to moderate swings in the cost and availability of mortgage credit; increasing the ability of thrift institutions to attract funds, such as an extension of Regulation Q, and withdrawing Federal Reserve Board regulations which permit commercial banks to transfer funds automatically between checking and savings accounts; and the use of tax incentives and modified regulations to increase the participation of pension funds and life insurance companies in the residential mortgage market.

IV. Alternative Mortgage Instruments

NAHB also believes that increased consideration should be given to certain alternative mortgage instruments, such as graduated payment mortgages and the financing techniques provided under the proposed Housing Opportunity Act, S. 3053, introduced by Senators Sparkman and Morgan. However, NAHB continues its strong opposition to the use of variable rate mortgages, in the belief thrift institutions will use those instruments as a device to continue the upward trend of long term interest rates to the detriment of the home building industry and the housing consumer.

V. Tax Policies

National tax policy which impedes the steady flow of investment funds into housing only contributes to the cyclical nature of the housing industry, and causes a further escalation in housing costs. NAHB believes that national tax policies should be reviewed to ensure stability and predictability of the tax treatment of funds for housing related purposes, and to ensure that the private investment and financing of housing will be encouraged.

A. Contributions in aid of construction

NAHB supports S. 3176 which provides that contributions in aid of construction to electric and gas utilities be treated as nontaxable contributions to the capital of a utility, rather than as income. The Tax Reform Act of 1976 provided this rule for contributions to water and sewage disposal utilities. When contributions to gas and electric utilities are taxed as income to the utility company, that tax is passed back to the builder and ultimately the home purchaser in the form of higher housing cost.

B. Capital gains tax

NAHB supports the concept of the Steiger Amendment (H.R. 12111 and S. 3065) which would return the capital gains tax to a maximum of 25% which prevailed in 1969. We believe the lower rate will increase the supply of venture capital, which is critically needed at this time. We believe such a rollback would both stimulate the economy and increase federal tax revenues.

VI. Construction Materials

The federal government can have significant influence in removing some of the causes for the current high rates of inflation of construction materials costs. The supply of lumber and wood products could be substantially increased through efficient and environmentally sound management of the National Forests. An increase supply of these materials is absolutely vital if lumber prices are to be kept under control.

A review should be made of all existing and proposed federal regulations dealing with fuel conversion and pollution control of industries which produce construction materials to determine whether these regulations are unduly burdensome, either in extent or in timing of compliance, and contribute substantially to the rise in costs of such materials. Where the supply of essential building materials is comprised by such regulations, procedures for waiving or moderation of requirements should be established.

VII. Balancing Housing and Economic Goals With Environment Considerations

NAHB does not question the need for national goals to improve environmental quality. We do, however, believe that in light of the impact of regulatory initiatives on housing cost, it would be appropriate to closely examine ways to reduce unnecessary, adverse impacts. Accordingly, we would recommend:

A. Close Congressional review of future environmental legislation to ensure economic considerations, particularly housing cost impacts, are adequately considered.

B. Development of reasonable and balanced criteria to be utilized in any wilderness area designation.

C. EPA be urged to adequately consider the nation's future housing and growth needs as part of its mandate to protect the environment.

D. Review of the policy that is under consideration which would restrict the funding of interceptor sewer lines.

VIII. Land Supply and Development

As we noted earlier, excessive and burdensome regulation of state and local governments restricting the development of land, imposing excessive costs in the development of infrastructure or causing delays through red tape and inefficient administration contribute significantly to housing costs. We would recommend:

A. One-stop shopping concept

To reduce the delays and inconsistencies encountered when a home builder must obtain reviews or approvals from many government agencies or authorities, we recommend that a single individual within government be designated to coordinate and expedite the reviews by the various governmental entities. The home builder could deal with a single individual whose responsibility it would be to see that all reviews and approvals were obtained.

B. Unnecessary regulation/interstate land sales

To reduce the unnecessary added costs because of duplicative regulation by the Office of Interstate Land Sales, we strongly support passage of the Nelson bill, now incorporated as Section 715 of S. 3084. The Sparkman-Tower Amendment to the Nelson bill, in particular, would reduce duplicative regulations for builders, and reduce cost for housing consumers without sacrificing consumer protection.

C. Land use guidelines

We do not agree with the HUD Task Force recommendation that the federal government should specify land use standards or publish advisory guidelines for local governments on matters such as types and density of housing, amounts of land developable, or locational characteristics. It has too frequently occured that "advisory guidelines" have quickly evolved into federal controls or regulations. It is our belief that land use is an appropriate function of state and local government. And we believe we already have too many federal regulations.

We appreciate this opportunity to appear before you today, and I would be happy to answer any questions you may have.

GOVERNMENT REGULATIONS AFFECTING THE COST OF HOUSING

Level, type of regulation	Housing Cost Component Affected: Unimproved lot	Land development	Land development financing	Structural materials and labor	Construction financing	Mortgage financing and settlement costs
Federal Government:						
Clean Air Act	X					
Coastal Zone Management Act	X	X	X			
Consumer Product Safety Act				X	X	
Federal Noise Control Act				X		
Federal Water Pollution Control Act	X	X	X			
FHA and VA Mortgage programs				X	X	X
National flood insurance programs	X	X	X	X	X	
Occupational Health and Safety Act				X	X	
Real Estate Settlement Procedures Act				X	X	X
State Government:						
Building codes				X	X	
Coastal zone Management	X	X	X			
State Government—Con.						
Critical areas Restrictions	X	X	X			
Land Development acts	X	X	X			
Sewer moratoria	X	X	X			
Local government:						
Bonding requirements			X			
Building codes				X	X	
Energy codes				X	X	
Engineering inspection		X	X	X		
Environmental impact review	X	X	X			
Mechanical codes				X	X	
Plat review		X	X			
Sewer connection approval and fee		X	X			
Shade tree permits		X	X			
Site plant review		X	X			
Soil disturbance testing		X	X			
Utility connection fees		X	X			
Water connection approval and fee		X	X			
Zoning	X	X	X			

Source: Rutgers, Center for Urban Policy Research, Study on "Housing Costs and Government Regulations: Confronting the Regulatory Maze," p. 20, 1977. ●

HUMPHREY-HAWKINS, WORD FOR WORD

● Mr. GARN. Mr. President, it is no secret to most Americans that this is an election year. As is usual, many candidates are making many claims, many, many promises. Promises of everything, nothing—and both—are heard. Art Buchwald, one of our Nation's more renowned and insightful political commentators, cited in a recent column some examples of the new end-to-rhetoric rhetoric. He quoted—

One of the new breed of politicians running for Congress. The "new breed" made some interesting promises: I am against inflation that is bleeding every American dry. I am for jobs for everyone who wants to work. I support decent medical care for our senior citizens and better schools for our children. And I am against crime in the streets.

I am for tax reform. . . . At the same time we must have tax incentives for business to invest in the future of America. But we can't forget the poor. I don't mean the welfare cheaters, but the real poor and disadvantaged.

I want a strong American dollar. . . . I'll go even further. This country must get its house in order when it comes to our balance of payments. The way to do this is to export more than we import.

Mr. President, may I add that often, "reality is stranger than fiction." I say that, for these promises remind me of a measure currently pending before the Senate. I speak of that "new breed" of legislation known as the Humphrey-Hawkins bill. Allow me to quote from one of the two versions of the bill:

The Congress finds that the Nation has suffered substantial unemployment and underemployment, . . . high rates of inflation and inadequate productivity growth. . . .

A decline in small business enterprises contributes to unemployment by reducing employment opportunities.

The Congress further finds that full employment and production, increased real income, balanced growth, a balanced Federal budget, adequate productivity growth, proper attention to national priorities, achievement of an improved trade balance through increased exports and improvement in the international competitiveness of agriculture, business, and industry, and reasonable price stability are important national requirements and will promote the economic security and well-being of all citizens of the Nation.

The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means [to] promote full employment and productions, increased real income, balanced growth, a balanced Federal budget, adequate productivity growth, proper attention to national priorities, achievement of an improved trade balance through increased exports and improvement in the international competitiveness of agriculture, business, and industry, and reasonable price stability . . . It has been suggested that we add "and a partridge in a pear tree."

One more quote:

The Congress further declares that inflation is a major national problem requiring improved government policies. . . .

Mr. President, I would like to see improved Government policies, that is what I came to the Senate to help achieve. I think that we can all agree that improved Government policies will make us better off. I do not think that we need a bill just to tell us that. Improvement usually makes things better, even if the Congress has not passed a bill that says so.

Mr. President, there is more that I could quote from S. 50 to illustrate my point. It seeks to promise everything to everyone. As with a candidate who seeks in this way to buy votes, the high expectations raised are likely to be matched only by the poor results of the Humphrey-Hawkins bill. I ask that the column by Art Buchwald be printed in the RECORD.

The column follows:

AT LAST! A CANDIDATE WHO'LL TAKE A STAND ON THE ISSUES!

(By Art Buchwald)

As the results of last week's primaries came in over my television set I was happy to see that the winning candidates all had something new to say. If anything, 1978 will be the year when the old political rhetoric will be out, and the people seeking office will face the issues with honesty and candor.

I know this because right after the primary battle in a northeastern state, I spoke to one of the new breed of politicians running for Congress.

"Sir, how do you feel about winning your party's primary?"

"I was not the winner," he said. "The people of this state were the winner. I proved that old politics is out, and the electorate wants new ideas."

"Fantastic," I said. "What are some of these ideas?"

"I am going to speak out forcefully against big government and wasteful spending of the taxpayer's money."

"You're going that far out on a limb?"

"I may go even further. I am going to promise the voters that I will represent them, rather than the special interest groups which only care about themselves."

"Bully for you, What else do you plan to do?"

"Unlike my opponent, I'm going to speak out on the issues and tell people where I stand, even if it costs me votes."

"Such as?"

"I am against inflation that is bleeding every American dry. I am for jobs for everyone who wants to work. I support decent medical care for our senior citizens and better schools for our children. And I am against crime in the streets."

"That may lose you the criminal vote," I warned.

"So be it, I believe anyone who violates the law should be punished, whether he be a white-collar criminal or mugger."

"That's strong stuff in an election year. How do you feel about tax reform?"

"I've never said this in public before, but I am for tax reform. The burden of taxes is on the middle class. This burden must be redistributed so that everyone pays his fair share. At the same time we must have tax incentives for business to invest in the future of America. But we can't forget the poor. I don't mean the welfare cheaters, but the real poor and disadvantaged. We must bring them into the mainstream of our society."

"No one has ever said that before. I hate to ask you this, but are you for a strong America?"

"I don't object to the question. I know it's your job to ask the tough ones. It so happens I am for a strong America. This country cannot afford to be second best when the fate of the free world is at stake. If the people elect me, they will be sending a message to Washington and to Moscow that the United States no longer intends to be pushed around."

"How do you feel about the American dollar?"

"I want a strong American dollar. The prestige of this country depends on a dollar that can be defended against any currency in the world. I'll go even further. This country must get its house in order when it comes to our balance of payments. The way to do this is export more than we import."

"I'll say one thing, sir. You certainly are outspoken. It will be like a breath of fresh air if the voters send you to Washington."

"I'm not one of those people who just jumps on the bandwagon," he said. "Americans are tired of hearing the same old promises from their politicians. If I win this election it's because I'm going to tell it like it is." ●

ISRAEL AND HUMAN RIGHTS

● Mr. METZENBAUM. Mr. President, many Members of Congress have consistently supported the fundamental right of the small, democratic State of Israel to exist in peace and security. And similarly, many Members have also spoken out in defense of those brave people who have stood against the power of the Soviet State to demand the right to worship, to speak out, and to emigrate.

But, Mr. President, I can think of no Member of Congress who has been a stronger or more effective advocate of these just causes than my friend and esteemed colleague, Congressman RICHARD OTTINGER of New York. DICK OTTINGER has been in the forefront of the struggle and every American who treasures our Nation's tradition of respect for human rights owes him a debt of gratitude for his outstanding work.

Mr. President, I believe that the Senate should be aware of the extraordinary efforts that Congressman OTTINGER has made in support of Israel and of human rights in the Soviet Union. I ask, therefore, that a compilation of his activities and statements in these areas be printed in the RECORD.

The material follows:

CONGRESSMAN RICHARD L. OTTINGER, 95TH CONGRESS, A COMPILATION OF HIS INVOLVEMENT WITH AND COMMITMENT TO ISRAEL AND SOVIET JEWRY AS DEMONSTRATED BY RELATED ACTIVITIES AND STATEMENTS

HIGHLIGHTS

Met with Prime Minister Menachem Begin to hear and to discuss his views on Mideast problems.

Addressed House of Representatives objecting strongly to President Carter's proposed sale of F–15s to Saudi Arabia and calling upon colleagues to express outrage over the proposed Mideast arms sales package.

Sent letter to President Carter expressing alarm and outrage over proposed arms sales to Saudi Arabia and intention to treat Arab-Israeli sales as a package.

Met with Vice President Mondale as part of small group of Congressional leaders on Middle East Affairs to advise him on peace seeking mission.

Called upon colleagues to join in censuring President Carter's Joint U.S.-Soviet Union Communique on Middle East for undermining our firm commitment to Israel and for marking significant and unwise shift in U.S. policy toward Mideast.

Cosigned letter to President Carter urging him to reaffirm U.S.'s complete support of U.S. Resolutions 242 and 338, and to reaffirm our firm support of Israel.

Cosponsored Resolution congratulating

Israel and Egypt on beginning direct negotiations toward peace in the Mideast.

Met with Prime Minister Begin and President Sadat to congratulate them on their courage and fortitude which produced the "framework" agreements at Camp David.

Cosponsored Resolution condemning PLO for its attack on Israeli citizens and expressing hope for successful conclusion of Mideast peace negotiations.

Called upon colleagues to oppose vigorously any amendments to Foreign Assistance Act which would adversely affect balance in Mideast and undermine security of Israel and our commitments to her.

As member of New York and International Committees to free Anatoly Shcharansky, sponsored letters to President Brezhnev urging permission for Shcharansky to emigrate from USSR (signed by 11 other Congressmen who represent relatives of Anatoly.)

Met with Avital Shcharansky to discuss measures we might take to assist in release of her husband, Anatoly Shcharansky.

Cosponsored legislation to bar Nazi War Criminals from sanctuary in this country.

Introduced in House of Representatives Joint Resolution prohibiting trade and cultural exchanges with USSR until Shcharansky and Ginsburg are free and USSR otherwise meets its obligations under Helsinki Final Act.

MEMBERSHIPS AND AFFILIATIONS

Member of the National Council of the American-Israeli Friendship League.

Member of the International Committee for the Release of Anatoly Shcharansky.

Honorary Sponsor and Member of the New York Committee to Free Anatoly Shcharansky.

Member of Temple Beth El of Northern Westchester.

Member of the Zionist Organization of America.

Member of the American Jewish Committee.

Member of the B'nai B'rith Upper Westchester Lodge.

Member of the Knights of Pythias Lodge No. 265.

Former Trustee of Jewish Board of Guardians and Linden Hill School.

Member of the Jewish War Veterans Post No. 70.

CHRONOLOGY OF ACTIVITIES AND STATEMENTS

January 1977

Initiated cosigned letter to Secretary Brezhnev protesting the imprisonment of Amner B. Zavurov (Signed by 23 other Members).

Cosigned telegram with Reps. Ambro and Eilberg to Secretary Brezhnev strongly protesting trial of Dr. Iosef Begun (Prisoner of Conscience).

Cosponsored with National Conference on Soviet Jewry a special briefing for Members of the House of Representatives on Soviet Jewry and U.S.-USSR relations.

Cosigned letter with Rep. Fenwick to Ambassador Dobrynin expressing deep concern for the fate of Amner B. Zavurov.

Cosigned letter with Rep. Fish to Eli Flam, Director of Voice of America calling for better communication with the Greater New York Conference on Soviet Jewry and continued coverage of plight of Soviet Jewish refuseniks in Europe.

Cosigned letter with Rep. Fenwick to Secretary of State Cyrus Vance commending the Administration for forthright stand on human rights and efforts on behalf of Andrei Sakhorov.

February 1977

Cosigned letter with Reps. Fraser and Jeffords to President Carter expressing support of human rights stand and urging President to press Soviets to comply with the Helsinki Final Act.

Cosigned letter with Reps. Dodd and Fenwick to Ambassador Dobrynin stating deep concern over the arrests of Aleksandr Ginsburg. Yuri Orlov, Mikola Rudenko and Oleksiy Tykhy.

Cosigned letter with Rep. Gilman to Secretary Brezhnev protesting disruption of symposium on "Jewish Culture in U.S.S.R." by Soviet authorities.

March 1977

Cosponsored with Rep. Moffet H. Con. Res. expressing the continued interest of the American people in the USSR's compliance with the Helsinki Final Act and the safety and freedom of Soviet Jews.

Addressed the House of Representatives as key participant in vigil entitled, "Helsinki's Unfulfilled Promise."

Cosigned letter with Rep. Florio to President Carter urging him to do everything possible to encourage the U.S.S.R. to remove ban on importation of flour and food containing flour.

Addressed House of Representatives in statement appearing in CONGRESSIONAL RECORD in support of Moffet H. Con. Res. (see above) and stating strong objection to U.S S.R.'s transgressions from obligations under Helsinki Final Act.

Sent letter to Ambassador Dobrynin stating objection to Dr. Iosef Begun's recent conviction and subsequent sentence.

Sent letter to Ambassador Dobrynin demanding the release of Anatoly Shcharansky.

May 1977

Joined the International Committee for the Release of Anatoly Shcharansky.

Sent letter to Ambassador Dobrynin expressing continued concern for Dr. Iosef Begun.

Addressed the House of Representatives in statement appearing in the *Congressional Record* on the plight of Dr. Iosef Begun.

Sent telegram to Secretary Brezhnev urging release of Dr. Iosef Begun.

June 1977

Addressed House of Representatives in statement appearing in *Congressional Record* expressing strong condemnation of Soviets' treatment of Dr. Iosef Begun and Anatoly Shcharansky.

Cosigned letter with Rep. Yates to Secretary Brezhnev in protest of charges Anatoly Shcharansky.

Cosigned letter with Rep. Wolff to Delegations at the Belgrade Conference urging all delegations to insist upon a formal discussion of efforts to monitor governmental compliance with the Helsinki Final Act.

Sent letter to Spencer Oliver, Staff Director of Commission on Security and Cooperation in Europe documenting Soviet failure to adhere to Postal Treaties.

Cosigned letter with Reps. Steers and Sen. Humphrey to President Carter expressing support of U.S. Congress for positions taken by our government regarding human rights in relation to the Helsinki Final Act.

Cosigned letter to Secretary Brezhnev with Rep. Downey stating deep concern for fate of Lev Gendin.

Cosigned telegram with Rep. Waxman to Secretary Brezhnev objecting to detainment of Robert Toth, U.S. Reporter.

July 1977

Cosponsored resolution with Rep. Ertel which requests the President and the United States delegation to the 1977 Belgrade Review Conference to urge the Government of the Soviet Union to grant exit visas to the Emmanuil Smelinsky family.

Cosigned letter with Rep. Ertel to President urging him to bring the Smelinsky family's situation to the attention of the Soviet Government and to express the interest of the United States in Soviet compliance with the Helsinki Final Act.

Cosigned letter with Rep. Bonker to Secretary Brezhnev urging him to grant exit visa to Vladmir Lazaris.

Cosponsored resolution with Reps. Buchanan and Dodd calling for the release of Anatoly Shcharansky from custody and for permission for him to emigrate from the Soviet Union.

Met with Prime Minister Begin to hear and to discuss his views on Mideast problems.

Key participant in Vigil on House of Representative's floor entitled, "Helsinki's Unfulfilled Promise." Spoke on the plight of Mikhail Kornblit, Prisoner of Conscience.

August 1977

Cosigned letter with Rep. Weiss to Secretary Brezhnev urging him to grant exit visas to Vladmir Preston family.

Cosponsored resolution with Rep. Koch expressing Congressional concern for the plight of Mikola Rudenko and Oleska Tykhy.

Cosponsored resolution with Reps. Koch, Fenwick and Dodd requesting that the Government of the Soviet Union provide Valentyn Moroz with the opportunity to accept the invitation of Harvard University for the 1977–1978 academic year.

Cosigned telegram with Rep. Steers to Secretary Brezhnev urging him to grant an exit visa to Isacca Zlotver.

September 1977

Cosigned letters with Rep. Mikva to Secretary Brezhnev urging him to grant exit visas to Dr. Viniamin Levich and wife.

Cosigned letters with Rep. Mikva to Secretary Brezhnev and Ambassador Dobrynin urging them to grant exit visas to Abe Stolar and family.

Cosigned letter with Rep. Kemp to Robert Kane, President of the U.S. Olympic Committee, expressing distress at reports of efforts to exclude Israel from 1980 Olympic Games in Moscow.

October 1977

Cosigned letter with Rep. Jeffords to President Carter expressing Congressional support for a strong U.S. position on human rights at the 1977 Belgrade Review Conference and concern for Aleksandr Ginsburg.

Cosigned letter with Rep. Schroeder to Ambassador Arthur Goldberg regarding the apparent reluctance of other Western signatories to the Helsinki Final Act to take a forthright stand on human rights.

Addressed colleagues on the House floor in statement that appeared in the *Congressional Record* as well censuring President Carter's Joint U.S.-Soviet Union Communique on the Middle East for undermining our firm commitment to Israel and for marking a significant and unwise shift in U.S. policy toward the Mideast.

Cosigned letter with Reps. Bingham, Yates and Anderson to President Carter expressing concern over the Joint Communique and urging President Carter to reaffirm the U.S.'s complete support of U.N Resolutions 242 and 338 and to reaffirm our firm support of Israel.

November 1977

Sent telegram to Secretary Brezhnev urging him to mark the 60th Anniversary of the Soviet revolution by granting amnesty to Soviet Jewish Prisoners of Conscience, approving emigration visas for refuseniks, dismissing the case of Anatoly Shcharansky and granting an exit visa to Mikhail Kornblit.

Instrumental in securing Mikhail Kornblit's release from prison.

Sent letter to Mikhail Kornblit to give encouragement and continued commitment to seek his release and emigration papers.

Initiated letter to Secretary Brezhnev requesting permission for Shcharansky to emigrate from Soivet Union (signed by 11 other Congressmen who represent relatives of Shcharansky).

Sent press release regarding letter to Secretary Brezhnev asking for release of Shcharansky.

Cosponsored resolution with Rep. Dodd congratulating Egypt and Israel on beginning direct negotiations toward peace in the Mideast.

December 1977

Cosigned letter to Secretary Brezhnev with Rep. Cornwell urging him to grant an exit visa to Lev Ovsishcher.

Sent letter to Secretary Brezhnev expressing profound distress over the arrest and imprisonment of Boris Penson and urging his release and permission for him to emigrate.

Sent letter to Dr. Iosef Begun, Prisoner of Conscience, expressing objection to the treatment he received and commitment to see that he is granted an exit visa.

Co-signed letter with Rep. Cotter to Soviet authorities calling for exit visas for the Leizer Falkovich family.

January 1978

Cosigned mailgram with Rep. Biaggi to Ambassador Dobrynin expressing objection to treatment of Edward Kuznetsov and urging his immediate release.

Cosigned letter with Rep. Brown to Secretary Brezhnev urging him to grant exit visa to Dr. Nahum Meiman.

Sent letters to G. D. Djavakhishvili, Chairman Council of Ministers of Georgia, USSR and N. Muskheliashvili, Chairman Academy of Sciences of Georgia, USSR expressing profound distress over the arrest of Grigory Goldstein. (Copies sent to Secretary of State Vance, Special Representative of Trade Strauss, Secretary of Treasury Blumenthal and Ambassador Goldberg)

Met with Mrs. Avital Shcharansky to discuss measures we might take to assist in the release of her husband, Anatoly Shcharansky.

Cosigned letter with Rep. Heckler to Ambassador Dobrynin urging him to grant exit visa to Ida Nudel.

Cosponsored legislation with Rep. Heckler to bar Nazi War Criminals from sanctuary in this country.

February 1978

Made statement appearing in the *Congressional Record* giving an account describing the plight of Soviet Jews.

Sent letter to Ambassador Dobrynin urging him to grant exit visas to Dr. Joseph As and family.

Cosigned letter with Rep. Steers to Minister of Interior Shcholokov urging him to permit Isaac Zlotver to be reunited with his family in accord with the Helsinki Final Act and the Universal Declaration of Human Rights.

Sent letter to Secretary Brezhnev expressing strong objection to the continued detention of Anatoly Shcharansky.

Cosponsored resolution with Reps. Beilenson and Leach condemning the poisoning of Israeli oranges and urging that this incident be considered as an important agenda item at the Geneva Disarmament Conference and at the U.S. Special Session on Disarmament.

Addressed House of Representatives and made a strong statement appearing in the *Congressional Record* objecting to President Carter's proposed sale of F–15 aircraft to Saudi Arabia and called upon my colleagues to express outrage over the proposed arms sales to the Mideast as a package.

March 1978

Cosigned letter with Rep. Waxman to Secretary Brezhnev urging him to grant exit visas to Dr. Viniamin Levich and wife.

Cosponsored legislation with Rep. Kemp providing for the issuance of a U.S. postal stamp commemorating Israel's 30th Anniversary.

Sent letter to President Carter expressing alarm and outrage at his proposal to sell sophisticated offensive aircraft to Saudi Arabia and to treat the Arab-Israeli sales as a package.

Cosponsored resolution with Rep. Yates condemning P.L.O. for its attacks upon Israeli citizens and expressing hope for successful conclusion of Mideast peace negotiations.

April 1978

Sent letters to Secretary Brezhnev and Ambassador Dobrynin expressing objection to the banishment of Dr. Isoef Begun from Moscow and his separation from his family.

Sent letter to Mrs. Begun and family expressing hope for the reunion of the Begun family.

Cosigned letter with Reps. Zeferetti and Drinan to Secretary Brezhnev asking that the Soviet Government cease its harassment of Isoef Mandelevich, permit him to exercise the fundamental right of freedom of religion and reduce his sentence to its original term of twelve years.

Cosigned letter with Rep. Luken to Ambassador Dobrynin urging him to grant an exit visa to Jessica Katz.

Spoke at Westchester Conference Observance of Warsaw Ghetto Resistance Movement at Temple Israel in New Rochelle.

May 1978

Cosponsored Joint Resolution with Sen. Danforth, Sen. Chiles and Sen. Percy which designates the weekend of or preceding April 29 as "Days of Remembrance of Victims of the Holocaust."

Addressed the House of Representatives as a key participant on House floor Vigil entitled, "A Vigil for Freedom" for Soviet Jewry.

Initiated telegrams to Secretary Brezhnev, Prime Minister Rudenko and Ambassador Dobrynin urging the release of Dr. Isoef Begun and permission for him and his family to emigrate from the Soviet Union.

Sent letters to Secretary Brezhnev, Secretary of Interior Scholokov, Prime Minister Rudenko and Ambassador Dobrynin urging them to grant exit visas to Illy Essas and family.

Cosigned letter with Rep. Gradison to Secretary Brezhnev requesting assistance in obtaining medical care for Jessica Katz, if necessary in the United States.

Cosigned letter with Reps. Steers and Eilberg to Ambassador Dobrynin urging him to grant Hillel Butman amnesty and an exit visa.

Cosigned letter with Rep. Waxman to President of the Soviet Academy of Sciences and the Chairman of the State Committee of Science and Technology expressing concern for Dr. Viniamin Levich and other Soviet scientists wishing to emigrate.

Spoke with Jesse Robison (from the Robison family of Westchester campaign to free their two cousins) and offered commitment to ending the plight of the Podrabinek brothers.

June 1978

Cosigned letter with Rep. Bingham to Secretary Brezhnev regarding plight of Kyrill and Aleksandr Podrabinek.

Cosigned letter to Secretary Brezhnev with Rep. Waxman protesting arrest and detention of Vladmir Slepak and urging the Secretary to grant him an exit visa.

Initiated in conjunction with Rep. Downey letter to Ambassador Dobrynin expressing profound concern for Dr. Iosef Begun and urging the fulfillment of all his rights as guaranteed by the Helsinki Final Act.

Met with Vice President Mondale as a part of a small group of Congressional leaders on Middle East Affairs to advise the Vice President on his peace mission to the Mideast.

Cosponsored legislation with Rep. Dornan to exclude any known terrorist or terrorist organization from entering the United States, especially the Palestine Liberation Organization and other related restrictions.

July 1978

Sent letter to President Carter and Secretary of State Cyrus Vance expressing distress over absence of U.S. objection to the Palestine Liberation Organization's "Information Office" in Washington, D.C.

Cosigned letter with Rep. Kildee to Ambassador Dobrynin expressing concern for the health of Igor V. Ogurtsov.

Joined Rep. Steers in introducing resolution urging the Soviet Government to grant emigration visas to Isaac Zlotver.

Cosigned letter to Secretary Brezhnev with Rep. Blanchard requesting that Viktors Kalnins be allowed to emigrate immediately.

Cosponsored resolution with Rep. Tsongas condemning Soviet Union for its actions against Ida Nudel and other Soviet dissidents.

Cosponsored legislation with Reps. Green, Biaggi, Kemp and Bingham to call attention to the case of Dr. Semyon Gluzman.

Called upon colleagues in the House of Representatives to recognize the plight of the peoples of the Baltic Nations during Captive Nations Week in a statement appearing in the *Congressional Record*.

Called upon his colleagues in a statement appearing in the *Congressional Record* to vigorously support Senate Concurrent Resolution 95 which expresses the sense of the Congress that the trials of the dissidents are of deep concern to the American people and may impose obstacles to the future building of cooperation between the two countries.

Introduced in the House of Representatives a Joint Resolution prohibiting trade and cultural exchanges between the U.S. and the Soviet Union until Anatoly Shcharansky and Aleksandr Ginsburg are set free and the Soviet Union otherwise meets its obligations under the Helsinki Final Act.

Made a statement appearing in the *Congressional Record* calling upon colleagues in the House of Representatives to support the Joint Resolution prohibiting trade and cultural exchanges until the above noted conditions are met

Submitted testimony before the Helsinki Monitoring Commission during hearings on the Soviet Union's compliance with the Helsinki Final Act and the trials of the dissidents.

Cosigned letted to Ambassador Dobrynin with Rep. Fenwick urging him to grant exit exist visas to the Mai-Seidel family.

Cosigned letter with Rep. Downey to Ambassador Dobrynin urging him to grant visas to the Mai-Seidel family.

Cosigned letter with Rep. Schroeder to Lord Killinin, President of the International Olympic Committee, expressing conviction that the Olympic Games ought to be transferred from Moscow if the Soviet Union continues its policies regarding dissidents.

Joined New York State Democratic Delegation in initiating letter to President Carter commending him for cancelling computer equipment sale to the Soviet news agency, for placing oil technology on the commodities control list, and urging him to limit future U.S.-Soviet trade, cultural, scientific and other relationships.

Met with representatives from the National Conference on Soviet Jewry to discuss positions on possible transfer of Olympic Games from Moscow.

August 1978

Worked with Leon Gildesgame and the White House to see that a sculpture of the "American Soldier at the Gate of the Dachau Concentration Camp" is donated to Israel as a tribute to those who survived the Holocaust.

Called upon colleagues in the House of Representatives in statement appearing in the Congressional Record to oppose vigorously any amendments to the Foreign Assistance Act which would adversely affect the balance in the Mideast and would undermine the security of Israel and our commitment to her.

Supported vehemently the amendment to the International Security Assistance Act of 1978 which expressed the sense of the Congress that the U.S. should be responsive to the defense requirements of Israel.

Cosigned letter with Rep. Green to Ambassador Dobrynin urging him to allow Kathleen Renck to visit Russia or to grant Konstantin Kutasov permission to leave the Soviet Union so that they may be married.

Cosigned letter with Rep. Edwards to Secretary Brezhnev urging him to grant exit visas to Lev Roitburd and family.

Cosigned letter with Rep. Drinan to U.N. Secretary General Waldheim urging him to speak out against convictions of Anatoly Scharansky, Aleksandr Ginsburg and others.

Cosigned letter with Rep. Brodhead to Ambassador Dobrynin urging him to grant exit visas to the Mai-Seidel family.

Sent letter to the Director of the Congressional Research Service along with the other members of the New York State Democratic Delegation which resulted in CRS initiating review of all U.S.-Soviet agreements and relationships to assess their results and efficacy.

Received personal letter Mrs. Avital Scharansky expressing her deep appreciation for "your personal commitment and involvement in behalf of my husband."

Sent letters to Secretary Brezhnev and Ambassador Dobrynin strongly objecting to the unwarranted second arrest of Dr. Josef Begun.

LEGISLATIVE ACTIONS AFFECTING ISRAEL DURING 95TH CONGRESS

Voted in favor of Export Administration Act which included anti-boycott provisions prohibiting compliance with secondary and tertiary boycott. Passed.

Voted in favor of International Security Assistance Act (foreign aid authorization bill) for fiscal year 1978 which included $1.785 billion in military and economic assistance to Israel. Passed.

Voted in favor of Foreign Assistance Appropriations Act (foreign aid appropriations bill) for fiscal year 1978 which included $1.805 billion in military and economic assistance for Israel. Passed.

Voted against Amendment by Rep. Clarence Miller (R–Ohio) to Foreign Assistance Appropriation Act for fiscal year 1978 stipulating 5% across-the-board reduction in the $8 billion bill, including the $1.805 billion for Israel. Passed.

Voted in favor Foreign Assistance Appropriations Conference Report for fiscal year 1978 which reinstated original aid levels for Israel. Passed.

Voted against Rep. Bauman (R–Md) amendment to International Development and Food Assistance Act for fiscal year 1979 stipulating a 5% across-the-board cut in the $3.7 billion authorization bill. The amendment cut $39 million from the $785 million economic assistance program for Israel. Passed.

Voted in favor of the International Development and Food Assistanace Act for fiscal year 1979 which included (at that time) $785 million in economic assistance for Israel. Passed.

Voted in favor of the International Security Assistance Act for fiscal year 1979 which included $1 billion in military assistance for Israel. Passed.

Voted in favor of the Rep. Derwinski amendment (R–Ill.) to Foreign Assistance Appropriations Act for fiscal year 1979 which eliminated $90 million economic support fund for Syria. Passed.

Voted in favor of the Foreign Assistance Appropriations Act for fiscal year 1979. Passed.●

ADMINISTRATION FAILURE ON EXPORT POLICY

● Mr. HEINZ. Mr. President, the staggering imbalance in our trade account, the resultant sharp decline in the value of the dollar abroad, and the negative impact, including higher inflation, these developments have had on our economy and the world economy have been well publicized. Yet, with American jobs and standards of living at stake, our political and economic influence abroad at stake, and the health of international trade and the world economy at stake, the administration has failed to face up to the trade crisis and take positive steps to overcome it. I would like to call to the attention of my colleagues a recent article from Government Executive entitled "Why Won't Government Face the Crisis" which addresses this matter and points out the bureaucratic inertia that has plagued the administration. I ask that it be printed in the RECORD.

The article follows:

[From Government Executive, Sept. 1978]

WHY WON'T GOVERNMENT FACE THE CRISIS?

(By C. W. Borklund)

Sometime in mid-September—with appropriate hoopla to attract reporters and TV cameras—President James Earl Carter will announce a first-time-ever, friends say, "National Export Policy," something he decided on in mid-August.

Whatever the contents, they will be what survives from a Presidential Task Force set of, reportedly, 14 recommendations on 15 typewritten pages, submitted last June—the result, in turn, of 15 separate Government Agencies with often conflicting views deciding what should be proposed. (And they, in turn, received mountains of material, centered around a dozen key points, from export-minded U.S. industry.)

Of the final outcome, says Frank Weil, Assistant Secretary of Commerce for Industry and Trade, "There's not enough in this program. It's skinny, but it's a start." He's hoping, "in the national interest," that strong-minded advocates of vastly increased U.S. export effort "are going to say, 'This glass is half-full;' not that 'It's half empty.'"

Whether that's the reaction from export advocates will depend, in part, on what Carter has to say. "One of the purposes of the Task Force exercise," says Stan Marcuss, Commerce Department senior Deputy Assistant Secretary for Industry and Trade, "was to tell the President this is a major problem. If he and Congress decide it deserves high priority, it will receive it. And once they decide that, some tradeoff decisions become a lot easier to make."

But what the Administration does, as opposed to what it says, is going to affect industry—and separate Government Agency—attitudes a lot more. Perceptions are, in fact, the key to the whole business—whether it's White House perceptions of the problem or Congressional cnes or those of present and potential overseas corporate customers.

MISUSED TOOL

At present, in simplest terms, most people advising the President think "lackluster, indeed deteriorating, export marketing," says Marcuss, "is a significant part of today's (trade balance) deficit" leading, in turn, to a prod to inflation; a plummeting value of the dollar in world markets; a loss of U.S. jobs and decline in the American standard of living—but some of the most powerful White House advisors think it's a problem which will take care of itself.

In Congress, there is a general perception that the U.S. can affect other things in a very fundamental way through trade policy—in spite of the fact that the world landscape is coated with evidence that, if anything, withholding exports until a country "shows some movement" (a favorite State Department phrase) politically is rewarded with the opposite of what Congress or the political or military sides of the Executive was after.

And among potential U.S. industry customers around the world, the U.S. is rapidly gaining a reputation as an unreliable supplier, an image that's spreading everywhere. Recent example: the Australian government recently demanded, as part of its contract, that a U.S. electronics firm guarantee as part of its bid that it would obtain an irrevocable export license from the U.S. Government, a demand it obviously can't meet under present circumstances.

"I thought Australia was classed a friend," noted one industrialist sarcastically. Such apprehensions are welling up just about everyplace U.S. industry would like to sell something, especially since a large share of U.S. manufacturing exports are in what is generally classed as the high "technology" area.

One upshot probably, regardless of what Carter says in a few days, will be industry turning, as most of them have reluctantly concluded they must, anyway, to Congress. For one thing, said one company official, "We complain about Congress and Administrative imperception and it's all true. But the problem may be more structural.

"For 200 years, we haven't had to worry about these problems. Now we do. And there are forces at work in the country which may take a generation to restructure: Congressmen, for instance, who will win just as many votes saying, 'I did something to prevent regulations, preserve your job in the export market,' as they do now claiming, 'I'm in favor of environmental protection.'"

PUSH NEEDED

Weil has characterized the challenge of developing foreign markets as "a third frontier" (his first two being the settlement of the Western frontier and development of the huge domestic U.S. market.) His four-part program to conquer that frontier: "make exporting a high national priority, increase Federal incentives to export, remove unwarranted barrier to exports, and a commitment by business to exporting."

Adds Jim Thwaits, 3M Company President of International Operations, "Britain, Germany, Japan, to name just a few, all started with a lack of in-country self-sufficiency in raw materials. For generations, they have known that trade was essential to them as Nations."

Says another industrialist more succinctly, "In Europe, they stand around on street corners talking about trade the way we stand around on street corners talking about football games."

With bountiful raw materials in-country plus "the importation of skilled and hungry labor practically for free," says Thwaits, plus an effluent domestic market, "no wonder the U.S. became the premier world industrial power—especially when you add Yankee ingenuity and free enterprise to all those basic advantages."

But economically (not to mention politically and militarily), the U.S. is no longer self sufficient. According to Fred Bergsten, Treasury Assistant Secretary for International Affairs:

One out of every eight manufacturing jobs in the U.S. produces for export (industry says it's "one out of every five production jobs involved with exports");

One of every three U.S. corporate profit dollars comes from international activities;

"Exports now contribute more to our GNP (Gross National Product) than does private corporate investment;"

"One-fourth of our consumption of twelve of the 15 most important industrial raw materials is imported (industry says, overall, half their raw materials come from outside the country.)"

Another indicator: exports represented 12% of all agricultural, mining and manufactured goods produced in the U.S. in 1968; are double that today. Moreover, though exports accounted for only about 6.3% ($121 billion) of the GNP last year, exports of high-technology industries (chemicals, machinery, electrical equipment, transportation equipment, instruments) account for some two-thirds of total industrial exports.

That translates, for construction machinery producers, to 40% of their market, on average, coming from exports; 30% for aerospace firms; roughly a third for computer and word processing manufacturers. Sums up one industrialist, "When one considers the number of Government programs we have directed at specific, small parts of our economy or certain types of communities, it is incredible that the export sector, as a coherent bloc, is consistently ignored—is, in fact, hindered."

The result, say those same industries, is evident in the sudden sag in the U.S. balance of trade, a $31 billion deficit in 1977, according to Bergsten (though others claim it was "only" $26.7 billion) compared to a deficit of some $6 billion in 1976 and about a "plus" balance of about $4 billion in 1975 (the last largely as a result of U.S. recovery from a recession faster than most other world nations.)

CARTER'S OIL OBSESSION

With imports exceeding exports by $11.2 billion in the first quarter of 1978, Bergsten estimates the U.S. could hit an all-time low in 1978 exceeding the record set in 1977. Carter has claimed the root cause is an unchecked rise in oil imports; promised the Bonn Economic Summit meeting, that, according to the State Department, the U.S. will undertake "to have in place by the end of 1978 a comprehensive framework for reducing American dependence on imported oil by as much as 2.5 million barrels per day by 1985."

He also has used that oil import argument to push in Congress his proposal for a big jump in the Federal tax on auto "gas guzzlers." But, says Thwaits, "There's nothing wrong with importing $45 billion (last year's U.S. purchase) of oil—if you have the exports to pay for it."

Moreover, says FMC Chief Executive Robert Malott, "This country's worsening export posture has largely been obscured by the Administration's fixation with the so-called 'oil-caused trade deficit.' *The fact is,* (his emphasis) oil is *not* the primary culprit. More than half of last year's unprecedented trade deficit increase can be attributeed directly to the decline in U.S. manufacturing and agricultural trade.'

Japan and Germany, he points out, import nearly all their oil, "but somehow manage to post trade surpluses year in and year out." By contrast, U.S. market share of all manufactured-goods exports has dropped from 27.7% in 1958 to 19.8% in 1977, according to Thwaits.

Put another way, says the Machinery and Allied Products Institute, while high-technology exports have grown since 1965 more than twice as fast as in the previous decade (not discounted for inflation), all nonagricultural manufactured products have grown more than five times as fast in exports as prior to 1965.

"Evidently," they add, "the high-technology group has not expanded exports as much as is possible and in step with its performance in (domestic) economic areas since the mid-1960's." And those industries put the bulk of the blame on Government, partly for its attitude, largely for the mounting pile of "disincentives" to export that have built up over the years.

Of the "attitude," says George Plipp, head of the Industry advisory committee to the U.S. GATT (General Agreement on Tariffs and Trade) team in Geneva, "People who don't know anything about technology keep talking about our superiority. We who work and fight with it all the time aren't impressed with our alleged superiority at all."

Most export-conscious industrialists echo some variation of that theme. Overseas competitors, they say, including for third country sales, are tough; "have as much saleable technology as we do." and "even where it's not quite as good, it'll do the job and it frequently comes cheaper."

LASTING WOUNDS

In short, the myth circulating in some high Government circles that "If they can't buy from us, they won't buy at all" is highly questionable—as constantly rising high-technology exports from Japan and Europe attest. Nor do many of these policy setters, the comparatively new ones in the Executive branch and most older ones in Congress, realize, evidently, that this is not a light switch they can turn off if it doesn't work after a few years of trial.

Best examples that a sale, once lost, can mean a whole market lost for upwards of 20 years or more are in aviation and nuclear power for obvious customer long-term investment reasons. But the same holds, though to a lesser extent, for other high-technology products as well.

And, say industry critics, the general thrust of an accumulation of export deterrants has been to encourage an already "aggressive and formidable foreign production and sales force; force customers and competitors alike to develop, at terrible cost sometimes, their own technology. Government is, in effect, creating our own competition all over the world. We're losing our edge in our once-traditional area of dominance—advanced technology."

Adds Thwaits, "A lot of our problem is a lack of a national perception that to be successful overseas you have to deliver the same product factors as domestic success requires: cost, quality, service, product utility and reliability. You have got to be a reliable, predictable supplier."

Government interface with that, industry almost unanimously agrees, mucks it up. Says Ingersoll-Rand Chairman William Wearly, "Even a 'hands off' policy would be better than the Government's present negative actions affecting exports."

Texas Senator Lloyd Bentsen has noted: "Foreign economic policy in the U.S. is shaped not systematically, but almost by accident. It is a least common denominator, worked out, as some have so ably put, by a kind of guerrilla warfare among the Departments of State, Treasury, Agriculture, the Federal Reserve Board and a whole host of other branch Agencies."

Nor is it a "free lunch." Nuclear energy experts claim they've lost 14 projects, valued at $10 billion in exports (1977 dollars) over the past four years with Government "uncertainties and decision delays" responsible for all but one of the losses; estimate that $20 billion worth of business could be obtained by U.S. firms over the next five years—"if Government were in a position to support private industry export efforts with competitive financing." That also "presumes U.S. suppliers would be under no more stringent export regulations than foreign suppliers."

For much the same reasons, commercial airplane makers, whose share of world markets has fallen from about 95 percent down to 80 percent in recent years, according to the Aerospace Industries Association, "hopes it can still hold onto that 80 percent by 1985 in spite of Government regulations." And manufacturers of small-sized computers have begun to think hard about staying in the export market since they've discovered it's costing them some $10,000 in Government-imposed paperwork to get an export license for a $30–$40,000 system.

Only a few companies really have to export, those whose products for one reason or another (such as high research and development costs) require production volumes or market sizes even the U.S. can not accommodate; or those whose domestic position would be threatened by foreign competitors if they did not take the fight to them either in their home or in third-country markets.

And there are a handful of fortunate companies whose products enjoy unique price, quality, design or reputation values. "They enjoy exporting," said one industrialist, "and can, in most cases, override almost any Government obstacle to exporting—save perhaps lack of a required export license."

DIFFERENT SWARM

For most companies, however, it's a discretionary challenge, one they can face if it will produce additional profit or "safely neglect without mortal injury to the corporation." Sometime back, Commerce did a study—before exporting through the Government maze "was not nearly so difficult and capricious an outfit as it is now," says one industrialist.

Tracking mainly new exporters, they found that within a year or two, half of them had stopped exporting—not necessarily as a clean abrupt decision but often simply cutting back on number of contract bids put out, reverting to an agent (who also may handle 20 other companies) rather than having their own overseas people.

"It goes without saying," notes one industrialist, "that sending out fewer salesmen and quotations results in lower sales figures and employment levels." ●

CIVIL SERVICE REFORM ACT

● Mr. BAYH. Mr. President, I feel it important that I once again voice my support for S. 2640, the Civil Service Reform Act of 1978. I enthusiastically supported this legislation when it passed the Senate because I think it is important for us to find every way humanly possible to make our governmental service more efficient and effective. I think it is possible for us to build on the strengths and the dedication of the many hard working public servants, to award merit, and at the same time, remove those who have not performed well from public service.

I think that the administration as well as the Congress are to be commended for taking on this long overdue task. As you know, the Civil Service Commission was established with the passage of the Pendleton Act in 1883. Since that time, the total civilian work force in the Federal Government has increased from approximately 131,000 to almost 2.9 million people. I believe that this new legislation will improve the management and efficiency of the Federal work force, and make it more responsive to the American people.

Among the provisions that I feel are important are: Performance evaluation. Agencies would be required to develop performance standards and job descriptions and communicate them to their employees. Based on these guidelines, em-

ployees with unacceptable performance could be demoted, discharged, or reduced in grade. I would like to stress that this provision should not be viewed negatively. It should be looked upon as one way to improve performance and assure that all Government employees exert a maximum effort in whatever job they are doing.

A second provision that should go a long way toward improving senior level performance is the new senior executive service. The senior executive service would be made up of managers in GS–16 through GS–18 positions. Individuals appointed to career senior executive service positions would have to serve a 1-year probationary period before acquiring tenure. They could be removed at any time for "less than fully successful performance." If a career employee is removed from the senior executive service during the probationary period, he or she would be entitled to positions outside the senior executive service at GS–15 or equivalent and at a rate of pay equal to their previous position.

One other attractive incentive feature is the awards system. Individual agencies will be able to recommend appointees for meritorious executive and distinguished executive awards. Meritorious executive awards would consist of one-time cash payments of $2,500 which could not be made to more than 5 percent of the senior executive service appointees. The performance awards could be as high as 20 percent of an individual's salary and could be awarded to up to half of the senior executives in an agency. If the performance in that agency was extremely good. There will also be a merit pay system for all supervisory or management positions at grades GS–13 through GS–15. Merit pay raises would replace annual raises, but cost-of-living increases would continue.

Finally, in order to protect Federal employees from partisan politics, the act sets forth the merit system principles. It abolishes the Civil Service Commission, replacing it with a Merit Systems Protection Board (MSPB) to handle employee appeals and an Office for Personnel Management (OPM) for administration.

The MSPB would investigate and rule on alleged prohibited personnel practices; that is, violations of the merit system. The board would be bipartisan, composed by three members appointed by the President and confirmed by the Senate. Also, a special counsel would be appointed by the President and confirmed by the Senate, and would be independent of the board's supervision. Both the MSPB members and the special counsel would be appointed to 7 year terms and could only be removed by the President for misconduct, inefficiency, neglect of duty or malfeasance. The MSPB and the special counsel would be empowered to assure that partisan politics is eliminated from the civil service reform.

Mr. President, I am concerned about one feature of this bill and feel compelled to call it to the Senate's attention. The language in the Senate bill differs from the House version regarding the Equal Employment Opportunity Commission (EEOC) jurisdiction in the adjudication of discrimination cases. In the Senate version EEOC must share jurisdiction with the MSPB. It is necessary that the difference be closely examined in conference and that the House language be viewed as the better approach to this problem.

I point out that under the plan supported and originally submitted by the Carter administration, along with the majority of civil rights organizations, the discrimination complaints should be handled by the EEOC. I do not think that any Member of this body wants civil service reform to be viewed as an effort to short cut or lessen our efforts to wipe out the last vestiges of discrimination in public service.

In conclusion, let me say that if the Senate conferees will agree to accept the House language in regards to adjudication discrimination of cases, then this bill will go a long way toward achieving equity and fairness as well as improving the efficiency of our Federal Government.●

THE NEED FOR ANTIDUMPING REFORM

● Mr. HEINZ. Mr. President, I would like to bring to the attention of Senators testimony delivered yesterday by Robert H. Mundheim, General Counsel of the Treasury Department, before the Subcommittee on Trade of the House Ways and Means Committee.

The purpose of the hearing was oversight over the Antidumping Act of 1921, and the Treasury's administration of the increasing number of cases under the act. In his testimony Mr. Mundheim confirmed what many of us have known for some time—that the law is not working well and that Treasury is swamped with paperwork in trying to enforce it.

Mr. Mundheim offers some thoughtful explanations for the Treasury's problems, but of the greatest interest were his proposed solutions. As the author of the Trade Procedures Reform Act (S. 2317), I was particularly pleased to see that Mr. Mundheim adopted one of our ideas in his list of suggestions. He pointed out, quite accurately, that the present act is no deterrent to dumping because there is no effective penalty assessed against the importer upon a finding of dumping. Mr. Mundheim proposed to remedy this deficiency by requiring importers to deposit full estimated dumping duties at the time of entry, instead of posting a bond, the actual cost of which is only a fraction of its value. This proposal is very similar to what many of us sponsored in S. 2317. I commend Mr. Mundheim for his implicit endorsement of our approach—which represents, incidentally, considerable progress in Treasury Department thinking in the last 9 months—and hope that he might now see fit to support the other provisions of our bill.

Mr. President, I ask that Mr. Mundheim's statement be printed in the RECORD.

The statement follows:

STATEMENT OF THE HONORABLE ROBERT H. MUNDHEIM

Mr. Chairman, Commissioner Chasen and I welcome this opportunity to appear before this committee to discuss the Treasury Department experience with the assessment of duties pursuant to findings of dumping under the Antidumping Act. Both of us have now had a year of experience with the assessment procedures, and believe we have gained some insight into the strengths and weaknesses of the process. We would like to share some of that experience with you, focusing on the procedures through which the Act is now being administered and the implications that general trends in U.S. international trade and other factors may have for the future.

The major purpose of the Antidumping Act is to stop dumping by depriving those who dump of the competitive advantages that they are seeking. The most common of those competitive advantages are relatively short-run phenomena. A manufacturer may be attempting to establish or expand its share of a U.S. market, or it may be attempting to minimize short-run losses by selling products in the U.S. market below their full costs of production. A credible antidumping program must accordingly promise a relatively swift and sure neutralization of such efforts. The Antidumping Act accomplishes that goal by raising the importer's cost back to what it would have been without the dumping by imposing a special duty on the merchandise.

If the Antidumping Act is administered quickly and effectively, foreign manufacturers will see the futility of continued dumping and adjust their prices to eliminate margins. As a result, the amount of dumping duty assessed will be minimal.

Of course this relatively undramatic result takes some of the luster from an agency's enforcement effort. It is natural to measure success by the duties collected, rather than by the unknown amount of dumping deterred. If unresisted, such pressures lead an administrator to shift enforcement dollars toward those types of activities that yield more visible results and a measurable monetary return on expenditures.

On the other hand, if the antidumping duties are not collected promptly, the foreign manufacturer may believe that it can achieve the short-run objectives I have described. While it may have to contend with disgruntled importers at some later date when antidumping duties are assessed, that may seem a cheap price to pay for the substantial short-term advantages. Worse, if assessment and collection of duties continue to be long delayed, foreign manufacturers and importers may begin to entertain serious doubts about whether any duties will be collected at all.

While I do not think that our enforcement system has lost its creditability, I am compelled to report that we have much work to do to restore it to a high level. As this committee well knows, in one major case, involving television receivers from Japan, we are more than five years behind in assessing dumping duties, and more than six years in collecting them.

The problem is more severe than a review of individual case backlogs will reveal. The antidumping program is growing, and growing at an increasing rate. When the Trade Act of 1974 became effective, early in 1975, Customs was investigating, administering, or monitoring, approximately 75 cases. By July of 1978, that number was up to 129, an increase of 72 percent. The rate at which new cases are being filed has almost tripled since 1976, to over 40 per year (see annex). Customs is currently charged with maintaining ongoing lists of dumping duties on numerous grades, types, and models of products of each of 450 manufacturers. Every model re-

vision and price change must be reflected on those lists.

Moreover, our assessment of the future of the Nation's international trade patterns leads us to believe that Customs' antidumping responsibilities are going to become more complex and demanding at a far faster rate than the growth of its case load indicates. For one thing, U.S. imports are shifting toward finished consumer products and technologically complex manufactured goods. Computation of dumping duties on such goods requires much more time and resources than did the calculation of dumping duties on the simpler goods that they are displacing. Consumer goods such as television receivers, commonly have myriad minor differences aimed at exploiting taste preferences within a particular market. Similarly, sophisticated equipment like large power transformers commonly differ in many respects simply because they are custom built from extremely complex arrangements of parts. At present, Customs adjusts for each of these cost and marketing differences, often down to the penny.

A second factor relates to the increasing importance of multinational business complexes in U.S. trade. Some increased workload results because these organizations engage in production techniques which include shipping unfinished goods among affiliates in different countries for further work. But the far more significant difficulty that the multi-national business complex presents stems from the frequent export of goods to the United States through one or more related U.S. importers. This requires that we accumulate and verify data through the more complicated procedures that must be used to avoid relying on prices that are not the result of arms'-length bargaining.

U.S. trade is also beginning to include products from countries with state-controlled economies. Under the provisions of section 205(c)(1) of the Antidumping Act, we are required to substitute data from companies in a free market country, which may have no interest in the matter, for the sales and cost information that we would normally obtain from the exporter.

A fourth factor in complicating Customs' task relates to the increasing reliance in dumping petitions on allegations that foreign manufacturers have been selling products below their costs of production. Under the provisions of section 205(b) of the Trade Act of 1974, we are required to exclude such sales from our determination of home market prices. The theoretical and computational problems involved in making "cost of production" determinations can be enormous. Customs is asked to accomplish this task across cultural barriers, for commodities such as carbon steel plate which comes in at least twelve gauges and sizes and is but one of a thousand varieties of steel produced by a manufacturer, which happens to produce many other products besides steel. I need not belabor the difficulty of finding the full cost of one such product, particularly when some of the manufacturers with which we deal do business in economies that lack the recordkeeping sophistication that we and a handful of our trading partners have developed.

In short, Customs' dumping duty assessment program is now beset with large and growing backlogs; faces an accelerating expansion in numbers of new cases; and faces larger and more complex problems within each case as a result of shifts in our trade patterns. In the light of that background, you will understand why elimination of the backlog and bringing the assessment program to a current status cannot be accomplished easily or quickly.

We have tried to find ways to deal with these problems. We responded to the allegations of massive dumping of steel in the United States by instituting a trigger price mechanism under the Antidumping Act. When we concluded that incomplete and unreliable data was delaying the Japanese television case, we moved toward alternative sources for the necessary information.

But in taking these innovative steps, we have discovered that we must take account of another increased burden: the virtual certainty that we will be forced to defend each new approach in litigation. You know that we were successful in defending the trigger price mechanism in the District Court. However, Court tests of our ideas divert substantial resources to battles that do not increase the number of master lists prepared or decrease the backlogs that we face.

I would now like to share with you a number of ideas that we are considering for improving our efforts. We have identified three important systemic problems in our current administration of the Act's provisions on assessment of duties, and we are moving to develop techniques for eliminating or controlling them.

First, our procedures are not well designed to motivate importers—and, through them, foreign manufacturers—to move promptly to comply with our requests for complete, reliable, and responsive information.

Second, we need to improve our methods for handling the increasing amounts of data that we are required to process as imports become individually more sophisticated and collectively more varied.

Third, we need to develop special duty assessment procedures to take realistic account of the fact that antidumping cases differ from the ordinary Customs' process. Our need for comparative economic data effectively injects the manufacturer as an additional participant in the antidumping assessment process, despite the fact that the interests of the manufacturer and the importer are generally aligned. The result, at the moment, is that these parties obtain two, redundant opportunities to submit evidence during the administrative process, and then a third opportunity when the importer exercises its right to a trial *de novo* in the Customs Court.

We have the authority to take a number of important steps toward correction of these problems. I would like to describe what we are doing, or planning to do, in each of those areas.

SECURING THE FULL COOPERATION OF THE IMPORTER AND THE FOREIGN MANUFACTURER

The first problem that I mentioned is the importers' and manufacturers' lack of incentive to move promptly to provide Customs with complete, reliable, and responsive information. We are now considering action on two fronts to revise our procedures so that those parties will perceive that it is in their own interest to cooperate fully.

First, it appears that a significant disincentive to prompt, willing cooperation today is the importer's ability to retain and make interest-free use of the potential duties during the pendency of the assessment process. Delay in assessment and collection reduces the effective cost for which the importer is ultimately liable.

We believe that we have the authority to remedy this situation, by requiring that the importer deposit estimated dumping duties on its merchandise at the time of entry. We are now preparing proposed regulations for public comment that would require that estimated dumping duties be deposited beginning when a finding of dumping is published. While we will not propose to require such deposits prior to that formal publication, or to foreclose equitable relief when exigent circumstances can be shown, the proposed regulations will otherwise cover all entering merchandise subject to a dumping finding.

This approach should reverse present incentives. Importers and manufacturers will want to submit information speedily. They will want to provide it in a format which facilitates Customs' analysis of it. In that way, they will speed the day when any overpayment of the duties can be returned.

The other way in which we propose to alter the current procedures to eliminate the incentives to delay is to establish and publicize a uniform administrative practice of resorting to the "best available information" when an importer or exporter fails to respond to our requests for data in a timely and complete fashion. That policy is currently articulated in our regulations, but is not enforced in practice with sufficient vigor to produce convincing results. Much of the difficulty involved in the television case, for example, related to late, incomplete, and defective submissions of information by the manufacturers.

We believe that this approach is fully justified, so long as fair response periods are set and Customs' questionnaires are reasonably clear and precise. The Commissioner intends to ensure that those standards are met.

Together, these revisions in our current practices should go some way to alleviate our problems with the manufacturers' and importers' responsiveness. We, in turn, plan to take measures, including staff realignment, to enable us to process that information promptly upon its receipt, determine the dumping duties owed, and make any necessary refunds or supplemental collections.

IMPROVING INFORMATION PROCESSING TECHNIQUES

The second problem that I identified relates to the growing amount of data that Customs is receiving as a result of changes in merchandise, and changes in marketing practices. In order to cope with these changes, we are evaluating whether we can improve our ability to use data selectively in two respects.

First, we are considering the feasibility of revising our practice of making dumping findings on a country-by-country basis, and then performing detailed dumping margin calculations on the merchandise of every manufacturer within that political unit. We have the authority to be more flexible, and we believe that dumping may be more efficiently attacked by a judicious exercise of that flexibility.

One way in which we can use that flexibility is to focus our resources on fewer manufacturers. This type of selectivity might be useful, for example, in the case of roller chain from Japan, in which Customs is maintaining master dumping duty lists on approximately 93 manufacturers and exporters, despite the fact that during the less-than-fair-value investigation, Customs determined that over 80 percent of the imports into the U.S. originated with only five of those companies.

There are several ways in which we could proceed with this approach. We already limit our investigation at the less-than-fair-value stage to the larger manufacturers (with the limitation that we cover manufacturers accounting for at least 60 percent of the exports to the U.S.). We might also narrow the scope of the dumping finding, focusing on those manufacturers that export the largest volumes of merchandise to the United States.

On the other hand, that appproach has limitations that we will have to consider rather carefully. Evasion, through resale in the home market, is one difficulty, because adding a company to the dumping finding would require completion of an entirely new investigation by both Treasury and the ITC. A similar problem would arise if an excluded manufacturer began to expand its U.S. market for other reasons.

These problems suggest the advisability of exploring another alternative: the development of a more sophisticated way of making and modifying our dumping findings. We

may, for example, consider whether, in addition to modifying or revoking a finding to exclude a manufacturer, as our regulations now provide, we might conditionally suspend application of it to relatively insignificant exporters. That type of revision might provide us both the ability to concentrate our enforcement efforts where the problems lie, and the flexibility to monitor the rest of the manufacturers subject to a finding and move promptly to correct any problems.

The other way in which we are considering attempting to deal with the profusion of data that we are encountering relates to the calculation process itself. The direct consequence of increases in the complexity of both a product and the marketing system through which it moves is an increase in the number of adjustments we are asked to make. The report of the General Accounting Office that you have recently received documents some of the complexity and detail of the adjustments that Customs makes.

I am persuaded that the Antidumping Act will be far more effective if we can develop methods for fairly avoiding expenditure of resources on the numerous minute claims that are presented. This is a difficult area, however, because whether an adjustment is of significant size depends in large part on whether Customs requires that the manufacturer subdivide its claims and justify them in more detail.

One approach that we have been considering would involve the establishment of broad categories of adjustments, into which individual claims would be presumptively placed. Then, unless the claims within a general category reached some threshold size, we might disallow them.

Another approach would involve increased reliance upon techniques of sampling and averaging to avoid processing all of cerain classes of data. Customs does some of that now when it allocates advertising or warranty costs among products subject to a dumping finding. (There is no reason that a manufacturer's efforts to differentiate its products from others in order to appeal to consumer preferences should inexorably require further investigation and computation by the Customs Service.)

ELIMINATING REDUNDANT PROCEEDINGS

The third problem that I mentioned relates to the unique nature of the duty assessment process in the dumping area. Unlike the ordinary assessment, the amount of a dumping assessment depends on information about the home market activities of the manufacturer of the product—information that is known in detail only within that company. Before it can assess dumping duties, Customs must either obtain that information or develop appropriate substitute data.

The result of this process is that the manufacturer and the importer, who have both an identity of interest on the question of the amount of dumping duty owed and only a single source of relevant information between them, are now getting three separate chances to make their case on assessment. That is, they have three completely separate opportunities not only to argue the merits of their case, but also three opportunities to submit evidence. The first occurs when we ask the manufacturer for data and, perhaps inevitably, become involved in the process of defining our terms and arguing about relevance. The second occurs when the importer protests the assessment, and submits supporting evidence. The third occurs when the importer goes to the Customs Court to challenge our denial of its protest and submits evidence in a trial *de novo*.

We think that sensible administration counsels that we move as far as we can toward the concept of a single administrative proceeding, in which, absent persuasive evidence of excusable neglect or surprise, there is only one opportunity to submit evidence. Such a process would not only eliminate duplication of effort, it would also preclude tactical manipulation of the process through such actions as holding evidence in reserve in the hope that the resulting ambiguity may be resolved favorably to the importer.

We believe that the sensible way to move toward such a unitary system at this time is to press to have the information presented fully and completely at the first opportunity—when the information is being gathered for purposes of assessment. In support of this approach we may be able to move toward more systematic efforts to include the importer at that stage, coupled with tighter restrictions on what may be added to that body of information during the subsequent protest process.

Our suggestion relates to elimination of redundancies in the administrative process, and does not address the question of duplication of effort between the administrative system and the Customs Court. We would like to gather some experience with that approach before addressing the appropriate jurisdiction of the Customs Court.●

REASON FOR LONE VOTE AGAINST REHABILITATION ACT

Mr. PROXMIRE. Mr. President, earlier yesterday, I reluctantly cast my vote against final passage of S. 2600, the Rehabilitation Act amendments. The bill passed the Senate 82 to 1. I was the one.

I say "reluctantly" because this bill seeks to meet the pressing needs of one of the most important segments of our society, the handicapped. For far too long they have been the "forgotten Americans," whose disabilities made us uncomfortable and were, therefore, shunted into the background.

Mr. President, I can think of no group of Americans more worthy of our support.

These are Americans who are not asking for a handout. They are not asking for charity. They are asking for a chance to become productive and useful members of our society. And I think we owe them that opportunity.

Why then did I vote against final passage?

Essentially, because I was not convinced that this legislation represented the best vehicle for meeting these needs.

There are three specific concerns I had with this bill.

First, the authorization levels in this legislation are too high; the bill is attempting to move too fast.

The managers of the bill are to be congratulated for amending the bill on the floor to limit the reauthorization period to 3 years and reduce the funding levels by nearly $500 million. This was a step in the right direction and I salute them.

But the fact of the matter is that this bill is still approximately $200 million over the President's request, thereby inviting a Presidential veto which Mr. Carter has threatened. This would leave us in the worst possible situation—no bill at all.

Mr. President, the veto threat is not my only concern. That increased funding is for specific programs which are simply not well thought out.

Let me just cite one example.

There is a program known as "independent living projects"—a program designed to help the severely handicapped achieve self-care, communication, learning, mobility and eventually, gainful employment. There has been a successful experiment in Houston and the administration was encouraged enough by early reports to ask for $2 million in funds for a demonstration project.

What does this bill do? It does not merely add to the President's request. It sets up a full-blown $90 million State grant program, even before the concept has been adequately tested.

Does it aid the handicapped to turn every potentially useful new program into a massive new grant program?

I think not.

We need first to review these concepts with demonstration projects in order to be confident of their widespread applicability.

My second concern is the duplication that this bill entails.

As originally introduced, S. 2600 proposed the initiation of a new comprehensive services program for the severely handicapped, which would encompass and replace the existing developmental disabilities program. Senator RANDOLPH's rationale was that the development disabilities program was essentially a limited program, meeting a small number of problems, that could be phased out as we expand coverage under the comprehensive services program.

Needless to say, the supporters of developmental disabilities programs—and they are legion—protested this amalgamation. The Developmental Disabilities Council in Wisconsin—which has an excellent track record, I might note—shared these concerns.

But instead of resolving this dilemma, what did this bill do? It both extended the developmental disabilities program and created the new comprehensive services program.

We now have two programs instead of one.

In plain English that means two planning networks, two sets of State councils, two sets of advocacy groups, two bureaucratic delivery systems—attempting to meet the needs of essentially the same population group.

Does this help meet the needs of our handicapped citizens?

I think not.

Does this channel funds where they belong—in program delivery?

I think not.

It forces us to exceed the President's budget request with a large proportion of the add-on going to build duplicative new bureaucratic empires.

Third, this bill continues the trend toward proliferation of small categorical programs. This is an important point. One which I made several weeks ago in discussing the Elementary and Secondary Education bill.

Small categorical programs too often serve only one purpose: To placate specific constituencies, which lobby extremely hard for their cause. They do not give us the flexibility for shifting program funds where they are most needed.

The Department of Health, Education, and Welfare has strongly argued that the specific categorical programs listed in this bill, while meritorious, could all be handled more efficiently and effectively under the broad special projects authority that currently exists.

In closing, Mr. President, I simply want to repeat that this was not an easy vote to cast.

The committee and the Senate have labored mightily over this legislation but I am afraid its design is riddled like Swiss cheese and its implementation, as currently written, will be a nightmare of a Rube Goldberg design.

I only hope that the House and Senate conferees will take a good, hard look at this bill and make the necessary, radical changes, necessary so that it can achieve its true potential.●

THE GENOCIDE CONVENTION: WHY WAIT ANY LONGER?

Mr. PROXMIRE. Mr. President, in 1949 when the Genocide Convention was first submitted to the Senate, President Truman in his message of transmittal, made the following statement:

By the leading part the United States has taken in the United Nations in producing an effective international legal instrument outlawing the world-shocking crime of genocide, we have established before the world our firm and clear policy toward that crime.

Mr. President, in 1949 that treaty was signed, and now 1978—almost 30 years later—genocide remains a real problem.

I as how firm and clear our policy really is. Flagrant violations of human rights continue throughout the world: in Nicaragua, Cambodia, Rhodesia, South Africa, and many other nations. Yet the Senate continues to delay.

What have we gained during this 30 year period?

What is it that we can expect to gain?

Not only is this delay undermining Presidential policy of promoting human rights, but it is also a continuing diplomatic embarrassment. How can we deplore genocidal atrocities without being labelled hypocrities? The simple answer is that we cannot.

By our inaction we are comforting our enemies and confusing our allies. Do we want to give perpetrators of human rights violations the opportunity to gloat over our indecision? I think not.

Mr. President, what could be more important to man than time, and the right to live? Through our failure over the last 30 years to ratify the Genocide Convention, we have wasted both.

Are we going to wait until history repeats itself? Can we afford that luxury?

I think not.

President Truman challenged the Senate to "establish before the world our firm and clear policy * * *" toward genocide. Is it not time to meet that challenge, by ratifying the Genocide Convention?

CAMBODIA

Mr. THURMOND. Mr. President, Lon Nol, the former leader of Cambodia, has visited Washington in an effort to persuade the Government and the Congress to take a greater interest in the terrible afflictions being imposed on the Cambodian people.

As the last Member of Congress to visit Cambodia before its fall to Communist forces, I will never forget the valiant struggle of these humble and gentle people. I visited their refugee camps on the outskirts of Phnom Penh and witnessed the tragedy that was falling on this nation.

Mr. President, I have communicated with President Carter to take a more active role in bringing to the attention of the world the annihilation of hundreds of thousands of Cambodian people. In my viewpoint, little has been done either by the Congress or the administration. If we have any concern at all for the human rights of people, then here is a country that could and should be helped.

I ask unanimous consent that an article entitled "Lon Nol Pleads for Cambodia Help" which appeared in the Washington Post, September 22, 1978, be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. THURMOND. Mr. President, I wish to also call the Senate's attention to an article which appeared in the Baltimore Sun, September 14, 1978, entitled "Hanoi Appears To Plan Invasion To Bring Down Cambodia Regime" and ask unanimous consent that it be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

EXHIBIT 1

[From the Washington Post, Sept. 22, 1978]

LON NOL PLEADS FOR CAMBODIA HELP

(By Elizabeth Becker)

Lon Nol, the partially paralyzed former ruler of Cambodia, came to the lawns of his nation's deserted embassy here yesterday to ask for international support in evicting from the United Nations the current Cambodian communist leaders, whom he described as murderers.

It was the first public foray for the 64-year-old military commander, who has been living in seclusion at a plush home in the Honolulu suburbs since the communists defeated his army in 1975. His speech was faltering, broken at times by sobs, as he made what American officials described as a hopeless plea.

Barely able to hold the prepared speech in his one useful hand, Lon Nol asked "all nations, in the name of God and every group who has also been a victim of genocide—the Jews, the Armenians, the Irish and our brothers and sisters in the Third World—to help us."

Since the communist government of Democratic Kampucheat was established, an estimated 1 million people have been executed or have died of starvation because of the policies of the new regime.

Straying from his text, Lon Nol said he has not been able to sleep, since he is the man generally blamed for the communist victory. "Everyone has accused and condemned me for this," he said.

He still claims to be the only legitimate leader of the Cambodian people, a statement few U.S. officials are eager to accept. During his short visit here Lon Nol has found only one open ally in his campaign to challenge the U.N. credentials of Democratic Kampuchea and procure them for his deposed government, the Khmer Republic.

Rep. Robert K. Dornan (R-Calif.) appeared beside Lon Nol at his press conference, adding his pledge to "take steps . . . to take away the credentials of those barbarians who represent Cambodia."

Other officials found the presence of the former leader, whose side lost the war in spite of millions of dollars in U.S. aid, something of an embarrassment. Rep. Stephen J. Solarz (D-N.Y.) one of the most vocal opponents of the Cambodian communists in Congress, met with Lon Nol, but refused to be a part of his quest.

"I told him I did not want to appear indifferent to the tragedy of the Cambodian people, but there is the widespread feeling that the Khmer communists didn't win the war, his government lost it," Solarz said.

Sen. George McGovern (D-S.D.) also received a courtesy call from Lon Nol. Throughout the 15-minute meeting yesterday afternoon, McGovern only nodded as the Cambodian outlined his plans and thanked the senator for calling for military intervention against the communist regime.

Earlier this week a delegation of Lon Nol supporters visited the offices of U.S. Ambassador Andrew Young at the United Nations and were told that, despite American sympathies with the plight of the Cambodians, the United States could not sponsor an effort to take away the current regime's credentials.

Since Lon Nol overthrew Prince Norodom Sihanouk in a 1970 coup, the Cambodian seat at the United Nations has been challenged twice. In 1973 and 1974 Sihanouk, then titular leader of the communist government in exile, came close—once within two votes—to a successful challenge to the government of Lon Nol.

EXHIBIT 2

[From the Baltimore Sun, Sept. 14, 1978]

HANOI APPEARS TO PLAN INVASION TO BRING DOWN CAMBODIA REGIME

(By Michael Parks)

HONG KONG.—Vietnam appears to be preparing a major new offensive against Cambodia, hoping to bring down the present regime in Phnom Penh and deal a major blow to China in the process.

Hanoi is significantly strengthening its forces, now estimated at 120,000 men, in the border region, according to intelligence sources here, who note that this is at least 25 percent more than Vietnam had in December, when it launched its original invasion.

Two infantry divisions have been transferred recently from the north to the border area, according to new intelligence reports, and vast amounts of ammunition, fuel and other supplies are being stockpiled.

Vietnamese forces inside Cambodia, now numbering about 10,000, have been enlarging their enclave in what analysts see as a move to provide a forward base for the new offensive.

Vietnamese troops recently occupied the rubber plantation town of Krek, an important crossroads about 10 miles across the border. The Vietnamese enclave, about 10 to 15 miles deep, now stretches about 50 miles along the border northwest of Ho Chi Minh City (formerly Saigon).

Vietnam is likely to launch the offensive in about six weeks, when the monsoon rains end and Hanoi can deploy its armored units and air power fully, according to analysts here.

Despite bad flying weather, the Vietnamese Air Force, using both its American and Soviet-made fighter-bombers, continues to

strike at Cambodian ground troops, keeping them dispersed and preventing any sizable counterattack on the Vietnamese units inside Cambodia.

The steady Vietnamese pressure has forced the Cambodian Army to move back to guerrilla tactics in many areas, according to intelligence reports. Despite heavy losses over the summer, it has remained essentially intact, sources here said, and reinforcements have been brought from western provinces to the front with Vietnam.

To put counter-pressure on Vietnam, Cambodian forces have increased their shelling of Vietnamese border villages and have stepped up their cross-border raids, according to reports from Hanoi. The Vietnamese Army newspaper Quan Doi Nhan said yesterday that civilian and military casualties had risen since the beginning of September.

The extensive recruitment, training and arming of Cambodian refugees, who are being formed into "patriotic forces" by Vietnam and sent back into Cambodia, has convinced most Western analysts that Hanoi intends to replace the current regime of Premier Pol Pot in Phnom Penh.

The coming Vietnamese offensive, they believe, is meant to invest what is essentially a political strategy with sufficient military momentum to insure its success.

The Phnom Penh regime is thought to be hated by most Cambodians because of its murderous purges; a number of Army units have mutinied already, and three anti-government plots have been reported among senior Army officers and political leaders.

A Cambodian Communist party worker, who led a group of more than 600 refugees into Vietnam last week, was reported by the official Vietnam news agency yesterday as saying that a growing number of anti-government guerrillas are now fighting the Army from jungle bases and are receiving increasing popular support.

Recent visitors to Hanoi have been told by Vietnamese authorities that the Pol Pot regime cannot survive much longer—"It will be swept away before the end of the year," one senior Vietnamese Communist party official said—and they have returned convinced of Vietnam's determination to replace it with a friendly government.

Such an effort will undoubtedly sharpen Vietnam's growing dispute with China, which recently promised Phnom Penh more assistance. For Peking, Cambodia is an important check on the expansion of Vietnamese—and Soviet—influence throughout Southeast Asia.

Hanoi and Moscow want to dominate the region, the official New China News Agency said in a commentary yesterday, but it said: "Socialist China constitutes a formidable barrier to the hegemonist pursuits of the Soviet Union in collusion with Vietnam."

Throughout the summer, China has rearmed and resupplied the 90,000-man Cambodian Army, just as the Soviet Union has sent Vietnam large quantities of new weapons and ammunition in a major sea and airlift. Cambodia has received light tanks, field artillery, antiaircraft guns, naval patrol boats and modern communications equipment, according to Western reports.

Several thousand Chinese advisers and technicians are now believed to be in Cambodia, many of them manning the new weapons. One Western estimate puts the total at more than 10,000, a huge increase from the few hundred there at the beginning of the year.

Vietnamese officials claim that North Koreans are also aiding the Cambodian forces, providing both pilots and field advisers. Such a large number of Chinese and Koreans manning sophisticated weapons might make the planned offensive too costly for the Vietnamese to pursue, according to some Western analysts.

HANDICAPPED PUPPETS

Mr. STAFFORD. Mr. President, yesterday the Senate gave its overwhelming approval to the Rehabilitation, Comprehensive Services and Developmental Disabilities Amendments of 1978.

That important piece of legislation is designed to continue and enhance the Federal Government's commitment to the goal of helping our Nation's handicapped men, women, and children to achieve their full potential in their lives.

But, one of the greatest barriers faced by all individuals with physcial and mental disabilities is a general misconception that a handicapped individual is unable to participate in most of the so-called normal activities enjoyed by their more fortunate fellow citizens.

This is not so, of course, for most of our less fortunate fellow citizens. But we have not been doing a very good job of educating our Nation on that point.

An exciting educational effort designed to demonstrate that handicapped individuals have much in common with their fellow citizens has been developed by an educator and a puppeteer, each from the Washington area.

Their show—featuring puppets with disabilities—has been made available to all of us. It will be held on Monday, September 25, at 3:30 p.m., in room 1202 of the Dirksen Senate Office Building.

I invite each of you and members of your staff, and friends—including youngsters—to attend this puppet show.

I think you will find it to be educational and fun, and important, as well, both to those of us who are more fortunate, as well as to those of our citizens who have disabilities.

Mr. President, I ask unanimous consent to have printed in the RECORD an article from the Washington Post that describes the puppet show that will be available to us on Monday—I repeat, at 3:30 p.m., in room 1202 of the Dirksen Senate Office Building.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

"HANDICAPPED" PUPPETS "TELL IT LIKE IT IS"

(By Bob Levey)

Reynaldo Rodriguez cuts a stunning figure in his striped turtleneck, his blue hair—and his white cane. He is blind, yes, but he is quick to point out that he can read in Braille, feed himself, even play baseball with a special buzzer-equipped ball. "I can do lots of things," Reynaldo boasts.

So can Ellen Jane Pet. She is mentally retarded, and makes no bones about admitting it. Yet she holds down a full-time job in an animal hospital.

And what about freckle-faced Mark Riley? A cerebral palsy victim, he is confined to a wheelchair, can't move his arms or legs and sometimes has trouble eating and speaking. But Mark can play checkers like a champ.

The message, of course, is that the handicapped are valuable people. But when Reynaldo, Ellen, Mark and Company deliver that message, it tends to "take" more readily than it ordinarily might.

The reason is that they are puppets, part of a troupe of three-footers designed and operated by two Washington-area women—Barbara Aiello, a 31-year-old special educator and Ingrid Crepeau, a 29-year-old professional puppeteer.

For the last four months, they and their troupe have been strutting and mugging before schools and day camps—sending forth word via a variety of skits that being handicapped is a lot less awful than it might seem to "normal" people.

At times, the results have been remarkable. One little boy in Northern Virginia, a cerebral palsy victim, had not spoken in six months. But after seeing the puppet show, he began talking animatedly to Mark Riley about their mutual disorder. Another boy, whose older brother is mentally retarded, was able to admit it in front of his friends for the first time after the friends saw Ellen Jane Pet in action.

National exposure may not be far off, either. The producers of Captain Kangaroo, a children's television program, will audition the puppet show next week.

One reason the show attracted television's attention is that the puppets are gusty. The "normal" ones do not shy from questions that many people would not have the nerve to ask a handicapped person. In addition, audiences are encouraged to ask the puppets questions after each skit.

For instance, Mark Riley has a discussion with a "normal" puppet in one of Aiello's and Crepeau's skits. One of the playmate's first questions is how Mark uses a toilet. As he replies—"I use special handrails my family has installed in the bathroom"—audiences nod in a way that suggests they were wondering exactly that.

Questions from audiences tend to be just as direct. At a performance last week before an Arlington "play camp" audience of 6-year-olds, one little girl asked Mark: "How do you play or go to school or have any fun?"

Mark, whose voice is supplied by Aiello, replied: "I can play lots of things—marbles, Monopoly, checkers." Later, the 6-year-old questioner told a friend: "Those are the games I play most of the time, too. He isn't much different from me."

"Appreciation. That's the issue," said Aiello, who hopes to sell the puppet show to schools that want to show "normal" children what handicapped children are really like.

"What we try to show is the skill a handicapped person has to have to survive in this society."

But the message "normal" children draw from the show seems to be that they should be kind to the handicapped, in addition to counting their own blessings.

Tara Laster, 6, told a fellow member of last week's Arlington audience that a blind man lives on her block. "I'm nice to him, but everyone else isn't always," she said. "I like the show because maybe people (who see it) will be nice to blind people, too."

Maureen Mallet, 7, said she had been especially struck by Mandy, a deaf puppet who wears a hearing aid in each ear. "I wouldn't ever want to have to wear those," she said. "I'm glad I know about it (deafness) now."

Such reactions are, at least in part, the result of the show's tone. While the puppets treat handicaps seriously (Reynaldo admits he is "very mad sometimes" about being blind), they are still capable of wit (Mark calls his wheelchair "my cruiser").

According to Aiello, the biggest boosters of the show are parents of the handicapped. "They're the ones who know that, in this society, there are people we're taught not to look at," she said.

Other groups have been skeptical, Aiello acknowledged. "We've run into the feeling that there's no good way to handle (the portrayal of the handicapped)," she said. "People's reactions can be scary."

But they can also be revealing. Although Aiello and Crepeau stand in full view, audiences almost always direct their questions

to the puppets. "That has to mean we're doing something right," Crepeau said.

Another indication that audiences accept the show's premise is the lack of self-conscious snickering. Although Ellen Jane Pet speaks in the slow, groping cadence of some retarded people, no one finds it funny. The same goes for Mark Riley and his lisp.

Aiello admits that no puppet show can overcome the "massive prejudice" society has against the handicapped. "But the kind of honesty we portray has had a very good effect," she said.

Just then, a group of 6-year-olds was proving her right. One by one, they were shaking Mark Riley's limp right hand.

THE AGRICULTURAL EXPORT TRADE EXPANSION ACT OF 1978

Mr. THURMOND. Mr. President, on September 8 the Senate passed S. 3447, the Agricultural Export Expansion Act of 1978. I supported S. 3447 and commend the Senate for taking this action to strengthen the U.S. economy through the expansion of agricultural exports.

Our trade deficit is running at record levels, nearly $24.4 billion in 1977, the overall trade balance is a deficit. Our agricultural exports have again kept us from running record deficits.

Mr. President, this bill seeks to improve the ability of U.S. agricultural exporters to compete in the world markets. Over the past few years, countries like Canada and Australia have aggressively pursued markets for their agricultural products. Their efforts have paid off and they have put the United States at a competitive disadvantage. S. 3447 is intended to overcome part of that disadvantageous position.

The legislation makes several improvements in our Commodity Credit Corporation credit sales program. First, it extends credit to 10 years for most U.S. exporters and extends to 3 years credit to the People's Republic of China. It permits U.S. exporters to put together deals on their own and then bring them to the U.S. Government for approval or rejection. It also upgrades agricultural "attachés" to the new position of "counselors" to improve their ability to promote U.S. agricultural exports abroad.

This legislation will be a great boost to our farmers, who produce the food and fiber that feeds and clothes not only Americans, but millions overseas. At the same time, it returns to the U.S. funds to shore up the dollar. I believe this measure is a good one and commend the Senate for approving it.

U.S. HELICOPTERS REPORTED USED TO MOVE COMMUNIST FIGHTERS INTO NICARAGUA

Mr. THURMOND. Mr. President, today I have received reports that U.S. helicopters owned by the Government of Panama are being used in Costa Rica to airlift Communist guerrillas into Nicaragua.

These helicopters were provided some time ago to the Government of Panama headed by General Omar Torrijos through the U.S. aid program. The dispatch of these helicopters for this purpose, although they are still under Panama's control and being flown by Panamanian pilots, is a violation of U.S. law.

This situation is somewhat similar to the situation on Cyprus where the military forces of Turkey used U.S. military equipment to land forces and occupy ground on Cyprus.

Mr. President, the dispatch of the helicopters to Costa Rica from Panama, is confirmed by news reports from Costa Rica. The press report states Panama is providing them to Costa Rica "for the purpose of expressing friendship with the Costa Rican people."

Mr. President, I call upon the U.S. Government and the Congress to investigate these reports to determine their accuracy. It is enough that our human rights policy in South America is driving away our friends and encouraging revolutionary groups such as the one which has brought Nicaragua to the point of near destruction. Now we may be witnessing not only moral support to these Communist-inspired guerrillas but support in the form of U.S. helicopters.

It has been further reported in the press that U.S. equipment abandoned in Vietnam has been and is being shipped to Cuba where it is being used by Cuban forces and distributed to guerrilla forces throughout South America. This is the same tactic the Communists have used decade after decade, most recently in Africa and Southeast Asia. To ignore these events now will certainly bring us greater troubles in the future.

Thus, an investigation to determine just what is taking place in Costa Rica and Nicaragua is essential to both the short-term and long-term interests of this country.

Mr. President, in closing I ask unanimous consent that a translation of a report in Spanish by Carlos Jimenez over the Costa Rican radio be printed in the RECORD at the conclusion of my remarks.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

CENTRAL AMERICA—COSTA RICA: GOVERNMENT ACCEPTS VENEZUELAN, PANAMANIAN AIR SUPPORT

The Costa Rican Government has just accepted Venezuelan President Carlos Andres Perez's offer of a Venezuelan Air Force squadron to land in our territory on a goodwill mission. This was announced by President Rodrigo Carazo.

This morning Carazo and Perez talked by telephone to reaffirm the ties of friendship and cooperation between the two countries, as stated in a communique just issued by the Costa Rican Government. The communique says that, as testimony to friendship and the spirit of cooperation, both presidents agreed that Venezuelan Foreign Minister Simon Alberto Consalvi would come to Costa Rica today for a visit that just ended a few minutes ago at the presidential residence. President Carazo discussed with Consalvi the latest developments connected with Nicaragua as well as the proposal submitted to the OAS in Washington.

The communique also says that, as proof of this spirit of cooperation and support, the Venenzuelan Government has offered to send an air force squadron to Costa Rica on a good-will mission. The squadron consists of two Canaberra bombers, two fighter-bombers and a C-123 transport.

Since ours is a law-abiding country, the executive branch has asked the Legislative Assembly for the corresponding permission for the air force squadron to land in our territory. Madrigal Nieto, president of the Legislative Assembly, and Interior Minister Juan Jose Echeverria Brealey, met at noon today to discuss legal aspects of the Venezuelan offer. Madrigal Nieto then submitted the government's request to the Legislative Assembly.

Venezuelan President Carlos Andres Perez sent a telegram to President Carazo asking our government's approval for the good-will mission to Costa Rica. President Carazo's answer was: With regard to your telegram today, I express our approval of a good-will mission by a Venezuelan Air Force squadron which will be received as guests due to the fraternal friendship that the people and Government of Costa Rica feel for your worthy country.

The Costa Rican Government also announced that four helicopters from the Panamanian Government are on their way to Costa Rica, also for the purpose of expressing friendship with the Costa Rican people. President Carazo and Panamanian Chief of Government General Torrijos have been in contact by telephone discussing matters of common interest. General Torrijos expressed his sympathy to the people and government of Costa Rica. President Carazo renewed his wish to strengthen even more our friendly ties with the Panamanian people.

This is, in summary, the communique just released by the presidential residence on Venezuelan and Panamanian aircraft which could be arriving here at any moment. Interior Minister Echeverria, when asked about Panamanian volunteers offering their services unconditionally to the Government of Costa Rica to prevent or repulse any attack against our sovereignty and airspace, said that any good-will mission was welcome by Costa Rica.

SENATOR RANDOLPH'S ROLE IN LEGISLATION FOR THE HANDICAPPED

Mr. ROBERT C. BYRD. Mr. President, since the Subcommittee on the Handicapped of the Human Resources Committee was created in 1972, my distinguished colleague, the senior Senator from West Virginia (Mr. RANDOLPH) has served as its chairman. Under his able leadership, the subcommittee has produced significant pieces of legislation advancing educational and employment opportunities for the handicapped.

In America today, there are approximately 35 million handicapped people; 10 million of these are considered severely handicapped. Of the severely handicapped, nearly 2.8 million are developmentally disabled. Many handicapped people are able and very willing to participate in the activities available to all of us, which we take so much for granted: the opportunities to work, to interact socially, to move about independently, to pursue recreational interests, to contribute productively to our society.

The primary objective of Federal assistance to the handicapped is to help them become more active citizens. Inherent in this is our national commitment to equal opportunity for all.

Yesterday, the Senate passed S. 2600, the Rehabilitation, Comprehensive Services, and Developmental Disabilities Act of 1978. This piece of legislation reflects long hours of effort committed to im-

proving the living conditions of the handicapped. I take this opportunity to commend Senator RANDOLPH, and Senator STAFFORD, the subcommittee's ranking minority member, and all Members of the subcommittee for their endeavors.

The subcommittee held 18 days of hearings during the 95th Congress, reviewing the performance of existing programs for the handicapped. Over 200 witnesses testified. Careful consideration and analysis of rehabilitation programs for the handicapped and service programs for the developmentally disabled resulted in this bill being unanimously reported to the Senate by the Committee on Human Resources.

The basic purposes of Federal rehabilitation assistance are to improve the abilities of handicapped individuals to function independently and to advance their employment opportunities. This bill's passage amends and extends certain programs of the Rehabilitation Act of 1973 and establishes new programs designed to strengthen these objectives.

The bill establishes a program designed to promote development of independent living facilities which studies have shown to be vitally significant in preparing handicapped individuals for employment. It establishes a new program aimed at the delivery of comprehensive services to our most severely handicapped citizens who face multiple problems in contributing productively to our society.

In addition, the legislation provides telecommunications experience for handicapped citizens, opening up new career opportunities in the rapidly growing electronic industries. It authorizes the Secretary of HEW to make grants to States and public nonprofit organizations for initiating recreational programs for the handicapped. To the extent that handicapped individuals can participate in existing recreational programs, their capacity for mobility and for socialization is enhanced.

This measure recognizes that the quality of rehabilitation services are of lifelong importance to the handicapped individual. The bill establishes better cooperative arrangements for coordination of services under the Rehabilitation Act, the Education for the Handicapped Act, the Vocational Education Act, and other programs relating to the handicapped. It establishes procedural safeguards to provide a formal process to protect the rights of vocational rehabilitation participants.

In amending and extending certain programs of the Developmental Disabilities Services and Construction Act, the Subcommittee recognized that developmentally disabled Americans represent a unique group with distinct needs not shared by other handicapped people. In order to become more active citizens, the mentally retarded, autistic, and other developmentally disabled individuals require special care and services throughout most of their lives. The subcommittee plans to monitor these programs throughout their 3-year extension and to undertake changes which would make them more effective.

The legislation passed by the Senate yesterday cannot remove every obstacle faced by every handicapped American. However, it offers them new opportunities to function independently and to contribute to society. It is also significant that programs of this kind tend to break down unfortunate and uniformed capabilities of handicapped people.

Giving handicapped people an equal chance to productively contribute to our society is part of our national commitment to equal opportunities for all. I commend the endeavors in this area of Senator RANDOLPH, Senator STAFFORD, and all members of the subcommittee.

INSPECTOR AND AUDITOR GENERAL ACT OF 1978

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent the Senate proceed to the consideration of Calendar Order No. 993.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill will be stated by title.

The legislative clerk read as follows:

A bill (H.R. 8588) to reorganize the executive branch of the Government and increase its economy and efficiency by establishing Offices of Inspector General within the Departments of Agriculture, Commerce, Housing and Urban Development, the Interior, Labor, and Transportation, and within the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Governmental Affairs with an amendment to strike all after the enacting clause and insert the following:

That this Act be cited as the "Inspector and Auditor General Act of 1978".

PURPOSE; ESTABLISHMENT

SEC. 2. In order to create independent and objective units—

(1) to conduct and supervise audits and investigations relating to programs and operations of the Department of Agriculture, the Department of Commerce, the Department of Defense, the Department of Housing and Urban Development, the Department of the Interior, the Department of Labor, the Department of Transportation, the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration;

(2) to provide leadership and coordination and recommend policies for active designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations; and

(3) to provide a means for keeping the head of the establishment and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action;

thereby is hereby established in each of such establishments an Officer of Inspector and Auditor General.

APPOINTMENT AND REMOVAL OF OFFICERS

SEC. 3. (a) There shall be at the head of each Office an Inspector and Auditor General who shall be appointed by the President, by and with the advice and consent of the Senate, without regard to political affiliation and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations. Each Inspector and Auditor General shall report to and be under the general supervision of the head of the establishment involved or, to the extent such authority is delegated, the officer next in rank below such head, but shall not report to, or be subject to supervision by, any other officer of such establishment. Neither the head of the establishment nor the officer next in rank below such head shall prevent or prohibit the Inspector and Auditor General from initiating, carrying out, or completing any audit or investigation, or from issuing any subpena during the course of any audit or investigation.

(b) An Inspector and Auditor General may be removed from office by the President. The President shall communicate the reasons for any such removal to both Houses of Congress.

(c) For the purposes of section 7324 of title 5, United States Code, no Inspector and Auditor General shall be considered to be an employee who determines policies to be pursued by the United States in the nationwide administration of Federal laws.

DUTIES AND RESPONSIBILITIES

SEC. 4. (a) It shall be the duty and responsibility of each Inspector and Auditor General, with respect to the establishment within which his Office is established—

(1) to provide policy direction for and to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of such establishment;

(2) to review existing and proposed legislation and regulations relating to programs and operations of such establishment and to make recommendations to the head of the establishment and to the Congress concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by such establishment or the prevention and detection of fraud and abuse in such programs and operations;

(3) to recommend policies for, and to conduct, supervise, or coordinate other activities carried out or financed by such establishment for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations;

(4) to recommend policies for, and to conduct, supervise, or coordinate relationships between such establishment and other Federal agencies, State and local governmental agencies and nongovernmental entities with respect to (A) all matters relating to the promotion of economy and efficiency in the administration of, or the prevention and detection of fraud and abuse in, programs and operations administered or financed by such establishment, or (B) the identification and prosecution of participants in such fraud or abuse; and

(5) to keep the head of such establishment and the Congress fully and currently informed by means of the reports required by section 5 and otherwise, concerning fraud and other serious problems, abuses, and deficiencies relating to the administration of programs and operations administered or financed by such establishment, to recommend corrective action concerning such problems, abuses, and deficiencies, and to report on the progress made in implementing such corrective action.

(b) In carrying out the responsibilities specified in subsection (a)(1), each Inspec-

tor and Auditor General's audit function shall include, but is not limited to—

(1) examinations of financial transactions, accounts, and reports and reviews of compliance with applicable laws and regulations, including sufficient audit work to determine whether—

(A) the audited entity is maintaining effective control over revenues, expenditures, assets, and liabilities;

(B) the audited entity is properly accounting for resources, liabilities, and operations;

(C) the financial reports contain accurate, reliable, and useful financial data and are fairly presented; and

(D) the entity is complying with the requirements of applicable laws and regulations;

(2) a review of efficiency and economy to determine whether, in carrying out its responsibilities, the audited entity is giving due consideration to economical and efficient management, utilization, and conservation of its resources and to minimum expenditure of effort, including the specification of uneconomical practices or inefficiencies such as—

(A) procedures, whether officially prescribed or informally established, which are ineffective or more costly than justified;

(B) duplication of effort by employees or between organizational units;

(C) the performance of work which serves little or no useful purposes;

(D) inefficient or uneconomical use of equipment;

(E) overstaffing in relation to the amount of work to be done;

(F) faulty buying practices and accumulation of unneeded or excess quantities of property, materials, or supplies;

(G) inadequate cash management practices; and

(H) wasteful use of resources;

(3) a review of program results, including a consideration of—

(A) whether the program or activity is meeting the objectives established by the Congress or the establishment;

(B) whether the establishment has considered alternatives to achieve desired results at a lower cost;

(C) the relevance and validity of the criteria used by the audited entity to judge effectiveness in achieving program results;

(D) the appropriateness of the methods followed by the entity to evaluate effectiveness in achieving program results;

(E) the accuracy of the data accumulated; and

(F) the reliability of the results obtained.

(c) In carrying out the responsibilities specified in subsection (a)(1), each Inspector and Auditor General shall—

(1) comply with standards established by the Comptroller General of the United States for audits of Federal establishments, organizations, programs, activities, and functions;

(2) establish guidelines for determining when it shall be appropriate to use non-Federal auditors; and

(3) take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General as described in paragraph (1).

(d) In carrying out the duties and responsibilities established under this Act, each Inspector and Auditor General shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and insuring effective coordination and cooperation.

(e) In carrying out the duties and responsibilities established under this Act, each Inspector and Auditor General shall report expeditiously to the Attorney General whenever the Inspector and Auditor General has reasonable grounds to believe there has been a violation of Federal criminal law.

REPORTS

SEC. 5. (a) Each Inspector and Auditor General shall, not later than April 30 and October 31 of each year, prepare semiannual reports summarizing the activities of the Office during the immediately preceding six-month periods ending March 31 and September 30. Such reports shall include, but need not be limited to—

(1) a description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of such establishment disclosed by such activities during the reporting period;

(2) a description of the recommendations for corrective action made by the Office during the reporting period with respect to significant problems, abuses, or deficiencies identified pursuant to paragraph (1);

(3) an identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed;

(4) a summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted;

(5) a summary of each report made to the head of the establishment under section 5(b)(2) during the reporting period; and

(6) a listing of each audit report completed by the Office during the reporting period.

(b) Semiannual reports of each Inspector and Auditor General shall be furnished to the head of the establishment involved not later than April 30 and October 31 of each year and shall be transmitted by such head to the appropriate committees or subcommittees of the Congress within thirty days after receipt of the report, together with a report by the head of the establishment containing any comments such head deems appropriate.

(c) Within sixty days of the transmission of the semiannual reports of each Inspector and Auditor General to the Congress, the head of each establishment shall make copies of such report available to the public upon request and at a reasonable cost.

(d) Each Inspector and Auditor General shall report immediately to the head of the establishment involved whenever the Inspector and Auditor General becomes aware of particularly serious or flagrant problems, abuses, or deficiencies relating to the administration of programs and operations of such establishment. The head of the establishment shall transmit any such report to the appropriate committees or subcommittees of Congress within seven calendar days, together with a report by the head of the establishment containing any comments such head deems appropriate.

AUTHORITY; ADMINISTRATION PROVISIONS

SEC. 6. (a) In addition to the authority otherwise provided by this Act, each Inspector and Auditor General, in carrying out the provisions of this Act, is authorized—

(1) to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the applicable establishment which relate to programs and operations with respect to which that Inspector and Auditor General has responsibilities under this Act;

(2) to make such investigations and reports relating to the administration of the programs and operations of the applicable establishment as are, in the judgment of the Inspector and Auditor General, necessary or desirable;

(3) to request such information or assistance as may be necessary for carrying out the duties and responsibilities provided by this Act from any Federal, State, or local governmental agency or unit thereof;

(4) to require by subpena the production of all information, documents, reports, answers, records, accounts, papers, and other data and documentary evidence necessary in the performance of the functions assigned by this Act, which subpena, in the case of contumacy or refusal to obey, shall be enforceable by order of any appropriate United States district court: *Provided*, That procedures other than subpenas shall be used by the Inspector and Auditor General to obtain documents and information from Federal agencies;

(5) to have direct and prompt access to the head of the establishment involved when necessary for any purpose pertaining to the performance of functions and responsibilities under this Act;

(6) to select, appoint, and employ such officers and employees as may be necessary for carrying out the functions, powers, and duties of the Office subject to the provisions of title 5, United States Code, governing appointments in the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates;

(7) to obtain services as authorized by section 3109 of title 5, United States Code, at daily rates not to exceed the equivalent rate prescribed for grade GS–18 of the General Schedule by section 5332 of title 5, United States Code; and

(8) to the extent and in such amounts as may be provided in advance by appropriations Acts, to enter into contracts and other arrangements for audits, studies, analyses, and other services with public agencies and with private persons, and to make such payments as may be necessary to carry out the provisions of this Act.

(b)(1) Upon request of an Inspector and Auditor General for information or assistance under subsection (a)(3), the head of any Federal agency involved shall, insofar as is practicable and not in contravention of any existing statutory restriction or regulation of the Federal agency from which the information is requested, furnish to such Inspector and Auditor General, or to an authorized designee, such information or assistance.

(2) Whenever information or assistance requested under subsection (a)(1) or (a)(3) is, in the judgment of an Inspector and Auditor General, unreasonably refused or not provided, the Inspector and Auditor General shall report the cirmumstances to the head of the establishment involved without delay.

(c) Each head of an establishment shall provide the Office within such establishment with appropriate and adequate office space at central and field office locations of such establishment, together with such equipment, office supplies, and communications facilities and services as may be necessary for the operation of such offices, and shall provide necessary maintenance services for such offices and the equipment and facilities located therein.

EMPLOYEE COMPLAINTS

SEC. 7. (a) The Inspector and Auditor General may receive and investigate complaints or information from an employee of the establishment concerning the possible existence of an activity constituting a violation of law, rules, or regulations, or mismanagement, gross waste of funds, abuse of authority or a substantial and specific danger to the public health and safety.

(b) The Inspector and Auditor General shall not, after receipt of a complaint or information from an employee, disclose the identity of the employee without the consent of the employee, unless the Inspector and Auditor General determines such disclosure is unavoidable during the course of the investigation.

(c) Any employee who has authority to take, direct others to take, recommend, or approve any personnel action, shall not, with respect to such authority, take or threaten to take any action against any employee as

a reprisal for making a complaint or disclosing information to an Inspector and Auditor General, unless the complaint was made or the information disclosed with the knowledge that it was false or with willful disregard for its truth or falsity.

SPECIAL PROVISIONS FOR THE DEPARTMENT OF DEFENSE

SEC. 8. (a) The head of any office, agency, or organization within the Department of Defense which conducts audits and investigations and are not otherwise transferred to the Office of Inspector and Auditor General of the Department of Defense by this Act shall, upon the request of the Inspector and Auditor General of the Department of Defense, provide any audit or investigative assistance which such Inspector and Auditor General determines to be necessary in order to carry out his responsibilities and to fulfill the purposes of this Act.

(b) The provisions of section 1385 of title 18, United States Code, shall not prohibit audits and investigations conducted by or under the direction of the Inspector and Auditor General of the Department of Defense to carry out the purposes of this Act.

(c)(1) If after review of the semiannual reports of the Inspector and Auditor General of the Department of Defense, the Secretary of Defense determines that—

(A) any such report contains specific information critical to the national security; and

(B) disclosure of such information would jeopardize the national security;

the Secretary of Defense may delete the specific information from the report prior to transmittal of such report to the Congress.

(2) If the Secretary of Defense deletes any information from a report of the Inspector and Auditor General of the Department of Defense under paragraph (1), the Secretary of Defense shall, within seven calendar days of the submission of such report to the Congress, provide the chairman and ranking minority members of the House and Senate Armed Services Committees with a general description of the nature of the information deleted.

TRANSFER OF FUNCTIONS

SEC. 9. (a) There shall be transferred—

(1) to the Office of Inspector and Auditor General—

(A) of the Department of Agriculture, the offices of that department refered to as the "Office of Investigation" and the "Office of Audit";

(B) of the Department of Commerce, the offices of that department referred to as the "Office of Audits" and the "Investigations and Inspections Staff" and that portion of the office referred to as the "Office of Investigations and Security" which has responsibility for investigation of alleged criminal violations and program abuse;

(C) of the Department of Defense, the offices of that department referred to as the "Defense Audit Service", the "Office of Inspector General in the Defense Logistics Agency", and that portion of the office referred to as the "Defense Investigative Service" which has responsibility for investigation of alleged criminal violations and program abuse;

(D) of the Department of Housing and Urban Development, the office of that department referred to as the "Office of Inspector General";

(E) of the Department of the Interior, the office of that department referred to as the "Office of Audit and Investigation";

(F) of the Department of Labor, the office of that department referred to as the Office of Special Investigations";

(G) of the Department of Transportation, the offices of that department referred to as the "Office of Investigations and Security" and the "Office of Audit" of the Department, the "Offices of Investigations and Security, Federal Aviation Administration", and "External Audit Divisions, Federal Aviation Administration", the "Office of Program Review and Investigation, Federal Highway Administration", and the "Office of Program Audit, Urban Mass Transportation Administration";

(H) of the Community Services Administration, the offices of that agency referred to as the "Inspections Division", the "External Audit Division", and the "Internal Audit Division";

(I) of the Environmental Protection Agency, the offices of that agency referred to as the "Office of Audit" and the "Security and Inspection Division";

(J) of the General Services Administration, the offices of that agency referred to as the "Office of Audits" and the "Office of Investigations";

(K) of the National Aeronautics and Space Administration, the offices of that agency referred to as the "Management Audit Office" and the "Office of Inspections and Security";

(L) of the Small Business Administration, the office of that agency referred to as the "Office of Audits and Investigations"; and

(M) of the Veterans' Administration, the offices of that agency referred to as the "Office of Audits" and the "Office of Investigations"; and

(2) such other offices or agencies, or functions, powers, or duties thereof, as the head of the establishment involved may determine are properly related to the functions of the Office and would, if so transferred, further the purposes of this Act,

except that there shall not be transferred to an Inspector and Auditor General under paragraph (2) program operating responsibilities.

(b) The personnel, assets, liabilities, contracts, property, records, and unexpected balances of appropriations, authorizations, allocations, and other funds employed held, used, arising from, available or to be made available, of any office or agency the functions, powers, and duties of which are transferred under subsection (a) are hereby transferred to the applicable Office of Inspector and Auditor General.

(c) Personnel transferred pursuant to subsection (b) shall be transferred in accordance with applicable laws and regulations relating to the transfer of functions except that the classification and compensation of such personnel shall not be reduced for one year after such transfer.

(d) In any case where all the functions, powers, and duties of any office or agency are transferred pursuant to this subsection, such office or agency shall lapse. Any person who, on the effective date of this Act, held a position compensated in accordance with the General Schedule, and who, without a break in service, is appointed in an Office of Inspector and Auditor General to a position having duties comparable to those performed immediately preceding such appointment shall continue to be compensated in the new position at not less than the rate provided for the previous position, for the duration of service in the new position.

CONFORMING AND TECHNICAL AMENDMENTS

SEC. 10. (a) Section 5315 of title 5, United States Code, is amended by adding at the end thereof the following new paragraphs:

"(122) Inspector General, Department of Health, Education, and Welfare.

"(123) Inspector and Auditor General, Department of Agriculture.

"(124) Inspector and Auditor General, Department of Housing and Urban Development.

"(125) Inspector and Auditor General, Department of Labor.

"(126) Inspector and Auditor General, Department of Transportation.

"(127) Inspector and Auditor General, Veterans' Administration.

"(128) Inspector and Auditor General, Department of Defense.".

(b) Section 5316 of title 5, United States Code, is amended by adding at the end thereof the following new paragraphs:

"(144) Deputy Inspector General, Department of Health, Education, and Welfare.

"(145) Inspector and Auditor General, Department of Commerce.

"(146) Inspector and Auditor General, Department of the Interior.

"(147) Inspector and Auditor General, Community Services Administration.

"(148) Inspector and Auditor General, Environmental Protection Agency.

"(149) Inspector and Auditor General, General Services Administration.

"(150) Inspector and Auditor General, National Aeronautics and Space Administration.

"(151) Inspector and Auditor General, Small Business Administration.

(c) Section 202(e) of the Act of October 15, 1976 (Public Law 94–505, 42 U.S.C. 3522), is amended by striking out "section 6(a)(1)" and "section 6(a)(2)" and inserting in lieu thereof "section 206(a)(1)" and "section 206(a)(2)", respectively.

DEFINITIONS

SEC. 11. As used in this Act—

(1) the term "audit" means work done (A) to examine financial reports and to review compliance with applicable laws and regulations; (B) to review efficiency and economy of operations; and (C) to review effectiveness in the achievement of program results; and

(2) the term "investigation" means inquiries and examinations made to detect, or in response to allegations of, irregularities or violations of law, including misconduct, malfeasance, misfeasance, nonfeasance, fraud, or criminal activity on the part of any employee, person, or firm directly or indirectly connected with the establishment, or operations financed by the establishment;

(3) the term "head of the establishment" means the Secretary of Agriculture, Commerce, Defense, Housing and Urban Development, the Interior, Labor, or Transportation or the Administrator of Community Services, Environmental Protection, General Services, National Aeronautics and Space, Small Business, or Veterans' Affairs, as the case may be;

(4) the term "establishment" means the Department of Agriculture, Commerce, Defense, Housing and Urban Development, the Interior, Labor, or Transportation or the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, or the Veterans' Administration, as the case may be;

(5) the term "Inspector General" means the Inspector General of an establishment;

(6) the term "Office" means the Office of Inspector and Auditor General of an establishment; and

(7) the term "Federal agency" means an agency as defined in section 552(e) of title 5 (including an establishment as defined in paragraph (2)), United States Code, but shall not be construed to include the General Accounting Office.

EFFECTIVE DATE

SEC. 12. The provisions of this Act and the amendments made by this Act shall take effect October 1, 1978.

Mr. EAGLETON. Mr. President, H.R. 8588, the Inspector General legislation, would establish offices of Inspector General in 12 executive departments and agencies to consolidate existing auditing and investigative resources to more effectively combat fraud, abuse, waste, and mismanagement in the programs and operations of those departments and

agencies. Affected are the Departments of Agriculture, Commerce, Housing and Urban Development, the Interior, Labor, and Transportation, and the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration.

By amendment, I plan to include the Department of Defense. Presently, it has a myriad of different audit and investigative units. The amendment would create a task force to study the situation. Additionally, it would require the department to submit the same semiannual reports to Congress as the bill mandates for the other agencies.

The Senate acts today in the shadow of the unfolding scandal at GSA which some have already labeled as the most far-reaching case of fraud and corruption ever uncovered within a Government agency. Plainly, the GSA scandal underscores the need for this legislation and increases the likelihood of swift passage, but the impetus for this legislation long predated the recent revelations concerning GSA. The House voted its overwhelming support for H.R. 8588 on April 18. The Senate Committee on Governmental Affairs voted unanimously to report H.R. 8588 with some modifications on July 27. Moreover, H.R. 8588 builds on the earlier legislation enacted by Congress in 1976 to establish an Office of Inspector General in the Department of Health, Education, and Welfare and in 1977 to establish such an office in the new Department of Energy.

This legislation responds to the findings that fraud, abuse, and just plain waste in Federal programs and operations are reaching epidemic proportions. Undoubtedly the problem is not new; however, increased attention by the press and by Government officials has brought to light increasingly disturbing testimony of the magnitude of these problems.

The following examples are illustrative:

A study done for the Agriculture Department estimated that 8 percent of the $5.5 billion spent in the food stamp program in fiscal year 1977 was erroneously spent—about $440 million. A 33 percent error rate was revealed in one 3-month study of the program in one State.

As of last July, 344,000 borrowers had defaulted on their federally insured loans. The default rate was 12 percent, involving over half-a-billion dollars in unpaid principal and interest. While some of the failure to pay was undoubtedly due to financial hardship, many cases simply involved people who never intended to pay.

In his first annual report, the Inspector General at HEW estimated that between $6.3 and $7.4 billion of HEW funds were misspent annually as a result of fraud, abuse and waste. This total represents about 5 percent of the $136 billion which HEW expends on federally funded programs each year. The report repeatedly emphasized that this figure was "at a minimum" and "a conservative estimate." In the medical program, the Inspector General estimated that 25 percent of the funds were misused.

Finally, an official at GAO knowledgeable in this area recently estimated that fraud alone ranged from $12 to $15 billion annually and perhaps as high as $25 billion.

There is now unanimous agreement that the Federal Government has failed to make sufficient and effective efforts to prevent and detect fraud, abuse, waste, and mismanagement in our programs and expenditures. H.R. 8588 reflects the belief that the failure is due in large part to certain basic organizational deficiencies in the way executive agencies have approached their audit and investigative responsibilities. For this reason, statutory offices of Inspector General in the agencies covered in this bill should provide significant improvements in the economy, efficiency, and effectiveness of Federal operations and programs, and contribute to substantial savings of taxpayer dollars.

Looking at the present picture, the Committee on Governmental Affairs and its House counterpart found that a lack of audit and investigative resources has crippled the Federal effort to prevent and detect fraud, abuse, and waste in Federal expenditures. Audit and investigative efforts also lack independence. Frequently auditors and investigators find themselves reporting to the very officials whose programs they are supposedly reviewing. Cooperation between the agencies and the Justice Department necessary to deal with fraud and white-collar crime has been lacking.

The Inspector General concept, which can best be described as the consolidation of auditing and investigative responsibilities under a single high-level official reporting directly to the head of the establishment, responds to the major problems which have been identified in current Federal efforts to prevent and detect fraud and waste.

First, H.R. 8588 upgrades the position of audit and investigation in the agencies affected by placing responsibility for these functions in an individual with high visibility in the agency. Each Inspector General will be appointed by the President by and with the advice and consent of the Senate without regard to political affiliation, solely on the basis of integrity and ability in accounting, auditing, financial analysis, law, management analysis, public administration or investigations. Additionally, the Inspector General becomes the single focal point in each major agency for the effort to deal with fraud, abuse, and waste in agency operations and programs. This type of coordination and leadership inevitably strengthen the linkage between auditing and investigation and cooperation between the agency and the Department of Justice. H.R. 8588 can also lead to great improvements in auditing in the Federal agencies by imposing, for the first time, a statutory requirement that the agencies and their Inspectors General follow standards for auditing promulgated by the General Accounting Office.

Second, the Inspectors General will have a broad mandate. The responsibilities imposed by H.R. 8588 include:

First. Providing policy direction for the auditing and investigating activities of the agency;

Second. Reviewing existing and proposed legislation and regulations relating to programs and operations of the agency and making recommendations to the head of the agency and to Congress concerning the enforceability of such legislation and regulations;

Third. Supervising other activities for the purpose of promoting economy, efficiency and effectiveness in the administration of such programs, or preventing or detecting fraud and abuse in such programs;

Fourth. Coordinating relationships between the agency and other Federal agencies, State and local governmental agencies, and nongovernmental entities; and

Fifth. Keeping the head of the agency and Congress fully and currently informed concerning fraud and other serious problems in the operation of programs.

Third, and most important, the Inspectors General established by H.R. 8588 have the requisite independence to carry out their broad mandates effectively. Each Inspector General reports to, and is under the general supervision of the agency head. However, H.R. 8588 explicitly provides that even the head of the agency may not prohibit, prevent, or limit the Inspector General from undertaking and completing any audit and investigation which the Inspector General deems necessary, or from issuing any subpenas deemed necessary in the course of such audits and investigations. An Inspector General may be removed by the President, but the President must also communicate his reasons for doing so to the Congress. The Inspector General has a special reporting relationship to the Congress. Semiannual reports required from the Inspector General must be transmitted by the agency head without deletion or alteration, and the Inspector General is given the authority to have access to all records, reports, documents, or materials available to the agency relating to programs over which the Inspector General has responsibility, to make all investigations and reports relating to programs that he judges necessary, and to require by subpena the production of information, documents, and reports necessary in the performance of the functions of this act.

This independence is fundamental. There is a natural tendency for an agency administrator to be protective of the program that he or she administers. In some cases, frank recognition of waste, mismanagement, or wrongdoing reflects on the manager personally. Even if the manager is not implicated, revelations of wrongdoing, or waste may reflect adversely on the programs by undercutting public and congressional support. Under these circumstances, it is a fact of life that agency managers and supervisors in the executive branch do not always identify, or come forward with evidence of, failings in the programs they administer. For that reason, the responsibility for auditing and investigating must be assigned to individuals with clear independence whose responsibilities run directly to the agency head and ultimately to Congress. H.R. 8588 accomplishes this.

The potential that improvement will result from this legislation is not simply

theoretical. From 1962 to 1974 the Office of Inspector General at the Department of Agriculture, created administratively, resulted in substantial improvements in audit and investigating in that Department. In response to scandals in Federal housing programs in the late 1960's, the Department of Housing and Urban Development also established an Office of Inspector General and committed substantial resources to the task of audit and investigation. Since that time, HUD has been credited generally with impressive progress in bringing fraud under control. The case of HEW, where Congress created the first statutory Inspector General, is also instructive. The Inspector General there has impressed many Members of Congress with his grasp of the problems in the Department, the progress that has been made, and the candor and independence which his performance has reflected.

Mr. President, I have several amendments to offer to the bill, which have been cleared on both sides of the aisle, but merit some description. Perhaps the most substantial of these amendments deals with the effect of this legislation on the Department of Defense. H.R. 8588, as passed by the House, did not include any reference to DOD. My Subcommittee on Governmental Efficiency recommended, and the full Committee on Governmental Affairs agreed, that the Defense Department would benefit from the kind of Inspector General contemplated by H.R. 8588. The committee recommended that a new Inspector General be established to consolidate existing audit and investigation functions on the civilian side of DOD. Because of the traditional autonomy of the services and the very real need of the service secretaries to have audit resources at their disposal, the committee's proposal did not embrace the audit, investigative, and inspection units of the services except to require those units to furnish assistance to the new Inspector General when such aid was requested.

The committee based its recommendation on the fact that there have been numerous reports of fraud and waste in Defense Department operations and that the failure to detect fraud and waste adequately could be traced to some of the same organizational defects plaguing the audit and investigative efforts of other major agencies. However, the Defense Department has argued that its unique mission and needs could not be accommodated by the statutory framework of H.R. 8588 and has proposed that before passing legislation altering the structure of the Department, the Congress should have the benefit of a careful, indepth study of the audit, inspection, and investigation activities of the Department. DOD has also argued that they commit substantial resources to the task of audit, investigation, and inspection, and contended that the Department could provide Congress and the public with the same type of candid, comprehensive reports on the activities of these units as the new inspectors general could.

I believe that the committee's proposal would have improved the audit and investigative efforts in the Department of Defense. However, because the proposal dealt only with the civilian side of DOD, it clearly represented only a partial solution. Given the size of the Pentagon and the complexity of its audit, investigative, and inspection operations, I believe that further careful study of the subject could be useful. As a practical matter I also recognize that the committee's proposal was controversial, and I regard the passage of this legislation and the creation of inspectors general for the 12 other agencies before the end of this Congress to be of paramount importance.

Therefore, through discussions with the Defense Department and the Armed Services Committee, a two-part agreement has been reached. Under this agreement, which would take its place as a new section 8 in H.R. 8588, the existing structure of the Defense Department remains intact. The new section 8 requires the Defense Department to make semiannual reports comparable to those which the other agencies covered must make under section 5 of H.R. 8588.

The reports would summarize the activities of the audit, investigative and inspection units of the Defense Department for the 6-month periods ending March 31 and September 30. The reports would be submitted within 60 days of the close of the reporting period and would include, but not be limited to: First, a description of significant instances or patterns of fraud, waste, or abuse disclosed by the audit, investigative, and inspection activities during the reporting period, and a description of recommendations for corrective action made with respect to such instances or patterns; second, a summary of matters referred for prosecution and of the results of such prosecutions; and third, a statistical summary by categories of subject matter of audit and inspection reports completed during the reporting period.

Within 60 days after the reports are transmitted, the Secretary of Defense would make copies of the reports available to the public upon request at a reasonable cost. However, if the Secretary concluded that compliance with the reporting or publication requirements would require inclusion of material that might constitute a threat to national security or disclose an intelligence function or activity, the Secretary could exclude the material from the report. If material was excluded in this way, the Secretary would have to provide the chairmen and ranking minority members of the appropriate committees with a general description of the nature of the material excluded.

The Secretary could delegate the responsibilities under this subsection. However, the delegation must be to an official within the Office of Secretary of Defense who is a presidential appointee confirmed by the Senate. In preparing those reports, any designee of the Secretary would have the same access to information held by the audit, investigative, and inspection components as the Secretary would.

The reports would continue through 1982, with the last report covering the 6-month period ending on September 30, 1982. However, the legislation requires the Secretary of Defense, not later than March 31, 1981, to submit proposed legislation establishing reporting procedures to effectuate the purpose of the act after 1982. By combining the "sunsetting" of the reporting requirement with the submission of proposed legislation by the Secretary, Congress insures that the reports will not continue ad infinitum without any assessment of their usefulness. This provision maximizes the chances that the reporting mechanism will be refined or revamped or harmonized as necessary with any future reorganization.

Representatives of the Defense Department have suggested this reporting arrangement, and I believe that the reporting requirement will serve the interests of both Congress and the Department of Defense. If the reports do provide information comparable to that provided by statutory inspectors general, they will undoubtedly be a valuable asset to Congress' oversight of the Defense Department. If the reports do not compare favorably to those furnished by the new Inspectors General or if the reports indicate that the audit and investigative units have failed to discover serious instances of fraud or waste which come to light through the work of GAO, the media, or oversight by Congress, these failures would strengthen the case for revamping audit, investigative, and inspection activities at the Defense Department.

At the same time, in a huge operation like the Pentagon, the flow of information from the line auditors, investigators, and inspectors to the service Secretaries and the Secretary of Defense can easily become erratic. Significant discoveries by an auditor or inspector may never come to the people with responsibility for running the Department and the services. The discipline imposed by a reporting requirement to Congress should help to upgrade this flow of information. Because of their accountability to Congress, the Secretary or the Secretary's designee will have a strong interest in insuring the information flow in the Department concerning findings of audit, investigation, and inspection is timely and complete.

Two features of this reporting requirement reflect the unique situation of the Defense Department. First, as in the version of H.R. 8588 reported by the committee, because the semiannual reports will become public, the Secretary retains the power to make certain deletions in the interest of national security. While the committee anticipates that the bulk of a report on the subjects of fraud and waste would not concern national security or classified matters, it is conceivable that some of the issues touched on in a presentation of the major activities concerning fraud and waste of the audit and inspection units of the Defense Department could involve sensitive security matters. For this reason, the Secretary has the authority to delete such information, with the responsibility of providing the chairmen and ranking minority members of the relevant committees with a general description of the nature of the matters deleted.

Additionally, although the reporting requirement imposed on the other agencies calls for a listing of each audit report completed by the Inspector General during the reporting period, given the thousands of reports produced each year by the audit and inspection units of the Department of Defense, we have required only a statistical summary by general categories of subject matter of the audit and inspection reports from DOD. A large percentage of the reports generated by the Defense Department are routine audit reports that would not be of significant interest to the Congress. It is expected that the interest of the committees receiving the reports will focus on those pertaining to fraud, waste, and abuse and those reports will be summarized in a manner similar to that in the departments and agencies that will have new inspectors general. As in the case of those departments and agencies, the Defense Department semiannual reports should be structured so as not to prejudice ongoing investigations or to infringe upon the rights of individuals.

As the second part of the agreement, the Secretary of Defense will establish a task force to study the operation of the audit, investigative, and inspection components in the Department of Defense which engage in the prevention and detection of fraud, waste, and abuse. The Secretary will appoint the members of that task force, including a director who is not an employee of the Department of Defense. The members of the task force and their staffs will have access to all information relevant to the study held by the audit, investigative, and inspection components, including reports prepared by those components, provided that, first, information or reports may be withheld if a component head determines that disclosure would compromise an active investigation of wrongdoing; second, the Inspectors General of the military departments may delete the names of individuals in a report if the Inspector General determines that inclusion of the names would affect the ability of the Inspector General to obtain information in future investigations and inspections; and third, classified information may be withheld unless the members and staff of the task force who have access to it have the appropriate clearances.

The task force is charged with preparing a comprehensive report that would include but not be limited to a description of the functions of the audit, investigative, and inspection components of the Department of Defense; and evaluation of whether these components are sufficiently independent to carry out their responsibilities; the relationship between these components and the Criminal Division of the Department of Justice; and recommendations for change in the organization or functions of these compoents that may be necessary to improve their effectiveness.

The task force will submit its final report to the Secretary of Defense and the Director of the Office of Management and Budget. The Secretary and Director may provide in the form of addenda any additional information they deem necessary. The Secretary will submit the report and addenda to Congress no later than April 1, 1980.

In reaching this agreement, I was concerned that the Congress would receive the report in time to take legislative action in 1980 if such action were called for. At the same time, because the issues to be studied are complex, we wanted to insure that the task force would have ample opportunity to do a full and complete study. While the April 1 date is somewhat later than I would have liked, the Defense Department has agreed to supply copies of the final report to the relevant committees of Congress at the same time that the report is submitted to the Secretary of Defense and the Director of OMB. The sole purpose of this preliminary submission would be to assist the committees in determining what legislative action might be necessary and the task force report would not, therefore, be made public until the Secretary and the Director have formally submitted the report and the addenda.

The section outlining the study also provides that matters concerning intelligence or counterintelligence activities of the Department of Defense that are within the province of the Inspector General for Defense Intelligence shall be excluded from the study of the task force. The Inspector General has department-wide jurisdiction. For the most part, inligence and counter-intelligence activities are covered by Executive Order 12065 which mandates strong centralized inspection functions and these activities bear no relationship to the issues of fraud, abuse, and waste with which this legislation is concerned.

In sum, the semiannual reports and the task force study should provide compelling evidence of whether structural reform of DOD's audit, investigative, and inspecting units is necessary. In the interim, they should also contribute to improved congressional oversight and Defense Department operations.

H.R. 8588, as reported by the committee, made a number of substantial changes from the House-passed version of the bill. While the committee obviously believed that the changes adopted were desirable, in the interest of expediting consideration of this legislation, I am prepared to offer four amendments which would either eliminate provisions added by the committee to the House version or restore provisions deleted by the committee from the House version of H.R. 8588. In doing so, it is my hope and expectation that Representative BROOKS, chairman of the House Government Operations Committee, and Representative FOUNTAIN, chairman of the subcommittee which handled the legislation, will seek to accept the legislation as passed by the Senate, obviating the need for a conference.

The first amendment pertains to the title of the offices created. The House version of H.R. 8588 creates offices of "Inspector General." However, Comptroller Staats has strongly urged that the name of the office be changed to "Inspector and Auditor General" for the purpose of underscoring that sound internal auditing is essential to the functioning of the new offices. The committee version of the legislation followed the Comptroller General's suggestion.

This amendment would conform the title of the bill and the offices to the House approach. "Inspector General" is the title which has been used in administratively created units in HUD and Agriculture and in our statutorily created units in HEW and the Department of Energy. It has an established, well-understood meaning. Indeed, in practice, the Inspector General title is actually neutral with respect to the audit and investigative functions. It conveys rather a multiplicity of functions, including audit, investigation, inspection, review of legislation, and the formulation and coordination of all policies to promote efficiency and economy in Government and prevent and detect fraud, abuse, and waste. The change of name signals no reduction in my determination and the committee's that the audit function play an essential role in the work of the new Inspectors General. One hundred investigators operating on their own can accomplish comparatively little when dealing with multibillion dollar programs. One hundred investigators operating in connection with several hundred auditors can become a vital force to combat fraud, abuse, and waste in agency operations and programs, and to promote eonomy and efficiency generally.

The second amendment restores a provision which the committee deleted from the House version of H.R. 8588. The House-passed bill provided that each Office of Inspector General would have an Assistant Inspector General for Audit and a Assistant Inspector General for Investigation. The committee believed that while most Inspectors General would organize their offices with separate assistants in charge of audit and investigation, such a requirement should not be statutorily mandated. Both the House and Senate committees, however, agreed that the offices would operate more effectively if the separation between audit and investigation was statutorily delineated and I have no reluctance to adopt the House approach.

The third amendment concerns a deletion of language spelling out in detail what the Inspector General should be looking for in conducting his audit function. However, in section 4(c)(1) the committee has also added the important requirement that each Inspector General "comply with standards established by Comptroller General of the United States for audits of Federal establishments, organizations. programs. activities, and functions." The detailed language concerning audit was taken largely from the audit standards of the Comptroller General. Consequently, the general requirement of section 4(c)(1) suffices to spell out the details of the Inspector General's audit responsibilities.

The fourth amendment deletes definitions of "audit" and "investigation" found in section 11 of the bill. Because of the reference to the Comptroller General's audit standards, it seems unnecessary to also define "audit." "Investigation" is a term with a generally well-understood meaning.

As noted above, I am hopeful that if

the Senate accepts these four amendments the House sponsors will urge the House to accept the other changes made in H.R. 8588 by the committee. These include:

First. A provision stating that "neither the head of the establishment nor the officer next in rank shall prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation, or from issuing any subpena during the course of any audit or investigation" (section 3(a)). This requirement was implicit in the House bill but it assumed central importance to the function of the Inspector General and, therefore, the committee chose to make it explicit.

Second. A requirement that the President communicate the reasons for removing any Inspector General to both Houses of Congress (section 3(b)). This requirement appears in the legislation establishing the Offices of Inspector General for HEW and the Department of Energy.

Third. An explicit requirement that among the duties and responsibilities of the Inspector General is included the review of existing and proposed legislation and regulations relating to programs and operations of the agency, and the making of recommendations to the agency head and the Congress in semiannual reports concerning the impact of such legislation or regulations on economy and efficiency or the prevention and detection of fraud and abuse (section 4(a)(2)). This change also makes explicit responsibility that could have been construed from the Inspector General's broad mandate, but is important enough to deserve specific mention.

Fourth. The requirement noted above that each Inspector General comply with standards established by the Comptroller General for audits (section 4(c)(1)). Such a requirement spells out for the first time Congress belief that the Comptroller General's standards should be mandatory as opposed to simply advisory. This requirement should strengthen internal auditing by holding it to detailed, explicit standards, and making it more uniform from agency to agency.

As is now the case, such standards shall be developed in close cooperation with the Office of Management and Budget, and operating departments and agencies, and shall be implemented through executive branch directives.

Fifth. A requirement that an Inspector General must report immediately to the agency head involved when the Inspector General becomes aware of particularly serious flagrant problems or abuses and that the head of the agency shall transmit any such reports to the appropriate committee of Congress within 7 calendar days (section 5(d)).

Sixth. Deletion of the Privacy Act exemption for the Inspectors General. The House-passed legislation provided that to the extent the Inspector General could not obtain information under the other exemptions of the Privacy Act, such information would be available to the Inspector General "in the same manner and to the same extent it would be available to the Comptroller General" who has a special exemption from the Privacy Act. The committee concluded that the Inspectors General would not be hampered in their functions by the requirement that they follow the procedures of the Privacy Act.

Seventh. Deletion of the requirement for Presidentially appointed deputies in the five largest departments. The committee concluded that two Presidential appointees in an Inspector General's office was unnecessary. The statutory language and legislative history make it clear that the Inspector General will choose his own deputy.

Eighth. A new provision concerning employee complaints, making it clear that Inspectors General may receive and investigate employee complaints, that the Inspector General shall not, after receipt of a complaint, expose the identity of the employee unless the Inspector General determines that such disclosure is unavoidable, and that reprisals against employees for disclosing information to the Inspector General shall be prohibited unless the information was disclosed with knowledge that it was false or with willful regard of its truth or falsity.

Mr. President, H.R. 8588 is primarily a House initiative. Representatives FOUNTAIN and BROOKS and their staffs deserve great credit for their careful and painstaking work on this legislation. They can derive particular pleasure from the Senate's action today and the certainty that the President will sign H.R. 8588 into law in the next few weeks.

H.R. 8588 is no miracle cure to the problems of fraud, abuse, and waste in Federal programs and operations. A government as huge as ours will never be susceptible to perfect administration. Moreover, we cannot through legislation readily dispel the morally bankrupt notion that stealing from the Government is somehow "less bad" than stealing from an individual. But the public is entitled to know that the billions of dollars which go to fund Federal programs are administered vigilantly. H.R. 8588 can help to provide that assurance.

UP AMENDMENT NO. 1900

Mr. EAGLETON. Mr. President, I have a series of amendments to the bill. I send them to the desk, and I ask unanimous consent that they be considered en bloc.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendments will be stated.

The legislative clerk read as follows:

The Senator from Missouri (Mr. EAGLETON) proposes a series of amendments, unprinted amendment numbered 1900.

Mr. EAGLETON. Mr. President, I ask unanimous consent that reading of the amendments be dispensed with, and I ask unanimous consent that they be considered en bloc.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendments are as follows:

On page 19, lines 11 and 12, strike out "the Department of Defense,".

On page 32, beginning with line 4, strike out through line 13 on page 33, and insert the following:

SEC. 8. (a)(1) The Secretary of Defense shall submit to the Congress semi-annual reports during the period ending October 1, 1982, summarizing the activities of the audit, investigative and inspection units of the Department of Defense. Such reports shall be submitted within sixty days of the close of the reporting periods ending March 31 and September 30 and shall include, but not be limited to—

(A) a description of significant instances or patterns of fraud, waste, or abuse disclosed by the audit, investigative, and inspection activities during the reporting period and a description of recommendations for corrective action made with respect to such instances or patterns;

(B) a summary of matters referred for prosecution and of the results of such prosecutions; and

(C) a statistical summary, by categories of subject matter, of audit and inspection reports completed during the reporting period.

(2) Within sixty days of the transmission of the semi-annual reports, the Secretary shall make copies of such reports available to the public upon request and at a reasonable cost.

(3) If the Secretary concludes that compliance with the reporting requirements in paragraphs (1) and (2) of this subsection would require inclusion of material that may constitute a threat to the national security or disclose an intelligence function or activity, the Secretary may exclude such material from the report. If material is excluded from a report under this subsection, the Secretary shall provide the chairmen and ranking minority members of the appropriate committees or subcommittees with a general description of the nature of the material excluded.

(4) The Secretary may delegate his responsibilities under paragraphs (1) through (3), provided that the delegation be to an official within the Office of the Secretary of Defense who is a Presidential appointee confirmed by the Senate. In preparing the reports, the designee of the Secretary shall have the same access to information held by the audit, investigative or inspection units as the Secretary would.

(5) In order to effectuate the purposes of this Act with respect to the Department of Defense, the Secretary of Defense shall submit, not later than March 31, 1981, proposed legislation to establish appropriate reporting procedures, for the period after October 1, 1982, concerning the audit, investigative and inspection activities of the Department of Defense.

(b)(1) The Secretary of Defense shall establish a task force to study the operation of the audit, investigative, and inspection components in the Department of Defense which engage in the prevention and detection of fraud, waste, and abuse. The Secretary shall appoint the Director and other members of the task force, provided that the Director shall be a person who is not an employee of the Department of Defense. The Director shall have the authority to hire such additional staff as is necessary to complete the study.

(2) The Director and members of the task force and, upon the request of a member or the Director, the staff of the task force shall have access to all information relevant to the study and held by the audit, investigative, and inspection components in the Department of Defense including reports prepared by such components, provided that—

(A) such information or reports may be withheld if a component head determines that disclosure would compromise an active investigation of wrong-doing; .

(B) the Inspectors General of the Military Departments may delete the names of individuals in a report prepared by them if the Inspector General determines that the inclusion of the names would affect the ability of the Inspector General to obtain information in future investigations and inspections; and

(C) no classified information shall be released to the task force unless the members and staff who will have access to the classified information have the appropriate clearances.

Upon the request of the Director, the Secretary of Defense and the Secretaries of the Military Departments shall assure that the task force has access to information as provided in this subsection.

(3) The task force shall prepare a comprehensive report that shall include, but not be limited to—

(A) a description of the functions of the audit, investigative and inspection components in the Department of Defense and the extent to which such components cooperate in their efforts to detect and prevent fraud, waste and abuse;

(B) an evaluation of whether such components are sufficiently independent to carry out their responsibilities;

(C) the relationship between such components and the Criminal Division of the Department of Justice; and

(D) recommendations for change in organization or functions that may be necessary to improve the effectiveness of such components.

(4) The task force shall submit its final report to the Secretary of Defense and the Director of the Office of Management and Budget. The Secretary and the Director of the Office of Management and Budget may, in the form of addenda to the report, provide any additional information that they deem necessary. The Secretary shall submit the report and the addenda to the Congress not later than April 1, 1980. The task force shall be disestablished sixty days following such submission.

(5) Any matter concerning the intelligence or counter-intelligence activities of the Department of Defense and assigned by regulation to the Inspector General for Defense Intelligence shall be excluded from the study to the task force.

On page 34, strike out lines 3 through 9.

On page 34, line 10, strike out "(D)" and insert "(C)".

On page 34, line 13, strike out "(E)" and insert "(D)".

On page 34, line 16, strike out "(F)" and insert "(E)".

On page 34, line 19, strike out "(G)" and insert "(F)".

On page 35, line 5, strike out "(H)" and insert "(G)"

On page 35, line 9, strike out "(I)" and insert "(H)".

On page 35, line 13, strike out "(J)" and insert "(I)".

On page 35, line 16, strike out "(K)" and insert "(J)".

On page 35, line 20, strike out "(L)" and insert "(K)".

On page 35, line 23, strike out "(M)" and insert "(L)".

On page 37, immediately after the period in line 23, insert closing quotation marks and an end period.

On page 37, strike out lines 24 and 25.

On page 39, line 16, strike out "Defense,".

On page 39, line 23, strike out "Defense,".

On pages 40 and 41, strike out the amendment to the title.

On page 22, beginning with line 25, strike out through line 8 on page 25.

On page 25, line 9, strike out "(C)" and insert "(b)".

On page 25, line 21, strike out "(d)" and insert "(c)".

On page 26, line 3, strike out "(e)" and insert "(d)".

On page 19, line 4, strike out "and Auditor".

On page 20, line 6, strike out "and Auditor".

On page 20, line 9, strike out "and Auditor".

On page 20, line 14, strike out "and Auditor".

On page 20, line 21, strike out "and Auditor".

On page 20, line 25, strike out "and Auditor".

On page 21, line 4, strike out "and Auditor".

On page 21, line 10, strike out "and Auditor".

On page 23, line 1, strike out "and Auditor".

On page 25, line 10, strike out "and Auditor".

On page 25, line 22, strike out "and Auditor".

On page 26, line 4, strike out "and Auditor".

On page 26, line 6, strike out "and Auditor".

On page 26, line 9, strike out "and Auditor".

On page 27, line 11, strike out "and Auditor".

On page 27, line 20, strike out "and Auditor".

On page 27, line 24, strike out "and Auditor".

On page 28, line 1, strike out "and Auditor".

On page 28, line 11, strike out "and Auditor".

On page 28, line 27, strike out "and Auditor".

On page 28, line 22, strike out "and Auditor".

On page 29, line 11, strike out "and Auditor".

On page 30, line 10, strike out "and Auditor".

On page 30, lines 15 and 16, strike out "and Auditor".

On page 30, line 20, strike out "and Auditor".

On page 30, line 21, strike out "and Auditor".

On page 31, line 8, strike out "and Auditor".

On page 31, line 15, strike out "and Auditor".

On page 31, line 18, strike out "and Auditor".

On page 31, beginning with the word "and" in line 25, strike out through the word "Auditor" in line 1 on page 32.

On page 32, line 8, strike out "and Auditor".

On page 32, line 10, strike out "and Auditor".

On page 32, line 12, strike out "and Auditor".

On page 32, lines 17 and 18, strike out "and Auditor".

On page 32, line 21, strike out "and Auditor".

On page 33, line 7, strike out "and Auditor".

On page 33, line 16, strike out "and Auditor".

On page 36, lines 7 and 8, strike out "and Auditor".

On page 36, line 16, strike out "and Auditor".

On page 37, line 3, strike out "and Auditor".

On page 37, line 14, strike out "and Auditor".

On page 37, line 16, strike out "and Auditor".

On page 37, line 18, strike out "and Auditor".

On page 37, line 20, strike out "and Auditor".

On page 37, line 22, strike out "and Auditor".

On page 37, line 24, strike out "and Auditor".

On page 38, line 6, strike out "and Auditor".

On page 38, line 8, strike out "and Auditor".

On page 38, line 10, strike out "and Auditor".

On page 38, line 12, strike out "and Auditor".

On page 38, line 14, strike out "and Auditor".

On page 38, line 16, strike out "and Auditor".

On page 38, line 18, strike out "and Auditor".

On page 40, line 9, strike out "and Auditor".

On page 21, between lines 7 and 8, insert the following:

(d) Each Inspector General shall, in accordance with applicable laws and regulations governing the civil service—

(1) appoint an Assistant Inspector General for Auditing who shall have the responsibility for supervising the performance of auditing activities relating to programs and operations of the establishment, and

(2) appoint an Assistant Inspector General for Investigations who shall have the responsibility for supervising the performance of investigative activities relating to such programs and operations.

On page 39, strike out lines 3 through 14.

On page 39, line 15, strike out "(3)" and insert "(1)".

On page 39, line 22, strike out "(4)" and insert "(2)".

On page 40, line 6, strike out "(5)" and insert "(3)".

On page 40, line 8, strike out "(6)" and insert "(4)".

On page 40, line 10, strike out "(7)" and insert "(5)".

On page 21, line 18–19, strike the words "to the head of the establishment and to the Congress" and insert in lieu thereof "in the semi-annual reports required by section 5(a)".

On page 27, line 7, strike out "section 5(b)(2)" and insert "section 6(b)(2)".

On page 35, strike out "Office of Program Review and Investigations, Federal Highway Administration," on lines 1 through 3, and insert in lieu thereof "Investigations Division and the External Audit Division of the Office of Program Review and Investigation, Federal Highway Administration."

On page 35, line 3, strike out "Office of Program Audit," and insert in lieu thereof "Office of Program Audits,"

The PRESIDING OFFICER. Without objection, the amendments are agreed to en bloc.

The bill is open to further amendment. If there be no further amendment to be proposed, the question is on agreeing to the committee amendment.

The PRESIDING OFFICER. Without objection, the committee amendment is agreed to.

The question is on the engrossment of the amendments and the third reading of the bill.

The bill was read the third time, and passed.

Mr. ROBERT C. BYRD. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. EAGLETON. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. EAGLETON. Mr. President, I thank the distinguished majority leader and the distinguished Senator from Utah.

Mr. ROBERT C. BYRD. I thank the distinguished Senator from Missouri.

CONSIDERATION OF CERTAIN MEASURES ON THE CALENDAR

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate

proceed to the consideration of the following measures: Calendar Nos. 1126, 1127, 1128, and 1130.

The PRESIDING OFFICER. Without objection, it is so ordered.

BUDGET ACT WAIVER

The resolution (S. Res. 561) waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 2, was considered and agreed to, as follows:

Resolved, That pursuant to section 402(c) of the Congressional Budget Act of 1974, the provisions of section 402(a) of such Act are waived with respect to the consideration of S. 2, the Program Reauthorization and Evaluation Act of 1978. Such waiver is necessary because the bill authorizes the enactment of appropriations in fiscal year 1979 and the Committee on Rules and Administration did not report S. 2 until July 13 (legislative day, May 17), 1978. The Committee on Governmental Affairs reported S. 2 on July 1, 1977.

The Congressional Budget Office estimates that the cost of implementing the provisions of S. 2 which go into effect in fiscal year 1979 would be approximately $1,000,000, an amount so small that its consideration will not significantly affect the Federal budget. Because the requirements of S. 2 effective in fiscal year 1979 which were reported by the Committee on Rules and Administration are nearly identical to the provisions of S. 2 as reported by the Committee on Governmental Affairs the authorization for this activity clearly could have been contemplated to be part of the national budget to the extent that it has any significant fiscal impact.

Mr. ROBERT C. BYRD. Mr. President, I move to reconsider the vote by which the resolution was agreed to.

Mr. HATCH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

JOHN T. KNIGHT

The bill (H.R. 9071) to confer jurisdiction upon the U.S. Court of Claims to hear, determine, and render judgment upon the claim of John T. Knight, was considered, ordered to a third reading, read the third time, and passed.

Mr. ROBERT C. BYRD. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. HATCH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

LAWRENCE YOUNGMAN

The Senate proceeded to consider the bill (S. 2079) for the relief of Lawrence Youngman, which was reported from the Committee on the Judiciary with an amendment on page 2, line 12, as follows:

SEC. 3. Of the amount appropriated by this Act, $33,600 shall not be subject to Federal or State taxation. This amount reflects the current value of the land exclusive of rents and interest.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized and directed to pay, out of money in the Treasury not otherwise appropriated, the sum of $47,250 to Lawrence Youngman, of Fort Peck Indian Reservation, Montana, that amount representing the present fair market value, and rents and interests since 1930, on three hundred and twenty acres of upland grazing land and forty acres of river bottom land on the Fork Peck Indian Reservation, Montana, which were not allotted to him under the allotment schedule of 1929 authorized by the Act of August 1, 1914 (38 Stat. 593), because of an erroneous administrative report stating that he had died as an infant That payment is in full settlement of all claims against the United States for compensation for the loss of the allotment which occurred on January 13, 1930.

SEC. 2. No part of the amount appropriated by this Act in excess of 10 per centum thereof shall be paid, delivered to, or received by an agent or attorney on account of services rendered, in connection with this claim. Any person violating the provisions of this Act is guilty of a misdemeanor and may be fined in a sum not to exceed $1,000.

SEC. 3. Of the amount appropriated by this Act, $33,600 shall not be subject to Federal or State taxation. This amount reflects the current value of the land exclusive of rents and interest.

Mr. ROBERT C. BYRD. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. HATCH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

BUDGET ACT WAIVER

The resolution (S. Res. 551) waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 2995, was considered and agreed to, as follows:

Resolved, That, pursuant to section 402(c) of the Congressional Budget Act of 1974, the provisions of section 402(a) of such Act are waived with respect to the consideration of S. 2995. Such waiver is necessary because the bill authorizes $60,000,000 for fiscal year 1979 and was reported after May 15, 1978. In addition, construction funds for an intercity bus terminal at Union Station are not available from any other source, to coincide with construction schedules that begin on January 1, 1979, on the visitor center and rail facility. The amendment to S. 2995, which in turn amends the Amtrak Improvement Act of 1974, provides for a $30,000,000 authorization in fiscal year 1979 for a model, intermodal demonstration facility, first contemplated 4 years ago when the Congress authorized the Secretary of Transportation to design, plan, and coordinate the construction of a model, intermodal transportation facility at Union Station.

When construction begins next year on the renovation of the main building, the transfer of rail facilities into the concourse, where bus ticketing and baggage facilities are to be found, and on the ramp and parking garage to the north of the main building, it is essential that work proceed simultaneously on the bus terminal facilities.

Mr. ROBERT C. BYRD. Mr. President, I move to reconsider the vote by which the resolution was agreed to.

Mr. HATCH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

EXECUTIVE SESSION—CONVENTION ON THE PROHIBITION OF MILITARY OR ANY OTHER HOSTILE USE OF ENVIRONMENTAL MODIFICATION TECHNIQUES—REMOVAL OF INJUNCTION

Mr. ROBERT C. BYRD. Mr. President, as in executive session, I ask unanimous consent that the injunction of secrecy be removed from the Convention on the Prohibition of Military or Any Other Hostile Use of Environmental Modification Techniques, signed at Geneva on May 18, 1977 (Executive K, 95th Congress, second session), transmitted to the Senate today by the President; and ask that the treaty be considered as having been read the first time, that it be referred to the Committee on Foreign Relations and ordered to be printed, and that the President's message be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The message from the President is as follows:

To the Senate of the United States:

I am transmitting herewith, for the advice and consent of the Senate to ratification, the Convention on the Prohibition of Military or Any Other Hostile Use of Environmental Modification Techniques, signed at Geneva on May 18, 1977.

The Convention is the result of extensive study, debate, and negotiation at the Conference of the Committee on Disarmament at Geneva and at the United Nations. It seeks to avert the dangers resulting from the hostile use of environmental modification techniques "having widespread, long-lasting or severe effects as the means of destruction, damage or injury to any other State Party."

In 1973, growing awareness of the need for protecting our environment led to the adoption of Senate Resolution 71 which urged the Executive Branch to negotiate a treaty prohibiting environmental warfare. The United States and the Soviet Union, after three rounds of bilateral consultations, tabled identical draft texts of a multilateral convention at the Conference of the Committee on Disarmament in 1975. Negotiations on the basis of these text resulted in the document I am transmitting to you today.

I am also sending with the Convention four Understandings relating to Articles I, II, III and VII, respectively. These Understandings are not incorporated into the Convention. They are part of the negotiating record and were included in the report transmitted by the Conference or the Committee on Disarmament to the United Nations. The provisions of the Convention and the Understandings are described in detail in the accompanying report of the Department of State.

By prohibiting the hostile use of potentially disastrous environmental modification techniques, the Convention represents one more advance in the field of arms control to which my Administration is firmly committed. I recommend that the Senate give prompt consideration to the Convention, and advise and consent to its ratification.

JIMMY CARTER.

THE WHITE HOUSE, *September 22, 1978.*

E. C. "TOOK" GATHINGS BUILDING

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Committee on Environment and Public Works be discharged from further consideration of H.R. 8812 and that the Senate proceed to its immediate consideration.

The PRESIDING OFFICER. The bill will be stated by title.

The legislative clerk read as follows:

A bill (H.R. 8812) to name a certain Federal building in Jonesburg, Arkansas, the "E. C. 'Took' Gathings Building."

The PRESIDING OFFICER. Is there objection to the request of the Senator from West Virginia?

There being no objection, the bill was considered, ordered to a third reading, read the third time, and passed.

Mr. ROBERT C. BYRD. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. HATCH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UNIFORMED SERVICES SURVIVORS' BENEFITS AMENDMENTS OF 1978

Mr. ROBERT C. BYRD. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on H.R. 3702.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

Resolved, That the House agree to the amendment of the Senate to the bill (H.R. 3702) entitled "An Act to amend title 10, United States Code, to make certain changes in the Retired Serviceman's Family Protection Plan and the Survivor Benefit Plan as authorized by chapter 73 of that title, and for other purposes", with the following amendment: In lieu of the matter proposed to be inserted by the amendment of the Senate, insert:

That this Act may be cited as the "Uniformed Services Survivors' Benefits Amendments of 1978".

TITLE I—ANNUITIES UNDER RETIRED SERVICEMAN'S FAMILY PROTECTION PLAN

SEC. 101. (a) Section 1434 of title 10, United States Code, is amended—

(1) by striking out "or remarries" in subsection (a)(1) and inserting in lieu thereof "or, if the spouse remarries before age 60, when the spouse remarries";

(2) by striking out "or remarriage of that spouse" in subsection (a)(3) and inserting in lieu thereof "of that spouse or the remarriage of that spouse before age 60"; and

(3) by adding at the end thereof the following new subsection:

"(e) Whenever there is an increase in retired and retainer pay under section 1401a of this title, each annuity that is payable under this subchapter on the day before the effective date of that increase to a spouse or child of a member who died on or before March 20, 1974, shall be increased by the same percentage as the percentage of that increase, effective on the effective date of that increase.".

(b) No benefits shall accrue to any person by virtue of the amendments made by subsection (a) for any period prior to the first day of the first calendar month following the month in which this Act is enacted or October 1, 1978, whichever is later.

SEC. 102. Each annuity that is payable under subchapter I of chapter 73 of title 10, United States Code, on the day before the date of the enactment of this Act to a spouse or child of a member of the uniformed services who died on or before March 20, 1974, shall be increased effective as the first day of the first calendar month following the month in which this Act is enacted, or as of October 1, 1978, whichever is later, by the percentage increase in retired and retained pay under section 1401a of that title since September 21, 1972.

TITLE II—ANNUITIES UNDER SURVIVOR BENEFIT PLAN

DEFINITION OF BASE AMOUNT

SEC. 201. Section 1447(2) of title 10, United States Code, is amended to read as follows:

"(2) 'Base amount' means—

"(A) in the case of a person who dies after becoming entitled to retired or retainer pay, the amount of monthly retired or retainer pay to which the person—

"(i) was entitled when he became eligible for that pay; or

"(ii) later became entitled by being advanced on the retired list, performing active duty, or being transferred from the temporary disability retired list to the permanent disability retired list;

"(B) in the case of a person who would have become eligible for retired pay under chapter 67 of this title but for the fact that he died before becoming 60 years of age, the amount of monthly retired pay for which the person would have been eligible—

"(i) if he had been 60 years of age on the date of his death, for purposes of an annuity to become effective on the day after his death in accordance with a designation made under section 1448(e) of this title; or

"(ii) upon becoming 60 years of age (if he had lived to that age), for purposes of an annuity to become effective on the 60th anniversary of his birth in accordance with a designation made under section 1448(e) of this title; or

"(C) any amount which is less than the amount otherwise applicable under clause (A) or (B) with respect to an annuity provided under the Plan and which is designated by the person providing the annuity on or before (i) the first day for which he becomes eligible for retired or retainer pay, in the case of a person providing an annuity by virtue of eligibility under section 1448(a)(1)(A) of this title, or (ii) the end of the 90-day period beginning on the date on which he receives the notification required by section 1331(d) of this title that he has completed the years of service required for eligibility for retired pay under chapter 67 of this title, in the case of a person providing an annuity by virtue of eligibility under section 1448(a)(1)(B) of this title, but not less than $300;

as increased from time to time under section 1401a of this title.".

APPLICATION OF SURVIVOR BENEFIT PLAN

SEC. 202. (a) Subsection (a) of section 1448 of title 10, United States Code, is amended to read as follows:

"(a)(1) The program established by this subchapter shall be known as the Survivor Benefit Plan. The following persons are eligible to participate in the Plan:

(A) Persons entitled to retired or retainer pay.

(B) Persons who would be eligible for retired pay under chapter 67 of this title but for the fact that they are under 60 years of age.

(2) The Plan applies—

"(A) to a person who is eligible to participate in the Plan under paragraph (1)(A) and who is married or has a dependent child when he becomes entitled to retired or retainer pay, unless he elects not to participate in the Plan before the first day for which he is eligible for that pay; and

"(B) to a person who (i) is eligible to participate in the Plan under paragraph (1)(B), (ii) is married or has a dependent child when he is notified under section 1331(d) of this title that he has completed the years of service required for eligibility for retired pay under chapter 67 of this title, and (iii) elects to participate in the Plan (and makes a designation under subsection (e)) before the end of the 90-day period beginning on the date he receives such notification.

A person described in subclauses (i) and (ii) of clause (B) who does not elect to participate in the Plan before the end of the 90-day period referred to in such clause shall remain eligible, upon reaching 60 years of age and otherwise becoming entitled to retired pay, to participate in the Plan in accordance with eligibility under paragraph (1)(A).

"(3(A) If a person who is eligible under paragraph (1)(A) to participate in the Plan and who is married elects not to participate in the Plan at the maximum level, or elects to provide an annuity for a dependent child but not for his spouse, that person's spouse shall be notified of that election.

"(B) If a person who is eligible under paragraph (1)(B) to participate in the Plan and who is married does not elect to participate in the Plan at the maximum level, or elects to provide an annuity for a dependent child but not for his spouse, that person's spouse shall be notified of that action.

"(4)(A) An election under paragraph (2)(A) not to participate in the Plan is irrevocable if not revoked before the date on which the person first becomes entitled to retired or retainer pay.

"(B) An election under paragraph (2)(B) to participate in the Plan is irrevocable if not revoked before the end of the 90-day period referred to in such paragraph.

"(5) A person who is not married when he becomes eligible to participate in the Plan but who later marries or acquires a dependent child may elect to participate in the Plan, but his election must be written, signed by him, and received by the Secretary concerned within one year after he marries or acquires that dependent child. Such an election may not be revoked. His election is effective as of the first day of the first calendar month following the month in which his election is received by the Secretary concerned. In the case of a person providing an annuity by virtue of eligibility under paragraph (1)(B), such an election shall include a designation under subsection (e).".

(b) Subsection (b) of such section is amended—

(1) by striking out "entitled to retired or retainer pay" and inserting in lieu thereof "eligible to participate in the Plan"; and

(2) by adding at the end thereof the following new sentence: "In the case of a person providing an annuity under this subsection by virtue of eligibility under subsection (a)(1)(B), such an election shall include a designation under subsection (e).".

(c) Such section is further amended by adding at the end thereof the following new subsection:

"(e) In any case in which a person electing to participate in the Plan is required to make a designation under this subsection, the person making such election shall designate whether, in the event he dies before becoming 60 years of age, the annuity provided shall become effective on the day after the date of his death or on the 60th anniversary of his birth.".

PAYMENT OF ANNUITY

SEC. 203. Section 1450 of title 10, United States Code, is amended—

(1) by inserting "(or on such other day as he may provide under subsection (j))" in subsection (a) after "of this title applies" the first place it appears therein; and

(2) by adding at the end thereof the following new subsections:

"(j) An annuity elected by any person providing an annuity by virtue of elegibility under section 1448(a)(1)(B) of this title shall be effective in accordance with the designation made by such person under section 1448(e) of this title.

"(k) If a widow or widower whose annuity has been adjusted under subsection (c) subsequently loses entitlement to compensation under section 411(a) of title 38 because of the remarriage of such widow or widower, and if at the time of such remarriage such widow or widower is 60 years of age or more, the amount of the annuity of such widow or widower shall be readjusted, effective on the effective date of such loss of compensation, to the amount of the annuity which would be in effect with respect to such widow or widower if the adjustment under subsection (c) had never been made, but such readjustment may not be made until the widow or widower repays any amount refunded under subsection (e) by reason of the adjustment under subsection (c).".

AMOUNT OF ANNUITY

SEC. 204. (a) The first sentence of subsection (a) of section 1451 of title 10, United States Code, is amended to read as follows: "The monthly annuity payable to a widow, widower, or dependent child who is entitled under section 1450(a) of this title to an annuity shall be—

"(1) 55 percent of the base amount, if the annuity is provided by virtue of eligibility under section 1448(a)(1)(A) of this title, or

"(2) a lesser percentage (determined by the Secretary of Defense in accordance with subsection (d)) of the base amount, if the annuity is provided by virtue of eligibility under section 1448(a)(1)(B) of this title."

(b) The last sentence of subsection (a) of such section is amended to read as follows: "For the purpose of the preceding sentence, a widow or widower shall not be considered as entitled to a benefit under subchapter II of chapter 7 of title 42 to the extent that such benefit has been offset by deductions under section 403 of title 42 on account of work.".

(c) Subsection (b) of such section is amended to read as follows:

"(b) The monthly annuity payable under section 1450(a)(4) of this title shall be—

"(1) 55 percent of the retired or retainer pay of the person who elected to provide that annuity after the reduction in such pay in accordance with section 1452(c) of this title, if the annuity is provided by virtue of eligibility under section 1448(a)(1)(__) of this title; or

"(2) a lesser percentage (determined by the Secretary of Defense in accordance with subsection (d)) of the retired pay of the person who elected to provide that annuity after the reduction in such pay in accordance with section 1452(c) of this title, if the annuity is provided by virtue of eligibility under section 1448(a)(1)(B) of this title.

A person who provides an annuity which is determined in accordance with clause (2) and who dies before becoming 60 years of age and is otherwise entitled to retired pay shall be considered to have been entitled to retired pay, for the purpose of such clause, at the time of his death, and the retired pay of such person for the purpose of such clause shall be computed on the basis of the rates of basic pay in effect on the date on which the annuity is to become effective in accordance with the designation of such person under section 1448(e) of this title.".

(d) Such section is further amended by adding at the end thereof the following new subsection:

"(d) The percentage to be applied by the Secretary of Defense in determining the amount of an annuity under subsection (a)(2) or (b)(2) shall be 55 percent reduced by such amount as the Secretary shall by regulation prescribe, taking into consideration the age of the person electing to provide the annuity at the time of such election, the difference in age between such person and the beneficiary of the annuity, whether such person provided for the annuity to become effective (in the event he died before becoming 60 years of age) on the day after his death or on the 60th anniversary of his birth, appropriate group annuity tables, and such other factors as the Secretary considers relevant.".

REDUCTION IN RETIRED PAY

SEC. 205. (a) The first sentence of subsection (a) of section 1452 of title 10, United States Code, is amended by striking out "shall be reduced each month" and all that follows in such sentence and inserting in lieu thereof "shall be reduced each month—

"(1) by an amount equal to 2½ percent of the first $300 of the base amount plus 10 percent of the remainder of the base amount, if the person is providing an annuity by virtue of eligibility under section 1448(a)(1)(A) of this title; or

"(2) by an amount prescribed under regulations of the Secretary of Defense, if the person is providing an annuity by virtue of eligibility under section 1448(a)(1)(B).".

(b) Subsection (c) of such section is amended to read as follows:

"(c) The retired or retainer pay of a person who has elected to provide an annuity to a person designated by him under section 1450(a)(4) of this title shall be reduced—

"(1) in the case of a person providing the annuity by virtue of eligibility under section 1448(a)(1)(A) of this title, by 10 percent plus 5 percent for each full five years the individual designated is younger than that person; or

"(2) in the case of a person providing the annuity by virtue of eligibility under section 1448(a)(1)(B) of this title, by an amount prescribed under regulations of the Secretary of Defense.

However, the total reduction under clause (1) may not exceed 40 percent. The reduction in retired or retainer pay prescribed by this section shall continue during the lifetime of the person designated under section 1450(a)(4) of this title or until the person receiving retired or retainer pay changes his election under section 1450(f) of this title.".

NOTIFICATION

SEC. 206. Section 1331(d) of title 10, United States Code, is amended by adding at the end thereof the following new sentence: "Such notice shall include notification of the elections available to such person under the Survivor Benefit Plan established under subchapter II of chapter 73 of this title and the effects of such elections.".

TECHNICAL AND CONFORMING AMENDMENTS

SEC. 207. (a) The first sentence of section 1449 of title 10, United States Code, is amended by striking out "the first sentence of subsection (a), or subsection (b)," and inserting in lieu thereof "subsection (a)(2) or (b)".

(b) Section 1450(d) of such title is amended by striking out "section 8339(i)" and inserting in lieu thereof "section 8339(j)".

(c) Section 1450(f) of such title is amended by striking out "the last three sentences of section 1448(a)" and inserting in lieu thereof "section 1448(a)(5)".

TRANSITION

SEC. 208. With respect to any individual who—

(1) would be eligible for retired pay under chapter 67 of title 10, United States Code, on the effective date of this title but for the fact that such individual is under 60 years of age; or

(2) receives, before the end of the nine-month period beginning on the effective date of this title, a notification that such individual has completed the years of service required for eligibility for such retired pay;

the 90-day period referred to in section 1447(2)(C) of title 10, United States Code (as amended by section 201 of this Act), and in sections 1448(a)(2) and 1448(a)(4)(B) of title 10, United States Code (as amended by section 202(a) of this Act), shall be considered to end at the end of the one-year period beginning on the effective date of this title.

MINIMUM INCOME FOR CERTAIN SURVIVORS

SEC. 209. Section 4 of the Act entitled "An Act to amend chapter 73 of title 10, United States Code, to establish a Survivor Benefit Plan, and for other purposes", approved September 21, 1972 (10 U.S.C. 1448 note), is amended—

(1) by striking out "$2,100" in subsections (a)(3) and (b) and inserting in lieu thereof "$2,340"; and

(2) by redesignating subsection (c) as subsection (d) and inserting after subsection (b) the following new subsection (c):

"(c) The amounts specified in subsections (a)(3) and (b) shall be increased by the Secretary concerned whenever there is an increase in the limitation on annual income for purposes of eligibility for benefits under section 541(b) of title 38, United States Code. Any such increase under the preceding sentence shall be in the same amount, and shall have the same effective date, as such increase in limitation on annual income.".

EFFECTIVE DATES

SEC. 210. (a) Except as provided in subsection (b), the provisions of this title and the amendments made by this title shall take effect on October 1, 1978, or on the date of the enactment of this Act, whichever is later, and shall apply to annuities payable by virtue of such amendments for months beginning on or after such date.

(b) The amendment made by section 206 shall apply to notifications under section 1331(d) of title 10, United States Code, after the date of the enactment of this Act.

TITLE III—MEDICAL AND DENTAL CARE

SEC. 301. Subsection (b) of section 1076 of title 10, United States Code, is amended to read as follows:

"(b) Under regulations to be prescribed jointly by the Secretary of Defense and the Secretary of Health, Education, and Welfare, a dependent of a member or former member—

"(1) who is, or (if deceased) was at the time of his death, entitled to retired or retainer pay or equivalent pay; or

"(2) who died before attaining age 60 and at the time of his death (A) would have been eligible for retired pay under chapter 67 of this title but for the fact that he was under 60 years of age, and (B) had elected to participate in the Survivor Benefit Plan established under subchapter II of chapter 73 of this title;

may, upon request, be given the medical and dental care prescribed by section 1077 of this title in facilities of the uniformed services, subject to the availability of space and facilities and the capabilities of the medical and dental staff, except that a dependent of a member or former member described in clause (2) may not be given such medical or dental care until the date on which such member or former member would have attained age 60.".

SEC. 302. The amendment made by section 301 shall become effective on October 1, 1978, or on the date of the enactment of this Act, whichever is later.

Mr. ROBERT C. BYRD. Mr. President, I move that the Senate concur in the House amendment.

The motion was agreed to.

RECONSIDERATION OF H.R. 8200

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the action of the Senate in tabling a motion to reconsider H.R. 8200, a bill to establish a uniform law on the subject of bankruptcies, the motion to reconsider, passage of the bill, third reading thereof, and agreeing to the Senate amendment in the nature of a substitute for the House language, be vitiated for the sole purposes of offering an amendment in the nature of a substitute, which is at the desk, deleting certain references to Federal taxes and those provisions that amend the Internal Revenue Code of 1954, and making necessary technical and conforming changes, and that the amendment be agreed to.

I further ask unanimous consent that the amendment in the nature of a substitute be agreed to, that H.R. 8200, as thus amended, be agreed to, and that a motion to reconsider be laid on the table.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment follows:

UP AMENDMENT NO. 1901

Strike out all after the enacting clause and insert in lieu thereof substitute language.

FEDERAL FIRE PREVENTION AND CONTROL ACT OF 1974

Mr. ROBERT C. BYRD. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on H.R. 11291.

The PRESIDING OFFICER laid before the Senate the folowing message from the House of Representatives:

Resolved, That the House agree to the amendment of the Senate to the bill (H.R. 11291) entitled "An Act to authorize appropriations for the Federal Fire Prevention and Control Act of 1974, and to change the name of the National Fire Prevention and Control Administration to the United States Fire Administration", with the following amendment: In lieu of the matter proposed to be inserted by amendment, insert:

That (a) section 17 of the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2216) is amended—

(1) by striking out "except section 11 of this Act," and inserting in lieu thereof "except as otherwise specifically provided, with respect o the payment of claims, under section 11 of this Act,";

(2) by striking out "and" after "September 30, 1977,"; and

(3) by inserting immediately after "1978" the following: ", and not to exceed $24,352,000 for the fiscal year ending September 30, 1979".

(b) Section 16(b) of the Act of March 3, 1901 (15 U.S.C. 278(b)), is amended—

(1) by striking out "and" after "September 30, 1977,", and

(2) by inserting immediately after "1978" the following: ", and not to exceed $5,600,000 for the fiscal year ending September 30, 1979".

SEC. 2. (a)(1) Sections 3, 4, and 5 of the Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2202–2204) are amended by striking out "National Fire Prevention and Control Administration" each place it appears and inserting in lieu thereof "United States Fire Administration".

(2) The heading of section 5 of such Act is amended by striking out "NATIONAL FIRE PREVENTION AND CONTROL ADMINISTRATION" and inserting in lieu thereof "UNITED STATES FIRE ADMINISTRATION".

(b) Section 16(a) of the Act of March 3, 1901 (15 U.S.C. 278f(a)), is amended by striking out "National Fire Prevention and Control Administration" in the matter preceding paragraph (1) and inserting in lieu thereof "United States Fire Administration".

(c) Section 12(g) of the Act of February 14, 1903 (15 U.S.C. 1511), is amended by striking out "National Fire Prevention and Control Administration" and inserting in lieu thereof "United States Fire Administration".

SEC. 3. (a) The Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2201 et seq.) is amended by adding at the end thereof the following new section:

"FEDERAL PROGRAMS TO COMBAT ARSON

"SEC. 24. (a) The Administrator shall—

"(1) develop arson detection techniques to assist Federal agencies and States and local jurisdictions in improving arson prevention, detection, and control;

"(2) provide training and instructional materials in the skills and knowledge necessary to assist Federal, State, and local fire service and law enforcement personnel in arson prevention, detection, and control;

"(3) formulate methods for collection of arson data which would be compatible with methods of collection used for the uniform crime statistics of the Federal Bureau of Investigation;

"(4) develop and implement programs for improved collection of nationwide arson statistics within the National Fire Incident Reporting System at the National Fire Data Center;

"(5) develop programs for public education on the extent, causes, and prevention of arson; and

"(6) develop handbooks to assist Federal, State, and local fire service and law enforcement personnel in arson prevention and detection.

"(b)(1) The Administrator shall prepare and submit to Congress, not later than March 15, 1979, a report on ways in which the Federal Government may better assist the States and local jurisdictions in providing for more effective arson prevention, detection, and control. Such report shall include, but need not be limited to—

"(A)(i) an assessment of State and local capabilities in regard to arson investigation and detection; and

"(ii) an evaluation of the necessity for and the desirability of Federal supplementation of such State and local capabilities or other Federal assistance in arson detection;

"(B) a summary of Federal programs which seek to reduce arson;

"(C) an identification and analysis of existing Federal and State laws which may contribute to the incidence of arson;

"(D) recommendations for additional legislation or other programs, including rsearch programs, or policies which may be required to assist in reducing arson in the United States; and

"(E) an assessment, where practical, of the costs and benefits of those programs and activities cited in paragraphs (1) through (4) of subsection (a) or recommended by the Administration.

"(2) Of the funds authorized to be appropriated in section 17 of this Act, $100,000 shall be available in fiscal year 1979 for carrying out the purposes of paragraph (1) of this subsection.".

(b) Section 16(a)(1) of the Act of March 3, 1901 (15 U.S.C. 278f(a)(1)), as amended, is further amended by—

(1) striking out "and" at the end of clause (G) thereof;

(2) adding "and" at the end of clause (H) thereof: and

(3) adding at the end thereof the following:

"(I) methods, procedures, and equipment for arson prevention, detection, and investigation;".

SEC. 4. The Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2201 et seq.), as amended by section 3 of this Act, is further amended by adding at the end thereof the following new section:

"ACADEMY SITE

"SEC. 25. (a) The Administrator is authorized to sell the former Marjorie Webster Junior College facility, located in Washington, D.C., which was previously purchased as the site for the Academy. In the event of the sale of such facility, the Administrator shall establish within the Administration an Academy Acquisition and Construction Account (hereinafter referred to as the 'Account'), and shall deposit into such Account only the proceeds from the sale of such facility. Following such deposit, the Administrator shall calculate the sum of both the funds deposited into the Account, and the total moneys which have been or may be appropriated for the acquisition, construction, and/or rehabilitation of a site for the Academy. If the Administrator finds that the total amount so calculated would exceed $9,000,000, the Administrator shall deduct from the Account the difference between this combined total and $9,000,000, and shall deposit such difference into the Treasury as miscellaneous receipts.

"(b) The Administrator is thereafter authorized and directed to retain and apply funds in the Account for the acquisition, construction, and/or rehabilitation of any site which may be selected, together with such other moneys as have been or may be appropriated for such purposes, except that the total authorized expenditure for such moneys shall not exceed $9,000,000. Such sums shall remain available until expended.".

● Mr. CANNON. Mr. President, H.R. 11291 is a bill to extend the authorizations of the Federal Fire Prevention and Control Act of 1974 through fiscal year 1979. These provisions have been developed after close cooperation and consultation between representatives of the Senate Committee on Commerce, Science, and Transportation and the House Science and Technology Committee.

This act provides $24,352,000 for the National Fire Prevention and Control Administration and $5,600,000 for the Center for Fire Research in the National Bureau of Standards. These levels, which are only a moderate increase over fiscal year 1978 authorization levels, I believe provide for adequate expansion of these extremely important Federal fire prevention and control activities.

This act further delineates and expands the arson prevention and control activities of these organizations. Arson is one of the fastest growing crimes in this country, and it is essential that the Federal Government take a more active role in assisting the States in combating the growing incidence of this crime. The act also calls for a study of ways in which the Federal Government may better assist the States and local jurisdictions in providing for effective arson prevention, detection, and control. The study will make an assessment of State and local capabilities in regard to arson investigation and detection, and carry out an evaluation of the desirability of Federal supplementation of such State and local capabilities. The study will also attempt to identify and analyze existing Federal and State laws which may contribute to the incidence of arson. Finally, the study calls for the National Fire Prevention and Control Administration to provide the

Congress with recommendations for additional legislation or other programs or policies which in their opinion would assist in reducing arson in the United States. I have assured my good friend and colleague, Senator GLENN, who has worked closely with the committee in regard to the arson issue, that the committee intends to continue to cooperate with him in regard to this critical issue.

Also, at the request of the Appropriations Committees as expressed in the conference report on the second supplemental appropriations, this act authorizes the sale of the Marjorie Webster Junior College site and utilization of such proceeds with certain limitations for "the acquisition, construction, and/or rehabilitation of any site which may be selected" as a site for the National Fire Academy. This act does not direct such sale, but provides sufficient flexibility to the administrator to choose the best possible site. The Commerce Committee, however, does not wish to preclude reconsideration of the Marjorie Webster Junior College as the possible site for the Academy. The committee, however, urges as expeditious action as possible by the National Fire Prevention and Control Administration in selecting a site and beginning to institute instruction or rehabilitation of this vital national facility.

Mr. President, the National Fire Prevention and Control Administration will be transferred from the Department of Commerce to a new organization to be known as the Federal Emergency Management Agency pursuant to Presidential Reorganization Plan No. 3. The National Fire Prevention and Control Administration thus is in a pivotal year of its existence. To assure a thorough oversight of this program at this critical time, the act provides for only a 1-year authorization.

The Commerce Committee hopes that this reorganization will strengthen the Federal fire prevention and control programs which have such an important lifesaving, injury preventing, and economic impact for this Nation. But I can assure my colleagues that these programs will receive a thorough reexamination by the Committee on Commerce, Science, and Transportation in the coming year.

Finally, this act would change the name of the National Fire Prevention and Control Administration to the U.S. Fire Administration.

Mr. President, I urge my colleagues' strong support of the legislation.●

Mr. ROBERT C. BYRD. Mr. President, I move that the Senate concur in the House amendment.

The motion was agreed to.

MUSEUM OF AFRICAN ART

Mr. ROBERT C. BYRD. Mr. President, I ask that the Chair lay before the Senate a message from the House of Representatives on S. 2507.

The PRESIDING OFFICER laid before the Senate the following message from the House of Representatives:

Resolved, That the bill from the Senate (S. 2507) entitled "An Act to authorize the Smithsonian Institution to acquire the Museum of African Art, and for other purposes", do pass with the following amendment: Strike out all after the enacting clause, and insert:

SECTION 1. The Board of Regents of the Smithsonian Institution (hereinafter in this Act referred to as the "Board") is authorized to accept a deed or other instrument donating and transferring to the Smithsonian Institution, the land and improvements thereto, collections of works of art, and all other assets and property of the Museum of African Art.

SEC. 2. There is established in the Smithsonian Institution a bureau which shall be known as the "Museum of African Art" (hereinafter in this Act referred to as the "Museum"). The functions of such bureau shall be those authorized by section 3(a).

SEC. 3. (a) For the purpose of carrying out sections 1 and 2 of this Act, the Board may—

(1) purchase, accept, borrow, or otherwise acquire additional works of art or any other real or personal property for the Museum;

(2) preserve, maintain, restore, display, loan, transfer, store, or otherwise hold any property of whatsoever nature acquired pursuant to section 1 or paragraph (1) of this subsection;

(3) conduct programs of research and education; and

(4) subject to any limitations otherwise expressly provided by law, and, in the case of any gift, subject to any applicable restrictions under the terms of such gift, sell, exchange, or otherwise dispose of any property of whatsoever nature acquired pursuant to the provisions of this Act: *Provided*, That the proceeds from the sale of any property acquired pursuant to section 1 shall be designated for the benefit of the Museum.

(b) In carrying out the purposes of this Act, the Board shall consider the recommendations of the Commission established pursuant to section 4.

SEC. 4. (a) There is established a Commission for the Museum of African Art (hereinafter the "Commission") which shall provide advice and assistance to the Board concerning the operation and development of the Museum, its collections and programs.

(b) The Commission shall consist of fifteen members to be appointed by the Board. In addition, the Secretary and an Assistant Secretary of the Smithsonian Institution shall serve as ex officio members. The Board shall appoint to the first term on the Commission no less than ten members of the Board of Trustees of the Museum of African Art who are serving on the date of the enactment of this Act. Each initial member so appointed shall serve for a three-year term. Thereafter, in appointing member of the Commission the Board shall continue to include representatives of African descendants in the United States, collectors of African Art, and scholars in the fields of African art and culture.

(c) Members of the Commission shall be appointed to serve for a three-year term, except that after the appointment of the first term of the Commission as specified in subsection (b), the terms of office of members next appointed shall expire, as designated by the Board at the time of appointment, one-third at the end of one year, one-third at the end of two years, and one-third at the end of three years. Any member apopinted to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term. Members may be reappointed.

(d) A majority of the appointed members of the Commission shall constitute a quorum and any vacancy in the Commission shall not affect its power to function.

(e) Members of the Commission shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of their duties.

(f) The Commission shall select officers, from among its members biennially and shall make bylaws to carry out its functions under this Act.

SEC. 5. The Board may appoint and fix the compensation and duties of the Director and such other officers and employees of the Museum as may be necessary for the efficient administration, operation, and maintenance of the Museum; the Director and two other employees of the Museum may be appointed and compensated without regard to the provisions of title 5 governing appointments in the competitive service and chapter 51 and subchapter III of chapter 53 of title 5; and all of the employees of the Museum who are serving on the date of the transfer authorized under section 1 shall be offered employment by the Smithsonian under its usual terms of employment and may be appointed without regard to the provisions of title 5 governing appointments in the competitive service and chapter 51 and subchapter III of chapter 53 of title 5.

SEC. 6. (a) The faith of the United States is pledged that upon the completion of the acquisition in section 1, the United States will provide such funds as may be necessary for the upkeep of the Museum and the administrative expenses and costs of operation thereof, including the protection and care of works of art acquired by the Board, so the Museum shall at all times be properly maintained and works of art contained therein shall be exhibited regularly to the general public free of charge.

(b) There is authorized to be appropriated for the first fiscal year under this Act, the sum of $1,000,000 and such amounts as may be necessary for the succeeding fiscal years in order to carry out the provisions of this Act.

SEC. 7. Except for the provisions in sections 1 and 6 (b), the provisions of this Act shall take effect on the date of transfer of a deed or other instrument under the provisions of section 1.

● Mr. PELL. Mr. President, in April when the Senate Committee on Rules and Administration held a hearing on S. 2507 to authorize the Smithsonian Institution to acquire the Museum of African Art, I expressed my concern about the physical aspects of the Museum as it is now constituted. At that time I stated that—

I do not believe that the combining of a number of row houses to form the museum meets the necessary museum and safety requirements . . . (nor is) it wise for the Smithsonian and the nation to subsidize the museum at its present location indefinitely.

The bill reported by the committee and approved by the Senate contained an amendment expressing the intent of Congress that the Museum be relocated as soon as possible and that within 2 years the Board of Regents of the Smithsonian Institution report to the Senate Rules Committee and the Committee on House Administration on plans to do so.

The other body has now approved S. 2507, but amended it, deleting the language of the amendment reported by the Rules Committee of the Senate with respect to location.

It is my understanding that the other body did consider this matter, but chose to leave such decisions to that Museum and the Institution.

Mr. President, as a unit of the Smithsonian, the Museum of African Art will obviously require a home consonant with its national status. The growth of its col-

lections and of its public programs, as well as the attendant concerns of security and access for visitors, will inevitably lead to a larger and more convenient structure. The Secretary of the Smithsonian Institution, as well as the Director of the Museum of African Art, testified to this in our hearings and in those of the House.

Since the hearings, and recalling that 10 years elapsed between the time the Smithsonian secured the Patent Office Building and the public opening in that building of the National Collection of Fine Arts and the National Portrait Gallery, Secretary Ripley has informed me that the Smithsonian is already undertaking studies of possible future locations for the Museum of African Art. Also, he has assured me that reports will be made regularly to the Senate Rules Committee and the Committee on House Administration on this issue.

Mr. President, the advocates of the proposal that the Smithsonian take over the African Art Museum have been most helpful regarding the issue of the future location of the Museum and in promoting discussion of it by Museum and Smithsonian staffs, and those in the other body who share our concerns and responsibilities. I am satisfied that the requirement for a future move has been fully recognized, and that we can look forward confidently to working with the Smithsonian in insuring that the Museum of African Art will be appropriately and securely housed.

Given the activity now underway and the assurance of Secretary Ripley, I will now seek that the Senate accept S. 2507 as amended by the House to authorize the Smithsonian Institution to acquire the Museum of African Art.●

● Mr. ANDERSON. Mr. President, I am pleased to join with Senator PELL in urging final passage of S. 2507, to authorize the Smithsonian Institution to acquire the Museum of African Art.

I want to express my sincere appreciation to Senator PELL for his prompt, favorable consideration of the bill as chairman of the Senate Rules Committee. Senator PELL with his characteristic concern for the advancement of the arts has assured national recognition for the rich, proud heritage of African art through his strong support for this legislation.

Passage of the legislation is also a special tribute to our late colleague, Senator Hubert Humphrey, because of his commitment to the Museum's programs. Senator Humphrey served as the first chairman of the Museum's Board, and chaired its National Council for years. I introduced the bill in his place at his request, and I believe its adoption has added meaning in light of his sensitivity to the role of African culture in the American black experience.

Mr. President, the Museum's collection consists of over 7,000 objects of traditional African art, and its archives contain the donated films of the world-renowned Life photographer, Eliot Elisofan. In addition, the museum conducts a vigorous education program of university classes, educational TV, and symposia.

Acquisition of the Museum of African Art by the Smithsonian will add permanence and stability to the Museum's programs and recognize it as a national institution. Such stability will insure the donation of private collections valued at several million dollars. These collections, if received, will make Washington unquestionably the principal center in the world for the display and sutdy of African art, an important fact in view of this city's large diplomatic community, the high proportion of African students in its colleges and its 76 percent black population.

For the Smithsonian, acquisition will introduce African art, which represents one of the major art traditions, into programs already rich in European, American, and Near and Far Eastern art.

Filling this gap will add a new dimension to our national cultural life, and extend to millions of Americans a special gift of heritage and enrichment.●

Mr. ROBERT C. BYRD. Mr. President, I move that the Senate concur in the House amendment.

The motion was agreed to.

EXECUTIVE SESSION

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate go into executive session to consider nominations on the Executive Calendar beginning with the Judiciary.

There being no objection, the Senate proceeded to the consideration of executive business.

The PRESIDING OFFICER. The first nomination will be stated.

THE JUDICIARY

The assistant legislative clerk read the nomination of Theodore McMillen, of Missouri, to be U.S. circuit judge for the eighth circuit.

The PRESIDING OFFICER. Without objection, the nomination is considered and confirmed.

The assistant legislative clerk read the nomination of Patricia J. E. Boyle, of Michigan, to be U.S. district judge for the eastern district of Michigan and the nomination of Julian A. Cook, Jr., of Michigan, to be U.S. district judge for the eastern district of Michigan.

The PRESIDING OFFICER. Without objection, the nominations are considered and confirmed.

The assistant legislative clerk read the nomination of Mariana R. Pfaelzer, of California, to be U.S. district judge for the central district of California.

The PRESIDING OFFICER. Without objection, the nomination is considered and confirmed.

The assistant legislative clerk read the nomination of Harold A. Baker, of Illinois, to be U.S. district judge for the eastern district of Illinois.

● Mr. STEVENSON. Mr. President, Harold Baker has demonstrated the vitality, temperament, intellect, and integrity to make an outstanding judge of the eastern district of Illinois.

He is an experienced and successful lawyer. Since his graduation from the University of Illinois College of Law in 1956, where he was awarded the Order of Coif, Harold Baker has been associated with the firm of Hatch & Baker in Champaign, Ill. The Illinois State Bar Association has found Mr. Baker to be exceptionally well qualified to serve on the Federal bench.

In addition to his active law practice, Harold Baker has for over 15 years been a lecturer on pleading and trial advocacy at the University of Illinois College of Law and at the National Institute of Trial Advocacy. His professional activities have included service as the senior counsel to the Presidential Commission on CIA Activities in the United States; chairman of the Illinois Supreme Court Committee on Pattern Jury Instructions; fellow of the American College of Trial Lawyers; and chairman of the Champaign County Legal Aid Society. He has also demonstrated a commitment to his community, serving as a member and then president of the Champaign Community School District Board of Education.

I am gratified that President Carter recognized the outstanding qualifications that Harold Baker possesses and that the Committee on the Judiciary has done likewise in reporting favorably on his nomination. I urge his confirmation by the Senate.●

The PRESIDING OFFICER. Without objection, the nomination is considered and confirmed.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the remainder of nominations be considered and confirmed en bloc.

The PRESIDING OFFICER. Without objection, they are considered and confirmed en bloc.

The nominations considered en bloc are as follows:

DEPARTMENT OF JUSTICE

Robert J. Cindrich, of Pennsylvania, to be U.S. attorney for the western district of Pennsylvania.

Andrew L. Metcalf, Jr., of Michigan, to be U.S. marshal for the western district of Michigan.

U.S. RAILWAY ASSOCIATION

W. K. Smith, of Minnesota, to be Chairman of the Board of the U.S. Railway Association.

Stanton P. Sender, of the District of Columbia, Nathaniel Welch, of Georgia, James E. Burke, of New Jersey, and Robert G. Flannery, of California, to be members of the Board of Directors of the U.S. Railway Association.

UNITED NATIONS

Andrew J. Young, of Georgia, James F. Leonard, Jr., of New York, Abraham A. Ribicoff, U.S. Senator from the State of Connecticut, James B. Pearson, U.S. Senator from the State of Kansas, and Set Charles Momjian, of Pennsylvania, to be representatives of the United States of America to the 33d session of the General Assembly of the United Nations.

Donald F. McHenry, of Illinois, Melissa F. Wells, of New York, Angelique O. Stahl, of Florida, John W. Hechinger, of the District of Columbia, and Richard W. Petree, of Virginia, to be alternate representatives of the United States of America to the 33d session of the General Assembly of the United States.

DEPARTMENT OF STATE

Marilyn Priscalla Johnson, of New Hampshire, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Toga.

Thomas R. Pickering, of New Jersey, to be an Assistant Secretary of State for Oceans

and International Environmental and Scientific Affairs.

Ambler Holmes Moss, Jr., of Virginia, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Panama.

INTERNATIONAL MONETARY FUND

G. William Miller, of California, to be U.S. Alternate Governor of the International Monetary Fund for a term of 5 years.

NOMINATIONS PLACED ON THE SECRETARY'S DESK IN THE COAST GUARD AND THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Coast Guard nominations beginning Gregory L. Oxley, to be lieutenant (jg.), and ending Jimmie G. Weibley, to be lieutenant (jg.), which nominations were received by the Senate and appeared in the Congressional Record on August 19, 1978.

National Oceanic and Atmospheric Administration nominations beginning Joseph C. Talbott, to be lieutenant (jg.), and ending James M. Sherwood, to be ensign, which nominations were received by the Senate and appeared in the Congressional Record on September 6, 1978.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that it be in order to move en bloc to reconsider the vote by which the nominations were confirmed en bloc.

The PRESIDING OFFICER. Without objection, the motion is in order.

Mr. ROBERT C. BYRD. Mr. President, I move to reconsider the vote by which the nominations were confirmed en bloc.

Mr. HATCH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of the nominations.

The PRESIDING OFFICER. Without objection, it is so ordered.

LEGISLATIVE SESSION

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate return to the consideration of legislative business.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR RECESS UNTIL 7:45 A.M. TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that, if no Senator seeks recognition after Mr. RANDOLPH is recognized, the Senate then stand in recess until the hour of 7:45 a.m. tomorrow morning under the order previously entered.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Chair recognizes the Senator from West Virginia (Mr. RANDOLPH).

REHABILITATION, COMPREHENSIVE SERVICES, AND DEVELOPMENTAL DISABILITIES AMENDMENTS OF 1978

Mr. RANDOLPH. Mr. President, I appreciate the courtesy of the majority leader and I say to him I will be in our State of West Virginia tomorrow and I will be doing what I hope will be productive work not only for myself but in a sense carrying a message from him to the people of our State. I thank the Senator very much.

Mr. ROBERT C. BYRD. I thank the Senator.

Mr. RANDOLPH. Mr. President, a few minutes ago in the Chamber the knowledgeable Senator from Wisconsin (Mr. PROXMIRE) made a statement that he was the only Member of this body who voted against the vocational rehabilitation measure which did pass the Senate yesterday afternon by a vote of 81 to 1.

Now I am not a carping critic of my colleague. He is my friend. I do not assume that role in discussing the convictions or the votes of any of the Members of this body. I only am differing with him now as I would have yesterday if he had spoken about his opposition then to the pending measure when it was here in the Chamber for debate and decision. Tonight he has said that the authorization for that bill was too high; was not well thought out, and perhaps might be subject to a veto by the President. The authorization is within the budget, and we will not talk further about it on the score of dollars.

Just a few minutes ago, I voted against a foreign aid bill of more than $9 billion. That is for programs overseas.

The amount of money for the program for helping the handicapped to help themselves, the severely disabled, those in need of our assistance in training and in education and productivity, all of those efforts were embodied in a program of 3 years at a total Federal cost in cooperation with the States of approximately $3.4 billion.

I think what I am saying is very correct. He mentions that the bill was not well thought out, in the debate I mentioned that I had conducted 18 days of intensive hearings. There were 201 witnesses who were heard. They counseled with the members of our Subcommittee on the Handicapped. We were helped by their testimony. Varying points of views were adopted, in part or in whole, in the bill which later from the subcommittee to the full committee was reported to the Senate.

So I do not think the authorization, as indicated by my friend from Wisconsin, was too high or not well thought out I believe that a Senator, if he believes in a bill should vote for the bill regardless of whether he thinks the President of the United States might veto the measure when it is placed on his desk. I feel that very strongly.

I am in good humor and, I hope, good purpose. The absence of the Senator would indicate that, perhaps, I had waited until now to make these remarks with him not present. Of course, that is not true. I had asked him to yield so that I might make these comments, but working under a limitation of time he was unable to provide me the opportunity. He would have done so had it been possible, and I am certain he will understand that we just have a difference of opinion here, and because of what was said by the only Member of this body who voted against the bill—and he certainly has every right to do exactly what he did, I am sure he is convinced that he did right.

We have differed on the matter, and because of what was spoken, I have made reply not only as just another Senator, but as a Senator with Senator STAFFORD handling the bill in the Senate, and also in my capacity as chairman of the Senate Subcommittee on the Handicapped.

RECESS UNTIL 7:45 A.M. TOMORROW

The PRESIDING OFFICER. Pursuant to the previous order the Senate will now stand in recess until the hour of 7:45 tomorrow morning.

Thereupon, at 7:01 p.m. the Senate recessed until Saturday, September 23, 1978, at 7:45 a.m.

NOMINATIONS

Executive nominations received by the Senate September 22, 1978:

DEPARTMENT OF STATE

Donald K. Petterson, of California, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Somali Democratic Republic.

Goodwin Cooke, of Connecticut, a Foreign Service officer of class 2, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Central African Empire.

The following-named person for appointment as a Foreign Service officer of class 3, a consular officer, and a secretary in the Diplomatic Service of the United States of America:

Jesse Walter Lewis, Jr., of the District of Columbia.

For promotion from a Foreign Service officer of class 6 to 5:

Donald Carter Hunter, of New Jersey.

For reappointment in the Foreign Service as a Foreign Service officer of class 5, a consular officer, and a secretary in the Diplomatic Service of the United States of America:

Ruth H. van Heuven, of Connecticut.

For appointment as Foreign Service officers of class 5, consular officers, and secretaries in the Diplomatic Service of the United States of America:

Terrezene Brown, of California.

Dale W. Dover, of Virginia.

For appointment as Foreign Service officers of class 6, consular officers, and secretaries in the Diplomatic Service of the United States of America:

Sharon Elaine Hunt, of Virginia.

Giovanni Palazzolo, of Georgia.

Patsy G. Stephens, of California.

For appointment as Foreign Service information officers of class 6, consular officers, and secretaries in the Diplomatic Service of the United States of America:

Daniel McGaffic, of California.

Judith Michele Mudd, of Kentucky.

For appointment as Foreign Service Information officers of class 7, consular officers, and secretaries in the Diplomatic Service of the United States of America:

Douglas A. Davidson, of Ohio.

John P. Dwyer, of Connecticut.

Helmut Fischer, of California.

Wendy C. Forward, of California.

Lauren Beth Hale, of Connecticut.

Thomas James Johnston, of Maryland.

Nicolas Robertson, of California.

Vallerie J. Steenson, of California.

Mark Van Fleet, of Virginia.

James D. Welch, of Texas.

For appointment as Foreign Service information officers of class 8, consular officers, and secretaries in the Diplomatic Service of the United States of America:

David B. Monk, of Massachusetts.

Emi Lynn Yamauchi, of Illinois.

Foreign Service reserve officers to be consular officers of the United States of America:

Richard L. Duncan, of Wyoming.
James W. Goodsell, of Washington.
Thomas J. McCay, Jr., of Virginia.
Edgar L. Rojas, of California.

Foreign Service reserve officers to be consular officers and secretaries in the Diplomatic Service of the United States of America:

Everett D. Ayer, Jr., of Virginia.
Robert B. Baer, of Arizona.
Alton R. Baysden, of Virginia.
Leonard H. Belgard, of New Jersey.
John K. Berg, of Virginia.
Michael P. Bishton, of Maryland.
Kenneth R. Bogdan, of Virginia.
David L. Bowman, of Virginia.
Richard L. Branche, of California.
Paul W. Broadbent, of Ohio.
Bruce Gregory Brockhagen, of Virginia.
Robert Clayton Brown, of Virginia.
William E. Camp, of Maryland.
William J. Clair, of Virginia.
Walter C. d'Andrade, of Nevada.
Joseph A. Di Stefano, of Florida.
Frank C. Esquivel, of Virginia.
Daniel A. Gomez, of California.
Arthur L. Gordon, of Maryland.
Bernard E. Gross II, of Virginia.
Rhonda A. Gunkle, of California
John S. Habib, of California.
Todd D. Hagenah, of Virginia.
Victor H. Havlovick, of Virginia.
Walter M. Hughey, of California.
Eleanor Terry Inskeep, of Maryland.
Robert J. Korengold, of Maryland.
Robert C. Meehan, of Pennsylvania.
William A. Moffett III, of Virginia.
William L. Mosebey, Jr., of Virginia.
Geraldine L. Murray, of Virginia.
Antonio L. Neves, of Massachusetts.
Peter J. Obenauer, of New York.
Jonathan F. Randall, of Virginia.
George H. Raynor, of Maryland.
Douglas P. Ryan, of Virginia.
Celio F. Sandate, of Kansas.
Laurent M. St. Georges, of Maryland.
Bryant J. Salter, of Virginia.
Clifton J. Schaefer, of Virginia.
Jackson L. Sigler, of Virginia.
Richard M. Smylie, of Virginia.
William C. Wagner, Jr., of Maryland.

Foreign Service reserve officers who are candidates for appointment as junior Foreign Service officers to be consular officers and secretaries in the Diplomatic Service of the United States of America:

Winston Lewis Amselem, of the District of Columbia.
Peter K. Augustine, of Texas.
Kenneth E. Austin, of Virginia.
Lawrence Rea Baer, of California.
Perry Edwin Ball, of Georgia.
Marvin S. Brown, of Georgia.
Stephen G. Brundage, of Illinois.
William Marcellus Butler, of Maryland.
Dennis Franklin Carter, of Pennsylvania.
Guyle E. Cavin, of Texas.
Robert Francis Cekuta, of New York.
Joy F. Churchill, of Virginia.
Judy Wynne Cohen, of Georgia.
John Graham Collinge, of Arizona.
Edward K. H. Dong, of California.
Kenneth Alan Duncan, of Connecticut.
Ben Floyd Fairfax, of Virginia.
Robert Patrick John Finn, of New York.
Zandra I. Flemister, of Connecticut.
Corazon Sandoval Foley, of California.
Roger M. Freeman, Jr., of California.
Kenneth Jefferson Grasty, of Pennsylvania.
Charles Jamison Hall, of Michigan.
Douglas C. Hengel, of New York.
Leslie Robert Hickman, of the District of Columbia.
Kathryn Anne Holmberg, of Wyoming.
Alan Robert Kellogg, of Hawaii.
Douglas Barry Kent, of California.
Cornelis Mathias Keur, of Michigan.
Glenn Alden Knight, of North Carolina.
Olga Perez Koluvek, of Texas.
Steven Mark Lauterbach, of Ohio.
Frank G. Light, Jr., of Colorado.
Keith Loken, of California.
Roderick C. Mackler, of Virginia.
Joseph R. Manzanares, of Colorado.
Robert John Marro, of New Jersey.
Gail Dennise Thomas Mathieu, of New Jersey.
Christopher Emmet McCarthy, of the District of Columbia.
William Joseph McGlynn, Jr., of Virginia.
Michael Andrew Meigs, of Alabama.
Judith Meyer, of Connecticut.
Norman D. Milford, Jr., of Virginia.
Johnnie Mary Miller, of the District of Columbia.
Gillian Arlette Milovanovic, of Pennsylvania.
L. Evangeline Monroe, of New Mexico.
Tibor P. Nagy, Jr., of Virginia.
Thomas Hunter Ochiltree II, of the District of Columbia.
Olaf North Otto, of Virginia.
James Andrew Paige, of Ohio.
Lauren Peters, of Hawaii.
Francis Joseph Ricciardone, Jr., of New Hampshire.
Lawrence Kerr Robinson, of Maryland.
Joseph Lee Sala, of Pennsylvania.
John Waldemar Schulze, of Texas.
Dennis Edward Skocz of Florida.
Wilbert Smith, Jr., of Maryland.
Stanley Howard Specht, of the District of Columbia.
William A. Stanton, of North Carolina.
Doris Kathleen Stephens, of Arizona.
Sandra E. Taylor, of the District of Columbia.
James R. Van Laningham, of Arizona.
Edward H. Vázquez, of New Jersey.
Thomas J. White, of Pennsylvania.
Sharon Anderholm Wiener, of Ohio.
Nicholas M. Williams, of New York.
Ann Sanborn Yancey, of Oregon.
Julie Ann L. Zimmerman, of Michigan.

Foreign Service reserve officers to be secretaries in the Diplomatic Service of the United States of America:

Vincent M. Cannistraro, of Massachusetts.
Ainslie T. Embree, of New York.
Robert G. Morris, of Virginia.
David E. Thurman, of Virginia.
John L. Withers, of the District of Columbia.

Foreign Service staff officers to be consular officers of the United States of America:

Larry Corbett, of Nevada.
Charles E. Heise, of Oregon.
Kathleen T. Hinton, of Maryland.
Julia R. Reese, of Alabama.

I nominate Eric A. Kunsman, of Pennsylvania, for appointment as a Foreign Service officer of class 7, a consular officer, and a secretary in the Diplomatic Service of the United States of America, effective March 3, 1977.

The following-named Foreign Service officers for promotion in the Foreign Service to the classes indicated:

Foreign Service officers of class 1:

Anthony C. Albrecht, of Virginia.
Natale H. Bellocchi, of New York.
Robert R. Blackburn, Jr., of California.
Thomas D. Boyatt, of Ohio.
Peter S. Bridges, of Louisiana.
John W. DeWitt, of Florida.
John T. Doherty, of Maryland.
Charles C. Flowerree, of Virginia.
Charles S. Kennedy, Jr., of Virginia.
Barrington King, Jr., of Georgia.
Robert E. Lamb, of Georgia.
John Andrew Linehan, of Maryland.
Gifford D. Malone, of Florida.
John C. Monjo, of Maryland.
Roy C. Nelson, of California.
Thomas W. M. Smith, of Maine.
Peter Tarnoff, of New York.
Thomas M. Tracy, of Florida.
Joseph W. Twinam, of Tennessee.
Melissa F. Wells, of New York.

Foreign Service officers of class 2:

Sharon Erdkamp Ahmad, of California.
John D. Blacken, of Washington.
Parker W. Borg, of Minnesota.
M. Lyall Breckon, of the District of Columbia.
James Richard Cheek, of Arkansas.
William Clark, Jr., of the District of Columbia.
Wat T. Cluverius IV, of Maryland.
Edwin G. Corr, of Oklahoma.
Robert B. Duncan, of New Jersey.
Charles Edward Emmons, of California.
John P. Ferriter, of New York.
Samuel Edwin Fry, Jr., of New York.
Bryce McGregor Gerlach, of Virginia.
Theresa A. Healy, of New Hampshire.
Richard H. Howarth, of Pennsylvania.
Robert M. Immerman, of New York.
Jay K. Katzen, of New York.
Kenneth C. Keller, of the District of Columbia.
Katherine Lee Kemp, of California.
Lucien L. Kinsolving, of Virginia.
Larry E. Lane, of Texas.
Bert C. Moore, of Ohio.
Thomas M. T. Niles, of Kentucky.
J. Stapleton Roy, of Pennsylvania.
Richard C. Scissors, of Missouri.
Peter Semler, of Virginia.
Thomas W. Simons, Jr., of the District of Columbia.
Dudley G. Sipprelle, of California.
Arthur Jensen Smith, of Ohio.
Roscoe S. Suddarth, of Tennessee.
William L. Swing, of North Carolina.
W. Robert Warne, of California.
Robert E. Waska, of Texas.
Frank G. Wisner II, of the District of Columbia.
Donald R. Woodward, of California.

Foreign Service officers of class 3:

Laurence Desaix Anderson, Jr., of Mississippi.
Roy J. Apel, of California.
Kenneth H. Bailey, Jr., of New Jersey.
Raymond M. Bailey, of Ohio.
Charles R. Baquet III, of Louisiana.
Nicholas S. Baskey, Jr., of Ohio.
Don E. Bean, of Tennessee.
J. Peter Becker, of Florida.
Harry C. Blaney III, of Connecticut.
Edith Louise Bruce, of Illinois.
David H. Burns, of Massachusetts.
Robert K. Carr, of California.
Edward A. Casey, Jr., of New Jersey.
Louis N. Cavanaugh, Jr., of Pennsylvania.
Daniel H. Clare III, of New York.
John Eignus Clark, of Maryland.
Walter S. Clarke, of Maryland.
George W. F. Clift, of California.
Arthur B. Corte, of New York.
Michael A. Davila, of Texas.
Terrance M. Day, of Maryland.
Charles F. Dunbar, Jr., of the District of Columbia.
Vincent J. Farley, of New York.
David J. Fischer, of Texas.
Samuel C. Fromowitz, of Virginia.
Harrell Kennan Fuller, of New Mexico.
Charles A. Gillespie, Jr., of California.
Dennis C. Goodman, of Ohio.
Larry C. Grahl, of Ohio.
Marvin D. Green, of Wisconsin.
Richard J. Harrington, of California.
Edward F. Height, of California.
Jerome L. Hoganson, of Wisconsin.
Robert Onan Homme, of Minnesota.
Donald E. Huth, of California.
Richard H. Imus, of California.
D. Lowell Jones, of Mississippi.
Ralph T. Jones, of Maryland.
Philip S. Kaplan, of California.
Alphonse F. LaPorta, of New York.
Walter Clair Lenahan, of Washington.
Duane T. Linville, of Florida.
Edward W. Lollis II, of Indiana.
Walter A. Lundy, Jr., of Virginia.
David L. Mack, of Oregon.
Lois Jean Matteson, of Florida.
Donald Floyd McConville, of Minnesota.
James W. McGunnigle, of New York.
Joseph D. McLaughlin, of Kansas.

Michael A. G. Michaud, of Maryland.
Bradford W. Miller, Jr., of New York.
Richard H. Milton, of West Virginia.
Paul D. Molineaux, of the District of Columbia.
David T. Morrison, of Michigan.
James H. Morton, of Illinois.
Day Olin Mount, of Massachusetts.
Glenn A. Munro, of California.
Peter K. Murphy, of Massachusetts.
Walter M. Notheis, of California.
Edward R. O'Connor, of New York.
Robert F. Pfeiffer, of New York.
Homer R. Phelps, Jr., of New York.
Oscar A. Reynolds, of Texas.
Philip J. Rizik, of the District of Columbia.
Kenneth J. Robinson, of Florida.
Mary A. Ryan, of Texas.
P. Peter Sarros, of New York.
Eugene L. Scassa, of Pennsylvania.
Charles W. Schaller, of District of Columbia.
Erma Schumacher, of California.
Raymond G. H. Seitz, of Texas.
David H. Shinn, of Washington.
Dane F. Smith, Jr., of New Mexico.
Rufus Grant Smith, of New Jersey.
William E. Spruce, of Texas.
John Todd Stewart, of California.
Gerald M. Sutton, of California.
Peter Bird Swiers, of New York.
Dan J. Thal, of California.
Samuel B. Thomsen, of California.
William Henry Tienken, of Georgia.
Victor L. Tomseth, of Oregon.
Theresa A. Tull, of New Jersey.
John L. Washburn, of Maine.
Stephen B. Watkins, of Connecticut.
Douglas K. Watson, of California.
Philip C. Wilcox, Jr., of Colorado.
Theodore S. Wilkinson III, of Maryland.
Leonard F. Williams, of Wyoming.
Brooks Wrampelmeier, of Ohio.
Foreign Service officers of class 4:
Marshall P. Adair, of California.
Robert J. Bel, of California.
Randolph M. Bell, of Arkansas.
David Bloch, of New York.
Paul Carl Bofinger, of New York.
Richard Thomas Booth, of Florida.
Eric J. Boswell, of California.
Charles H. Brayshaw, of Colorado.
Kent N. Brown, of California.
Larry G. Butcher, of Virginia.
Ray L. Caldwell, of New Mexico.
William M. Campbell, of Oregon.
Johnnie Carson, of Illinois.
Marshall L. Casse III, of Georgia.
Kenneth W. Chard, of Colorado.
Victor D. Comras, of Florida.
William Harrison Courtney, of West Virginia.
Jeffrey Davidow, of Minnesota.
Ruth A. Davis, of California.
Dean Dizikes, of California.
Robert F. Dorr, of California.
Robert C. Felder, of Florida.
Royce J. Fichte, of Virginia.
Doyle E. Gentry, of Arkansas.
Lloyd R. George, of Virginia.
Albert L. Glad, of California.
Maurice N. Gralnek, of Illinois.
Ralph D. Griffin II, of New Hampshire.
David Crane Halsted, of Vermont.
Donna J. Hamilton, of Washington.
Donald K. Holm, of Florida.
Judith I. Hughes, of Utah.
Joseph S. Hulings III, of South Carolina.
William Albert Hyde, of Virginia.
David H. Jackson, of California.
Charles Bowman Jacobini, of Illinois.
A. Elizabeth Jones, of Maryland.
David Taylor Jones, of Pennsylvania.
Raymond C. Jorgenson, of North Dakota.
Allen L. Keiswetter, of Kansas.
William C. Kelly, Jr., of New Jersey.
Charles A. Kennedy, of California.
Patrick Francis Kennedy, of Illinois.
William F. Kingsbury, of Virginia.
William A. Kirby, Jr., of New Jersey.
Lynne Foldessy Lambert, of Pennsylvania.
John J. Leech, of Connecticut.
Wayne Stephen Leininger, of Florida.
John P. Leonard, of Connecticut.
John P. Lyle, of New York.
Michael M. Mahoney, of Massachusetts.
Gregory Lynn Mattson, of New Jersey.
Donald J. McConnell, of Ohio.
Frederick C. McEldowney, of Michigan.
Paul M. McGonagle, of Virginia.
Roger A. McGuire, of Ohio.
Richard M. Miles, of South Carolina.
George E. Moose, of Colorado.
Adriaen M. Morse, of Arkansas.
Eric David Newsom, of California.
John U. Nix, of Florida.
J. Michael O'Brien, of Pennsylvania.
Gordon Brent Olson, of Washington.
Mark Robert Parris, of Virginia.
Kenneth N. Peltier, of Texas.
Lauralee M. Peters, of Virginia.
Jonathan B. Rickert, of Connecticut.
David A. Roberts, of Pennsylvania.
Dennis A. Sandberg, of Minnesota.
Barbara Jane Schrage, of Wisconsin.
Gerald W. Scott, of Oklahoma.
Joseph Monroe Segars, of Pennsylvania.
Fredrick G. Shirley, of Kentucky.
Frederick Owen Shoup, of California.
Joseph C. Snyder III, of Connecticut.
Charles L. Stephan III, of Illinois.
Douglas K. Stevens, Jr., of Florida.
Joseph Gerard Sullivan, of Massachusetts.
Alma Lucille Thomas, of North Carolina.
Dan E. Turnquist, of Wyoming.
Robert E. Tynes, of Virginia.
George F. Ward, Jr., of New York.
Keith L. Wauchope, of New York.
Kaarn Jayne Weaver, of Ohio.
Richard L. Weeks, of New Hampshire.
Katherine M. White, of Arizona.
Russell M. Winge, of Minnesota.
Paul R. Wisgerhof, of Colorado.
Howard S. Witmer II, of Michigan.
John Stern Wolf, of Maryland.
Stephen W. Worrel, of Ohio.
Johnny Young, of Pennsylvania.
Foreign Service officers of class 5:
Clarke William Allard, of New Hampshire.
Michael G. Anderson, of Virginia.
Jeffrey A. Bader, of Florida.
Manuel Barrera, of Massachusetts.
David C. Bennett, of California.
Jonathan M. Bensky, of Virginia.
Ann R. Berry, of Kentucky.
Vittorio A. Brod, of New York.
Frank Dietrich Buchholz, of New York.
Bruce G. Burton, of New York.
John Davis Caswell, of Connecticut.
Michael A. Ceurvorst, of Iowa.
Richard A. Christenson, of Wisconsin.
Gwendolyn Coronway, of Pennsylvania.
Robert L. Craven, of California.
Arnold Jackson Croddy, Jr., of Maryland.
Patrick DelVecchio, of Virginia.
James Michael Derham, of the District of Columbia.
Michael Thomas Dixon, of New Jersey.
David Bryan Diouhy, of Texas.
Peter D. Eicher, of Connecticut.
Earl A. Ferguson, of Virginia.
Richard V. Fisher, of Virginia.
Ralph Frank, of Washington.
Robert C. Frasure, of West Virginia.
Mary Lee K. Garrison, of New Jersey.
Stephen Michael Geis III, of Missouri.
Michael Geiner, of Missouri.
James M. Griffin, of Massachusetts.
Michael J. Guignard, of Maine.
Paul Hacker, of New York.
George Ernest Hamilton, of Texas.
Joseph E. Hayes, of California.
Donald S. Hays, of Virginia.
Ruth Miles Henderson, of California.
E. Mason Hendrickson, Jr., of Maryland.
Frederick Loren Henneke, of Texas.
Kang Shih Huang, of the District of Columbia.
William H. Itoh, of New Mexico.
Ronald Lewis Kates, of New Jersey.
Samuel A. Keller, of California.
Stephen H. Klemp, of Illinois.
Joseph C. Kramer, of Ohio.
Richard E. Kramer, of Massachusetts.
William A. Krug, Jr., of California.
Alfred M. Lehn, of Virginia.
Leonard Bruce Levine, of Maryland.
David C. Litt, of Virginia.
Judyt Landstein Mandel, of New York.
Marshall F. McCallie, of Virginia.
J. Diane Ballard McClellan, of California.
Brian Michael Patrick McNamara, of Connecticut.
Robert J. McSwain, of Florida.
Edmund F. McWilliams, Jr., of Rhode Island.
E. Wayne Merry, of the District of Columbia.
Michael J. Metrinko, of Pennsylvania.
Simeon L. Moats, of Pennsylvania.
Brian J. Mohler, of New York.
William Dale Montgomery, of the District of Columbia.
Charles H. Morris, Jr., of California.
Kenneth Leroy Norton, of California.
Sue Ford Patrick, of Florida.
Sue H. Patterson, of Virginia.
William Allen Pierce, of Georgia.
William Pinckney Pope, of Virginia.
Elizabeth Ann Powers, of Pennsylvania.
David R. Pozorski, of Illinois.
Steven R. Pruett, of Hawaii.
Joyce B. Rabens, of California.
Elizabeth Raspolic, of Arizona.
Charles E. Redman, of Indiana.
Margot Ellen Reiner, of New Jersey.
David Snyder Robins, of Washington.
Max Newton Robinson, of Washington.
William R. Rosner, of Ohio.
Richard Allan Roth, of Michigan.
Layton Ross Russell, of Ohio.
Eugene David Schmiel, of Pennsylvania.
Andrew Sciacchitano, of Illinois.
Neil Edward Silver, of Virginia.
Stephen R. Snow, of Tennessee.
Gregory Michael Suchan, of Ohio.
David S. Summers, of Ohio.
Thomas C. Tighe, of Florida.
Paul H. Tyson, of New Jersey.
Felix C. Vargas, Jr., of Washington.
Paul T. Walters, of Ohio.
Robin Lane White, of Virginia.
Kent M. Wiedemann, of California.
Robert A. Windsor, of Florida.
Anne Brevard Woods, of Arkansas.
John William Zerolis, of California.
Foreign Service officers of class six:
Martin Phillip Adams, of Florida.
Lewis R. Atherton, of the District of Columbia.
Robert O. Benson, of Maryland.
Brian J. Blood, of Virginia.
Thomas H. Bohrer, of California.
Deborah Anne Bolton, of Pennsylvania.
Philip A. Border, of Maryland.
Ralph L. Boyce, Jr., of Virginia.
Bruce Allan Brown, of New York.
Thomas A. Cadogan, of Maryland.
Charles Irvin Cohen, of Florida.
Lawrence Witten Coor, of Arizona.
William E. Craft, Jr., of Connecticut.
Jay L. Dehmlow, of Florida.
Gerald Michael Feierstein, of Pennsylvania.
Thomas C. Ferguson, of Michigan.
Brian M. Flora, of Florida.
Gregory T. Frost, of Iowa.
Thomas Patrick Furey, Jr., of Oregon.
J. Philippe Grégoire, of Virginia.
Sandra Jean Gust, of Wisconsin.
Ronald E. Hagen, of Indiana.
John Martin Hall, of California.
Wendy Marie Hansen, of New Mexico.
Richard T. Heffern, of California.
John W. Helm, of Tennessee.
David Ellis Henderson, of Illinois.
Richard Charles Hermann, of Iowa.
Arnold Horowitz, of Virginia.
Vicki J. Huddleston, of Arizona.
Larry Dean Huffman, of California.
Patricia Dawson Hughes, of California.
Mark L. Jacobs, of New York.
Susan S. Jacobs, of Michigan.
Kenneth R. Jernigan, Jr., of Tennessee.

Allan G. Jury, of Missouri.
Stephanie Smith Kinney, of Florida.
Louis J. Kochanek, of Missouri.
Marianne Matuzic Kunkel, of New York.
Eric A. Kunsman, of Pennsylvania.
Daniel Ray Lang, of Texas.
Daniel James Lawler, Jr., of New York.
Nancy Faye Lees, of Texas.
Michael Ben Libenson, of Pennsylvania.
James Robert Libera, of Connecticut.
Jean Anne Louis, of Michigan.
Steven R. Mann, of Pennsylvania.
Franklin Carl Marcus, of New York.
Nancy M. Mason, of the District of Columbia.
Cheryl A. McDonald, of California.
Stephen George McFarland, of Texas.
Robin Ritterhoff McKeon, of the District of Columbia.
Robert T. McMahan, Jr., of Ohio.
Patricia A. McMahon, of Maryland.
Edward Joseph Michal, of Nevada.
Wayne Edward Miele, of Florida.
James Brent Miller, of Utah.
Richard T. Miller, of Texas.
John A. Millin III, of Texas.
Alberto José Mora, of Florida.
James F. Moriarty, of Massachusetts.
Robert Allen Mosher, of Missouri.
Mayer Nudell, of California.
James A. Pierce, of New York.
Lawrence George Rossin, of California.
Daniel H. Sanders, Jr., of Kentucky.
Jerel Keith Sandvick, of California.
Robert A. Sarofeen, of Virginia.
Stuart J. D. Schwartzstein, of New Jersey.
Charles L. Skipper III, of Texas.
Earl Garren Smith, of Tennessee.
Adrienne M. Stefan, of Florida.
Curtis M. Stewart, of Colorado.
Richard J. J. Sullivan, Jr., of the District of Columbia.
David Dale Trechter, of California.
Lynn Joseph Turk, of Wisconsin.
Douglas G. Van Treeck, of Wisconsin.
Linda McIntosh Wauchope, of New York.
Daniel P. Weber, of Illinois.
Steven J. White, of Georgia.
Foreign Service officers of class 7:
Richard Warren Behrend, of Pennsylvania.
Donald E. Booth, of Massachusetts.
Raymond E. Clore, of California.
Samuel G. Coppersmith, of Pennsylvania.
Stephen J. Gallogly, of Rhode Island.
Richard A. Garrison, of Colorado.
Dennis K. Hays, of Virginia.
Frank Arthur Hofmann, of Oregon.
Patrick David Husar, of Ohio.
Michael Allen Jacobs, of California.
Frances F. Kjelleren, of New York.
Paul Conley Kline, of California.
Joan Clare Martin, of West Virginia.
Christopher William Murray, of New York.
Nancy J. Powell, of Iowa.
Glen David Preston, of Illinois.
Steven A. Saboe, of Minnesota.
James Curtis Struble, of California.
Elena Michele Thoren, of the District of Columbia.
Mark A. Tokola, of Washington.
Carl Frederick Troy, of Oregon.
Peter B. Vaden, of Virginia.
Richele Visner, of South Carolina.
Larry L. Woodruff, of Iowa.

CONFIRMATIONS

Executive nominations confirmed by the Senate September 22, 1978:

DEPARTMENT OF JUSTICE

Robert J. Cindrich, of Pennsylvania, to U.S. marshall for the western district of Pennsylvania for the term of 4 years.

Andrew L. Metcalf, Jr., of Michigan, to be U.S. marshal for the western district of Michigan for the term of 4 years.

UNITED STATES RAILWAY ASSOCIATION

W. K. Smith, of Minnesota, to be Chairman of the Board of the U.S. Railway Association for a term of 6 years.

The following-named persons to be Members of the Board of Directors of the U.S. Railway Association for the terms indicated:

For the remainder of the term expiring July 8, 1980: Stanton P. Sender, of the District of Columbia.

For the term expiring January 10, 1983: Nathaniel Welch of Georgia.

For terms expiring July 8, 1984: James E. Burke, of New Jersey; Robert G. Flannery, of California.

UNITED NATIONS

The following-named persons to be Representatives of the United States of America to the Thirty-third Session of the General Assembly of the United Nations:

Andrew J. Young, of Georgia.
James F. Leonard, Jr., of New York.
Abraham A. Ribicoff, U.S. Senator from the State of Connecticut.
James B. Pearson, U.S. Senator from the State of Kansas.
Set Charles Momjian, of Pennsylvania.

The following-named persons to be Alternate Representatives of the United States of America to the Thirty-third Session of the General Assembly of the United Nations:

Donald F. McHenry, of Illinois.
Melissa F. Wells, of New York.
Angelique O. Stahl, of Florida.
John W. Hechinger, of the District of Columbia.
Richard W. Petree, of Virginia.

DEPARTMENT OF STATE

Marilyn Pricilla Johnson, of New Hampshire, a Foreign Service information officer of class 2, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Togo.

Thomas R. Pickering, of New Jersey, a Foreign Service officer of the class of Career Minister, to be an Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs.

Ambler Holmes Moss, Jr., of Virginia, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Panama.

INTERNATIONAL MONETARY FUND

G. William Miller, of California, to be U.S. Alternate Governor of the International Monetary Fund for a term of 5 years.

The above nominations were approved subject to the nominees' commitments to respond to requests to appear and testify before any duly constituted committee of the Senate.

THE JUDICIARY

Theodore McMillian, of Missouri, to be U.S. circuit judge for the Eighth Circuit.

Patricia J. E. Boyle, of Michigan, to be U.S. district judge for the Eastern District of Michigan.

Julian A. Cook, Jr., of Michigan, to be U.S. district judge for the Eastern District of Michigan.

Mariana R. Pfaelzer, of California, to be U.S. district judge for the Central District of California.

Harold A. Baker, of Illinois, to be U.S. district judge for the Eastern District of Illinois.

IN THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

National Oceanic and Atmospheric Administration nominations beginning Joseph C. Talbott, to be lieutenant (j.g.), and ending James M. Sherwood, to be ensign, which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on September 6, 1978.

IN THE COAST GUARD

Coast Guard nominations beginning Gregory L. Oxley, to be lieutenant (j.g.), and ending Jimmie G. Weibley, to be lieutenant (j.g.), which nominations were received by the Senate and appeared in the CONGRESSIONAL RECORD on August 14, 1978.

HOUSE OF REPRESENTATIVES—*Friday, September 22, 1978*

The House met at 10 a.m. and was called to order by the Speaker pro tempore (Mr. WRIGHT).

The Chaplain, Rev. Edward G. Latch, D.D., offered the following prayer:

Blessed is every one who fears the Lord, who walks in His ways! You shall eat the fruit of the labor of your hands; you shall be happy and it will be well with you.—Psalms 128: 1, 2.

Eternal Father of our spirits, as we begin the work of another day we humbly bow before You and sincerely seek Your presence as we face the tasks of these hours. With Your wisdom we would be made wise, in Your love we would be given new life, by Your strength we would be made strong, and through Your grace we would be given courage for the living of this day. Make clear to us the path of duty and help us to walk on it ever seeking the highest good of our beloved Republic.

Bless our families, our neighborhoods, our cities, our rural areas, our States, and our Nation. Keep us all on right and true paths that we may have peace at home, peace abroad, and peace in our own hearts: to the glory of Your holy name. Amen.

THE JOURNAL

The SPEAKER pro tempore. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Without objection, the Journal stands approved.

There was no objection.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Sparrow, one of its clerks, announced that the Senate has passed with amendments in which the concurrence of the