

# THE MUTUAL SECURITY ACT OF 1951

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REPORT  
OF THE  
COMMITTEE ON FOREIGN RELATIONS  
AND THE  
COMMITTEE ON ARMED SERVICES  
ON  
H. R. 5113

A BILL TO MAINTAIN THE SECURITY AND  
PROMOTE THE FOREIGN POLICY AND PRO-  
VIDE FOR THE GENERAL WELFARE OF THE  
UNITED STATES BY FURNISHING ASSISTANCE  
TO FRIENDLY NATIONS IN THE INTEREST OF  
INTERNATIONAL PEACE AND SECURITY



AUGUST 27 (legislative day, AUGUST 1), 1951.—Ordered to be printed  
with illustrations

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# CONTENTS

	Page
General purposes of the bill.....	1
A. Introduction.....	1
1. Committee action.....	1
2. Amounts authorized to be appropriated.....	3
3. The threat to the free world.....	7
4. The over-all plan for the defense of the free nations.....	8
B. Title I—Europe.....	10
5. Building defensive strength in Western Europe.....	10
6. Distribution of European defense funds.....	14
7. Size of the armed forces of the North Atlantic area.....	17
8. Military assistance for Greece and Turkey.....	22
9. Economic assistance to Western Europe.....	23
C. Title II—Near East and Africa.....	26
10. Strategic importance of area.....	26
11. United States objectives.....	26
12. Military aid.....	26
13. Economic and technical assistance.....	27
14. Transferability of funds.....	27
15. Arab refugees.....	27
16. Israel refugees.....	28
D. Title III—Asia and the Pacific.....	29
17. Communist menace to the region.....	29
18. Basic United States policies.....	29
19. Military situation.....	30
20. Economic problem.....	30
21. Aid for Korea.....	31
E. Title IV—American Republics.....	32
22. Military assistance.....	32
23. Technical assistance.....	33
F. Administration of the program.....	35
24. Coordination of the program.....	35
25. The Secretary of Defense.....	36
26. Economic Cooperation Administration.....	37
27. Administration in Europe.....	37
28. United States representatives abroad.....	39
G. Special problems.....	39
29. Technical assistance.....	39
30. Loans.....	40
H. Changes in existing law.....	40
I. Section by section analysis and comment.....	43
Appendix I—Postwar dollar aid.....	57
Appendix II—Unobligated and unexpended balances from earlier programs.....	58
Appendix III—ECA procurement authorizations since beginning of program.....	63
Appendix IV—Commitment of balances available in local currency (95 per cent counterpart account as of June 30, 1951).....	63

# CONTENTS

1	1. Introduction
2	2. Theoretical background
3	3. Methodology
4	4. Results
5	5. Discussion
6	6. Conclusion
7	7. References
8	8. Appendix
9	9. Bibliography
10	10. Glossary
11	11. Index
12	12. List of figures
13	13. List of tables
14	14. Summary
15	15. Acknowledgements
16	16. Declaration of interest
17	17. Funding
18	18. Ethics approval
19	19. Data availability
20	20. Author contributions
21	21. Correspondence
22	22. Competing interests
23	23. Additional information
24	24. Supplementary material
25	25. References
26	26. Appendix
27	27. Bibliography
28	28. Glossary
29	29. Index
30	30. List of figures
31	31. List of tables
32	32. Summary
33	33. Acknowledgements
34	34. Declaration of interest
35	35. Funding
36	36. Ethics approval
37	37. Data availability
38	38. Author contributions
39	39. Correspondence
40	40. Competing interests
41	41. Additional information
42	42. Supplementary material
43	43. References
44	44. Appendix
45	45. Bibliography
46	46. Glossary
47	47. Index
48	48. List of figures
49	49. List of tables
50	50. Summary
51	51. Acknowledgements
52	52. Declaration of interest
53	53. Funding
54	54. Ethics approval
55	55. Data availability
56	56. Author contributions
57	57. Correspondence
58	58. Competing interests
59	59. Additional information
60	60. Supplementary material
61	61. References
62	62. Appendix
63	63. Bibliography
64	64. Glossary
65	65. Index
66	66. List of figures
67	67. List of tables
68	68. Summary
69	69. Acknowledgements
70	70. Declaration of interest
71	71. Funding
72	72. Ethics approval
73	73. Data availability
74	74. Author contributions
75	75. Correspondence
76	76. Competing interests
77	77. Additional information
78	78. Supplementary material
79	79. References
80	80. Appendix
81	81. Bibliography
82	82. Glossary
83	83. Index
84	84. List of figures
85	85. List of tables
86	86. Summary
87	87. Acknowledgements
88	88. Declaration of interest
89	89. Funding
90	90. Ethics approval
91	91. Data availability
92	92. Author contributions
93	93. Correspondence
94	94. Competing interests
95	95. Additional information
96	96. Supplementary material
97	97. References
98	98. Appendix
99	99. Bibliography
100	100. Glossary

## THE MUTUAL SECURITY ACT OF 1951

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AUGUST 27 (legislative day, AUGUST 1), 1951.—Ordered to be printed

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Mr. CONNALLY, from the Committees on Foreign Relations and Armed Services jointly, submitted the following

## REPORT

[To accompany H. R. 5113]

To maintain the security and promote the foreign policy and provide for the general welfare of the United States by furnishing assistance to friendly nations in the interest of international peace and security.

The joint committee made up of the Committee on Foreign Relations and the Committee on Armed Services, having had under consideration H. R. 5113, the Mutual Security Act of 1951, without objection report the bill favorably to the Senate with an amendment and recommend that it do pass.

## PURPOSE OF THE BILL

The purpose of this bill is to authorize funds for United States military, economic, and technical assistance to certain friendly nations. It brings together in one place virtually all of the foreign assistance to be considered by the Eighty-second Congress, first session. It authorizes not to exceed \$7,535,750,000 for all programs, \$6,013,000,000 of which is for military aid and items, \$1,522,750,000 for economic and technical assistance. The bulk of the funds will be used for programs initiated by the Congress when it passed the Economic Cooperation Act of 1948, the Mutual Defense Assistance Act of 1949, and the Act for International Development, 1949.

In addition, the bill places responsibility for the coordination of the foreign-aid programs in the Executive Office of the President.

## A. INTRODUCTION

## 1. COMMITTEE ACTION

On May 24, 1951, the President recommended the Mutual Security Program to the Congress as "another vital step along the road to real

security and lasting peace." On June 5, the executive branch submitted data on the program, including a proposed draft of the Mutual Security Act of 1951. Senator Connally introduced this draft (S. 1762) (by request) in the Senate on June 27, and it was referred to the Committee on Foreign Relations. Subsequently, on July 30, 1951, at the request of Senator Connally, S. 1762 was rereferred to the Committee on Foreign Relations and the Committee on Armed Services jointly.

The Foreign Relations Committee held public hearings at which it heard Dean Acheson, Secretary of State, on July 26; George C. Marshall, Secretary of Defense, on July 27; and William C. Foster, Administrator for Economic Cooperation, on July 30.

Executive hearings were held by the joint committee on July 31, August 1, 2, 3, 6, 7, 8, 9, and 13, during which it heard 32 witnesses, as follows:

*Title I—Western Europe.*—George W. Perkins, Assistant Secretary of State for European Affairs; Gen. J. Lawton Collins, Chief of Staff, United States Army; Richard M. Bissell, Jr., Deputy Administrator for Economic Cooperation; Gen. Alfred M. Gruenther, Chief of Staff, Supreme Headquarters, Allied Powers, Europe; Charles M. Spofford, United States deputy to North Atlantic Council for NATO Operations in Europe; Maj. Gen. A. Franklin Kibler, Director, Joint American Military Advisory Group for Europe; Milton Katz, United States special representative in Europe (ECA); William L. Batt, United States member, Defense Production Board; Maj. Gen. S. L. Scott, Director, Office of Military Assistance, Department of Defense; Brig. Gen. George Olmsted, Deputy Assistant Chief, G-4, Department of the Army.

*Title II—Near East and Africa.*—George C. McGhee, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs; Admiral Donald B. Duncan, Deputy Chief of Naval Operations; Maj. Gen. William H. Arnold, Director, Joint American Military Mission for Assistance to Turkey; Maj. Gen. Reuben Jenkins, former Chief of Joint United States Mission for Assistance to Greece; Leslie A. Wheeler, consultant to the Iran foreign-aid program, Department of State; Paul H. Douglas, United States Senator; Robert A. Taft, United States Senator.

*Title III—Far East.*—George C. McGhee, Assistant Secretary of State for Near Eastern, South Asian, and African Affairs; William D. Pawley, special assistant to the Secretary of State; John D. Hickerson, Assistant Secretary of State for United Nations Affairs; Dean Rusk, Assistant Secretary of State for Far Eastern Affairs; R. Allen Griffin, Director, Far East Program Division, Economic Cooperation Administration; Maj. Gen. H. J. Malony, Department of Defense representative, Southeast Asia Policy Coordinating Committee; Horace Holmes, agriculturalist, Department of State and Department of Agriculture.

*Title IV—Latin America.*—Lt. Gen. Charles L. Bolte, Chairman, Inter-American Defense Board; Edward G. Miller, Jr., Assistant Secretary of State for Inter-American Affairs; Dr. Henry G. Bennett, Administrator, Technical Cooperation Administration, Department of State.

*General provisions.*—Thomas D. Cabot, Director, International Security Affairs Committee; Carlisle Humelsine, Deputy Under Secre-

tary of State; Capt. George N. Robillard, United States Navy, Assistant Chief of Naval Research for Patents and patent counsel for the Navy; General of the Army Omar Bradley, Chairman, Joint Chiefs of Staff; and George D. Aiken, United States Senator.

The transcript of these executive hearings, edited for security purposes, is published as part of the hearings of the joint committee.

Prior to the hearings a subcommittee of the Foreign Relations Committee, headed by Senator Green as chairman, and composed of Senators McMahon, Sparkman, Gillette, Wiley, Smith of New Jersey, Hickenlooper, Lodge, and Brewster, visited Europe from July 7 to July 23. Conferences were held with American and foreign officials in France, the United Kingdom, Spain, Greece, Turkey, Italy, and Germany. In addition, the subcommittee heard and conferred with top American political, military, and economic officers from Norway, Denmark, Holland, Belgium, Luxemburg, and Portugal. Upon its return this subcommittee issued a report (S. Doc. 56, 82d Cong., 1st sess.) along with the hearings which were held, which have been printed for the use of the Senate.

On August 17 the House of Representatives by a vote of 260 to 101 passed H. R. 5113. The House bill was referred to the Joint Committee on Foreign Relations and Armed Services on August 20. Executive sessions were held by the joint committee on August 20, 22, 23, and 24 to mark up the bill. On the last day, while drafting certain technical phases, the joint committee heard C. Tyler Wood, Deputy United States special representative in Europe (ECA); Jack K. McFall, Assistant Secretary of State; and Sam Efron, counsel, Office of Military Assistance. On August 24 the joint committee unanimously agreed to report H. R. 5113 with an amendment.

## 2. AMOUNTS AUTHORIZED TO BE APPROPRIATED

### *a. General*

The amounts authorized to be appropriated by the first four titles of the bill aggregate \$7,535,750,000. This is \$964,250,000 less than the amount requested by the administration but is \$37 million more than the amount authorized by the House version of the bill.

This aggregate amount is divided into two main categories: Funds authorized for military end items and training, in the sum of \$6,013,000,000, and funds authorized for economic and technical assistance, in the sum of \$1,522,750,000.

### *b. Amounts are supported by specific program data*

The joint committee elicited from the witnesses detailed testimony as to the manner in which the \$8.5 billion requested by the administration had been determined. Although the full amount requested has not been authorized, the testimony left no doubt but that the amounts requested reflect a detailed and methodical analysis of the costs of specific programs, as planned within each of the recipient nations. Those responsible for the program had developed ample data from which to present specific cost breakdowns by item or function. There was no suggestion that the amounts requested were in any way mere lump-sum approximations. On the contrary, and notwithstanding the fact that the joint committee did not approve the full amount requested, the detailed planning reflected by the data presented in support of the cost figures was thorough.



*c. Military*

The amounts recommended by the joint committee for military assistance reflect the funds necessary to fill the deficiencies in the equipment of specific numbers of units at an agreed upon rate of activation and for agreed upon missions.

The basic deficiency is in heavy equipment and in complex accessory items such as electronic equipment. It is these types of equipment which account for by far the major portion of the outlay for military end-item assistance from the United States. Not only are these items expensive, but many of them require a long lead time in their manufacture. In circumstances such as the present, where time is critical, these lead-time requirements make it essential that there be no delay in starting the placing of contracts and the actual production required. The overwhelming preponderance of these items must be furnished from the only source capable of meeting the schedule—our own industrial facilities.

*d. Economic*

As was the case with requests for military assistance, the requests for economic assistance were also based upon specific and carefully considered programs. With the partial exception of technical assistance granted under the point 4 program, the economic aid requested is to a considerable extent in support of the military program. For example, the ability of a nation to manufacture small arms, spare parts, or ammunition might be hampered because of a lack of certain materials or machine tools. Assistance aimed at providing for these specific shortages might, in a sense, be looked upon as economic aid, but the end product is military assistance.

*e. Basis for authorizations contained in the bill*

As has been stated previously, the amount authorized by this bill is considerably less than the amount requested, but is somewhat more than the amount authorized by the House version of the bill.

The following chart reflects a breakdown of the distribution, by area and purpose, with the total amounts, as recommended by the administration, aggregating \$8.5 billion. After a thorough review of the testimony presented by the witnesses, and a careful analysis of the House bill and report, the joint committee felt that a general reduction of 5 percent of the amount requested by the administration for military assistance, and 30 percent of the amount requested for economic assistance, was feasible.

In accordance with this 5 percent–30 percent formula, the amounts requested by the administration were scaled down in all four geographic titles. The resulting totals are shown in column 4 of the following tabulation. The aggregate amount of the reduction comes to \$964,250,000.

Further analysis of the resulting totals in each of the four titles and a comparison of them with the detailed programs planned for each recipient country led to a further reduction of \$27 million in the economic aid provided in title I for the European nations. Within the balance resulting from this \$27 million reduction, a refinement in the distribution of funds resulted in the shifting of a total of

\$25,150,000 from economic assistance to military assistance in the four titles of the bill. A final review of the amounts authorized for economic aid in the Near East and Africa led to an increase of \$37 million in the funds authorized for that area. The effect of these various adjustments is reflected in the final balances authorized in the Senate bill and shown in column 6 of the following tabulation. The net reductions made in the amounts requested by the administration are shown in column 7.

*Difference between President's request, H. R. 5113 as passed the House on Aug. 17, and Senate amendment*

6

THE MUTUAL SECURITY ACT OF 1951

	Amount requested (1)	Amount in H. R. 5113 (2)	Amount of reduction, H. R. 5113 (3)	Tentative Sen- ate bill (5 to 30 percent) (4)	Tentative Senate reduction (5)	Final balances, Senate bill (6)	Final Senate reduction (7)
Over-all:							
President's request, May 1951.....	\$8,500,000,000	\$7,498,750,000	\$1,001,250,000	\$7,525,750,000	\$974,250,000	\$7,535,750,000	\$964,250,000
Military assistance.....	6,303,000,000	6,013,000,000	290,000,000	5,987,850,000	315,150,000	6,013,000,000	290,000,000
Economic assistance.....	2,197,000,000	1,485,750,000	711,250,000	1,537,900,000	659,100,000	1,522,750,000	674,250,000
By title:							
Title I, Europe.....	6,968,000,000	6,013,000,000	955,000,000 (900,000,000)	6,200,850,000	767,150,000	6,173,850,000	794,150,000
Military.....	5,293,000,000	5,028,000,000	265,000,000	5,028,350,000	264,650,000	5,043,350,000	249,650,000
Economic.....	1,675,000,000	985,000,000	690,000,000 (635,000,000)	1,172,500,000	502,500,000	1,130,500,000	544,500,000
Title II, Near East and Africa.....	540,000,000	590,000,000	+50,000,000	481,750,000	58,250,000	518,750,000	21,250,000
Military.....	415,000,000	415,000,000	-----	394,250,000	20,750,000	396,250,000	18,750,000
Economic.....	125,000,000	175,000,000	+50,000,000	87,500,000	37,500,000	122,500,000	2,500,000
Title III, Asia and Pacific.....	930,000,000	788,750,000	151,250,000	789,750,000	140,250,000	789,750,000	140,250,000
Military.....	555,000,000	530,000,000	25,000,000	527,250,000	27,750,000	535,250,000	19,750,000
Economic.....	375,000,000	248,750,000	126,250,000	262,500,000	112,500,000	254,500,000	120,500,000
All except Korea.....	262,500,000	237,500,000	25,000,000	(183,750,000)	(78,750,000)	(178,750,000)	(83,750,000)
Contribution for Korea.....	112,500,000	11,250,000	101,250,000	(78,750,000)	(33,750,000)	(75,750,000)	(36,750,000)
Title IV, American Republics.....	62,000,000	62,000,000	-----	53,400,000	8,600,000	53,400,000	8,600,000
Military.....	40,000,000	40,000,000	-----	38,000,000	2,000,000	38,150,000	1,850,000
Economic.....	22,000,000	22,000,000	-----	15,400,000	6,600,000	15,250,000	6,750,000
Title V.....	<sup>1</sup> (55,000,000)	55,000,000	-----	-----	-----	-----	-----

<sup>1</sup> Included in \$1,675,000,000 for economic aid in title I.

## 3. THE THREAT TO THE FREE WORLD

There is virtually unanimous agreement in the Congress and among the American people that Soviet imperialistic communism poses the principal threat to world peace, to independent nations, and to free-men. Despite domestic political differences among our people and disagreements on foreign policy in the Far East or on such matters as east-west trade there is no question but that Americans recognize the danger the United States confronts in the world-wide political and economic struggle. One party to this struggle has subscribed for more than 30 years to the proposition that "we cannot live in peace; in the end, one or the other will triumph—a funeral dirge will be sung over the Soviet Republic or over world capitalism." (Lenin—"Speech to Moscow Party Nuclei Secretaries," November 26, 1930.) The other party to this struggle, the free nations of the world, have subscribed to the fundamental belief set forth in the Charter of the United Nations that we are determined "to practice tolerance and live together in peace with one another as good neighbors."

In reliance on the pledged word of the great and small powers of the world, the Western Allies after the war against fascism disbanded the greatest aggregation of military might the world has ever known. The soldiers of the United States, the United Kingdom, Canada, France, and the other free nations gave up their swords for plowshares; their people turned to the rebuilding of the devastation of war, the creation of new peacetime industries, the development of colonial areas, the creation of peaceful wealth that all people might enjoy; these nations adapted military equipment to domestic uses, destroyed their great air and sea armadas, sold or gave away their war surpluses. While there were some who protested at our unseemly haste in casting aside military strength and embracing in its stead the promise of the United Nations; while there were some who remembered the treachery of the Soviet Union in 1939 when it signed a nonaggression pact with Hitler Germany and therefore urged caution; while there were others who took at face value the Communist warning that "the existence of the Soviet Republic side by side with imperialist states for a long time is unthinkable" and "one or the other must triumph in the end"; the vast majority of the people of the free world hoped for and expected a long era of peace and lent their voice to the clamor for disarmament.

In 1946 and 1947 the nations of the west disarmed. According to figures received by the joint committee, the Armed Forces of the United States, for example, fell from a peak strength in 1945 of 12,124,000 to a peacetime strength of 1,399,000 in 1948. During the same period the strength of the Soviet armed forces fell from 12,500,000 to 4,180,000. Thus by 1948, the Soviet Army was nearly four times as large as the Armed Forces of the United States.

UNITED STATES ARMED FORCES		SOVIET ARMED FORCES	
May 31, 1945-----	12, 124, 000	1945-----	12, 500, 000
June 30, 1946-----	3, 032, 000	January 1946-----	7, 000, 000
June 30, 1947-----	1, 583, 000	January 1947-----	4, 500, 000
Mar. 31, 1948-----	1, 399, 000	July 1948-----	4, 100, 000

But 1946 and 1947 were years of watchful waiting so far as the rulers of the Kremlin were concerned. There is no necessity of repeating here the roll of the Communist-inspired aggressions that



have taken place throughout the world since World War II. They speak for themselves. Every time a free nation has been drawn into the maw of Soviet control, its peoples have been withdrawn from intercourse with the free world. Their engulfment by the imperialism of the Communist has been followed by a pitiful flow of refugees who seek asylum in the free world just as the victims of fascism sought refuge in the democracies.

Suffice it to say that the free peoples, who now recognize the nature of communism and the threat it holds for the freedom of man, are now resolved to preserve the liberties they have earned and cherished since the birth of democracy.

#### 4. THE OVER-ALL PLAN FOR THE DEFENSE OF THE FREE NATIONS

The free world does not believe it is inevitable that military force will actually have to be used in a general world war to defend its freedom. The free world does not know whether the Soviet Union will precipitate a third world war to seek definitive control of man. There is no evidence, however, of Communist repudiation of the proposition set forth by one of its leaders that "either the Soviet governments triumph in every advanced country in the world, or the most reactionary imperialism triumphs. \* \* \* One or the other, there is no middle course." (Lenin—"Valuable Admission of Pitirim Sorokin.") The actions of the Soviet states since the end of World War II, however, have forced the free world as a matter of self-defense to fear the worst and prepare accordingly.

There seem but two possible ways that world war III may be avoided. First, war may be avoided if the Soviet Union chooses to follow a course based on the assumption that communism can survive in a world in which freemen may choose their own government. This course would involve honest acceptance by the Soviet Union, proved by deeds as well as words, of the principles of the United Nations. Secondly, war may be avoided if the free nations of the world can build up their defensive strength to the point where the Soviet Union would not dare launch an attack upon them.

Since the free nations have no assurance that the Soviet Union will choose to let freedom compete with communism, they are forced to seek peace by building their own strength so that the Soviet Union will not be willing to risk war to achieve its aims.

The free world has three avenues for building its defensive strength. Strength can be built by the free states individually; it can be built through regional organizations; and it can be built through the United Nations.

The bill before the Senate is concerned with the first two methods of building military defensive strength. By providing certain foreign countries with military assistance and economic aid in support of military production, the United States expects to increase the ability of the free world to meet aggression, and by so doing, the defenses of the United States itself will be strengthened.

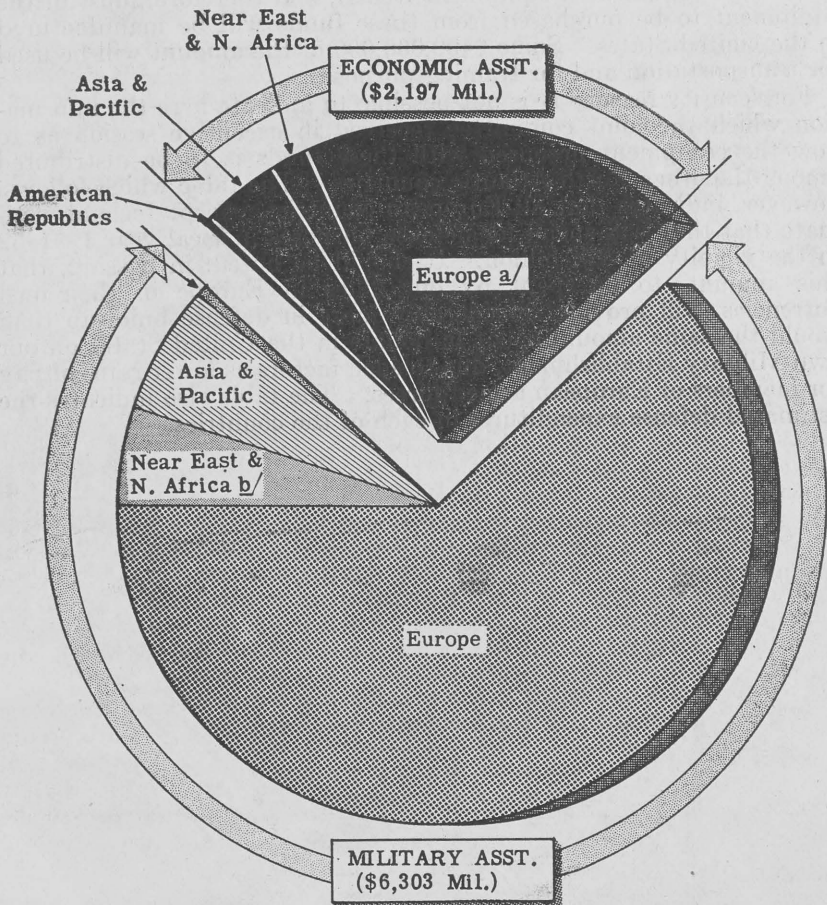
#### *Emphasis of program*

The emphasis of the program is geared to the perilous times of today. The world picture has changed greatly since the Senate considered these programs last year. Overt aggression has taken place in Korea and the weakness of the west contrasted with the forces of



the iron-curtain countries has pointed up the need for a greatly accelerated rearmament program on the part of the North Atlantic community. The bulk of the foreign-aid program now before the Senate therefore consists of military assistance in end items and training. This is a drastic change from last year, when economic recovery was still the primary goal of our foreign-aid programs and was given clear priority over military assistance as well as the largest share of the total foreign-aid funds authorized by Congress. The present emphasis on military assistance is best illustrated by the following chart:

**PROPOSED FY 1952 MUTUAL SECURITY PROGRAM  
FUND DISTRIBUTION  
(\$8,500 Million)**



a/ Includes ECONOMIC assistance to Greece and Turkey.

b/ Includes MILITARY assistance to Greece and Turkey.

## B. TITLE I—EUROPE

## 5. BUILDING DEFENSIVE STRENGTH IN WESTERN EUROPE

The President's request for the authorization of the expenditure of \$5,293,000,000 for military end-item and training assistance to the free nations of Western Europe, reduced to \$5,043,350,000 by the joint committee, is to be used primarily for the supplying of heavy and specialized military equipment for the use of military forces of the North Atlantic Treaty countries in Western Europe under the command of the Supreme Allied Commander, Europe, General Eisenhower. As a general proposition the recipient nations have largely achieved the ability to supply their own military soft goods, such as food, clothing, and quarters. They are also producing a growing portion of their hard goods requirements such as guns, ammunition, and transport. They cannot, however, produce at the present time all the requirements of their troops for such hard goods (notably the heavy and complicated equipment items), and therefore, most of the equipment to be purchased from these funds will be manufactured in the United States. Some \$400,000,000 of the amount will be used for transportation and for training purposes.

For security reasons it is not possible to indicate here the information which the joint committee received in executive session as to how the equipment procured with these funds is to be distributed among the other North Atlantic countries. The table which follows, however, indicates that all European countries, except Iceland, estimate that they will spend for defense purposes in fiscal year 1951-52 in the vicinity of \$8½ billion. It should be noted, in passing, that this amount, to be spent by our allies in Europe in their own currencies, will provide considerably more in defense build-up than would the same amount spent in dollars in the United States on our own Military Establishment, due to such factors as lower rates of pay for members of European armed forces. The table also indicates the estimated defense expenditures in each of the countries.

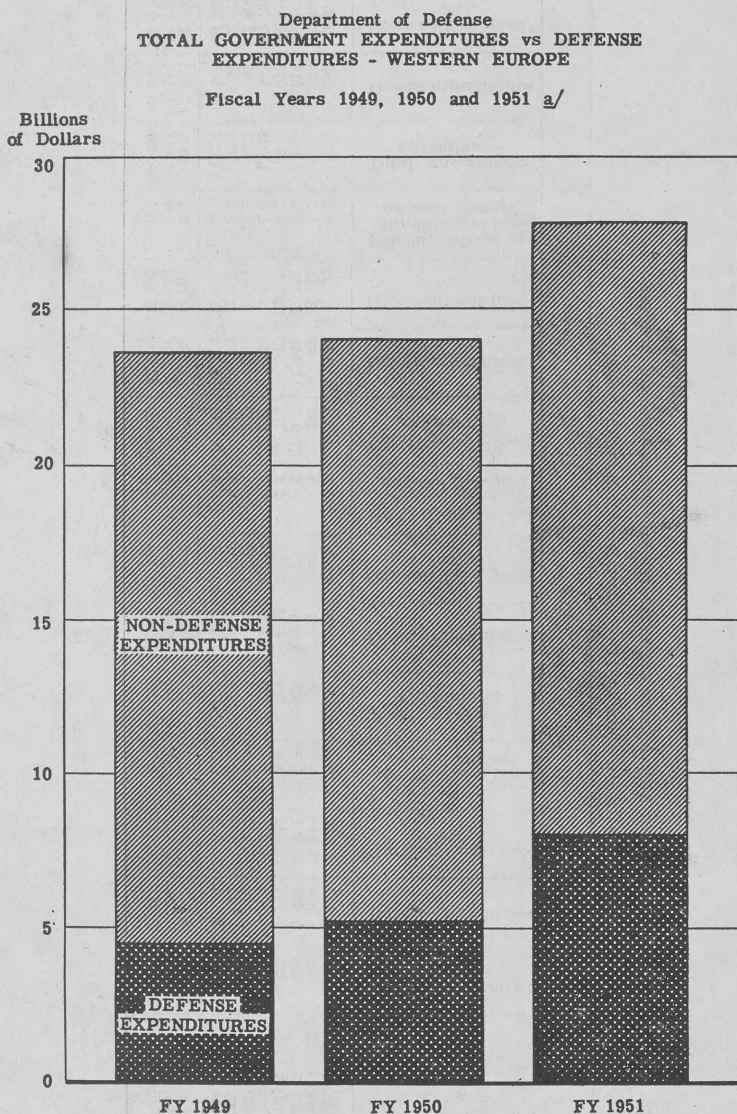
## Total Government and defense expenditures and gross national product

(Millions of dollars; prewar in 1950-51 prices, postwar in current prices)

Country	Fiscal year begins	1938				1949				1950				1951			
		Total government expenditures	Defense expenditures	Gross national product	Percent, defense expenditures of gross national product	Total government expenditures	Defense expenditures	Gross national product	Percent, defense expenditures of gross national product	Total government expenditures	Defense expenditures	Gross national product	Percent, defense expenditures of gross national product	Total government expenditures	Defense expenditures	Gross national product	Percent, defense expenditures of gross national product
Belgium-Luxemburg	Jan. 1	1,157	165	6,316	2.6	1,636	159	6,368	2.5	1,633	174	6,595	2.6	1,636	280	6,877	4.1
Denmark	Apr. 1	228	24	2,619	.9	425	43	2,806	1.5	358	48	3,151	1.5	(1)	94	3,500	2.7
France	Jan. 1	5,683	1,698	23,201	7.3	6,434	1,386	22,724	6.1	7,077	1,801	25,954	6.9	7,840	2,614	28,169	9.3
Italy	July 1	3,229	794	13,285	6.0	4,494	475	13,819	3.4	2,776	640	15,200	4.2	(1)	915	16,016	5.7
Netherlands	Jan. 1	547	59	4,034	1.5	1,350	185	4,656	4.0	1,328	235	5,125	4.6	1,622	368	5,768	6.4
Norway	July 1	176	16	1,490	1.1	387	49	1,698	2.9	389	64	1,994	3.2	433	97	2,064	4.7
Portugal	Jan. 1	166	40	1,878	2.1	192	47	1,934	1.4	178	46	2,003	2.3	179	48	2,073	2.3
United Kingdom	Apr. 1	6,124	2,136	32,668	6.5	10,722	2,082	36,197	5.8	10,336	2,175	37,985	5.7	13,028	3,565	40,335	8.8
Total, Europe		17,310	4,932	85,461	5.8	23,640	4,426	90,202	4.9	24,075	5,183	98,007	5.3	(1)	7,981	104,802	7.6
Canada	Apr. 1	999	59	9,096	.7	2,293	360	5,331	2.4	2,717	724	16,564	4.4	3,464	1,558	18,726	8.3
United States	July 1	17,574	2,111	171,800	1.2	40,156	13,200	261,304	5.1	44,600	22,200	303,500	7.5	68,400	46,600	330,000	14.1

<sup>1</sup> Not available.

The general ratio of the defense expenditures of Western European countries to the total government expenditures of those countries is shown by the chart which follows.



<sup>a/</sup> For Fiscal Years beginning in captioned calendar years. 1951 Non-Defense expenditures for Denmark & Italy not available - 1950 expenditures substituted.

While it may seem that the contribution by the United States of more than \$5 billion to the defense of Europe when those countries are contributing only \$8½ billion themselves, means, that the United States is carrying an undue proportion of the defense costs of Western Europe, two factors must be borne clearly in mind. The first is



that quite properly the European countries are supplying most of the men to defend their own homelands. Secondly, the countries of Western Europe have a much thinner economic base from which to support their defensive effort than does the United States. The Green subcommittee reported on this second factor as follows:

*The scope and progress of the defensive effort in Europe*

To assess the nature and extent of the progress Western Europe is making in building its defensive strength, the base from which Western Europe must start its effort must be borne in mind. Most of our partners in the North Atlantic Treaty, who did not even in the prewar years have a standard of living comparable to that in the United States, were devastated by war. Homes were destroyed, industrial plants gutted, railways ruined, war plants bombed, agricultural production impaired.

*Standards of living.*—The help which the United States has given through the Marshall plan has to a large extent made Europe whole again in the sense that production now exceeds prewar figures in most countries. Consumption expenditures in the United States are about 40 percent above the prewar level, whereas civilian consumption in most of Europe is very little above the prewar level.

The table which follows shows the difference in the consumption levels of the United States and Western Europe for certain basic commodities:

*Annual consumption, pre-Korea*

[Metric tons per 1,000 persons]

	United States	Western Europe
Fats and oils.....	32	18
Meat.....	69	32
Petroleum products.....	1,969	152
Crude steel.....	518	140
Copper.....	8	3
Newsprint.....	32	4

Another comparison between standards of living in the United States and Western Europe is afforded by a comparison of purchasing power in terms of labor productivity:

*Working time required to earn selected food items in certain NATO countries as estimated by U. S. Bureau of Labor Statistics*

Goods	Denmark	France	Italy	Netherlands	Norway	United Kingdom	United States
<b>A. FOOD</b>	<i>Hours/minutes</i>	<i>Hours/minutes</i>	<i>Hours/minutes</i>	<i>Hours/minutes</i>	<i>Hours/minutes</i>	<i>Hours/minutes</i>	<i>Hours/minutes</i>
1. White bread (kilogram).....	22	20	33	26	11	13	13
2. Milk (liter).....	10	21	24	14	10	16	08
3. Butter (kilogram).....	2:05	6:12	6:42	5:59	2:08	1:21	1:08
4. Margarine (kilogram).....	53	2:27	-----	1:32	20	40	26
5. Cheese (kilogram).....	1:35	6:01	4:53	3:51	55	40	48
6. Eggs (dozen).....	1:01	1:36	1:42	2:08	1:15	1:06	22
7. Sugar (kilogram).....	09	55	1:35	51	18	20	09
8. Beef (kilogram).....	-----	-----	4:20	3:58	1:28	-----	1:02
9. Veal (kilogram).....	1:06	2:25	-----	3:16	1:04	-----	1:37
10. Pork (kilogram).....	1:13	3:18	4:24	3:47	1:32	-----	1:04
11. Chicken (kilogram).....	1:02	-----	-----	-----	-----	-----	40
12. Potatoes (kilogram).....	04	20	18	09	07	07	04
13. Chocolate (kilogram).....	3:11	-----	-----	-----	-----	2:05	42
14. Tea (kilogram).....	5:30	-----	-----	9:45	6:58	2:49	1:59
15. Coffee (kilogram).....	2:05	5:50	8:55	4:44	1:24	2:25	1:13



To the extent that Western Europe turns from the production of civilian goods to the production of defense armament, to the extent that her manpower is diverted from civilian pursuits to nonproductive military training, the standard of living of her people will suffer. This is equally true in the United States, but the hard fact is that the United States will feel the pinch of large military expenditures much less than will most of our Atlantic Pact allies.

#### *Defense budgets and taxation*

One of the best evidences of European awareness of the Soviet threat is the size of the defense budgets of our pact partners. Defense expenditures of our allies are up 74 percent from the expenditures planned prior to the attack on Korea. While this does not come close to the 217-percent increase in the defense budget of the United States, it must be remembered that the defense slice for these Western European countries is from a smaller national product.

When one looks at the percentage of the gross national product going into defense budgets, estimates for the current year show that the figure will be approximately 8 percent in Western Europe as contrasted with 15 percent in the United States. Western Europe, with a per capita income about one-third of that of the United States, will contribute about one-half as large a proportion of its output for defense.

While the committee felt strongly that our partners should put as much as possible into their military budgets, it also recognized that there is a point beyond which certain countries cannot go without creating a situation which might invite domestic conditions, which in turn would open the way to the kind of Communist subversion that threatened parts of Western Europe in 1947.

#### 6. DISTRIBUTION OF EUROPEAN DEFENSE FUNDS

The charts which follow show in a general way the proposed distribution of funds among the services and as between different types of military equipment. The charts are based upon the amounts requested by the Executive which have been reduced by 5 percent.

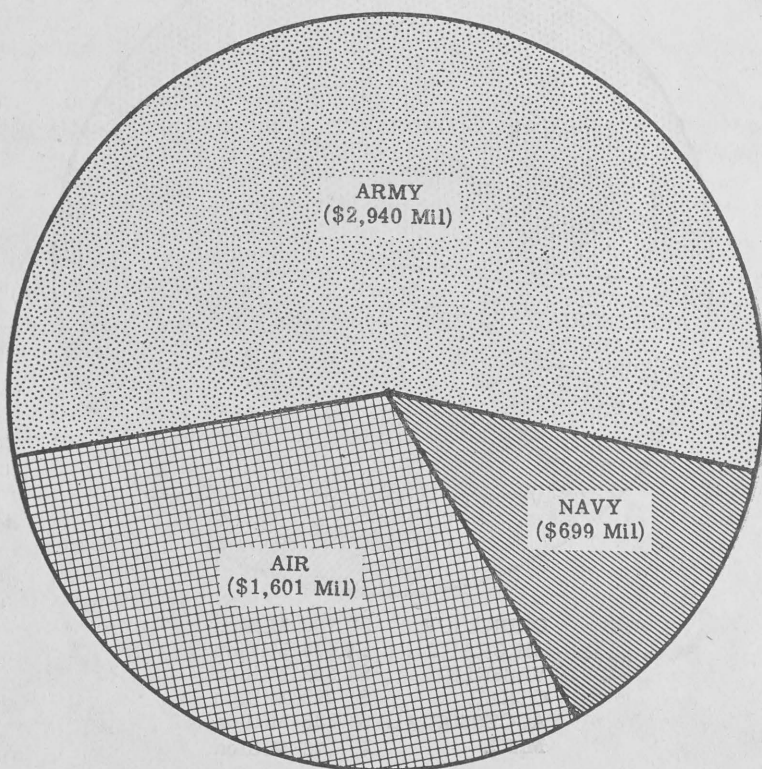
In connection with the distribution of military assistance among the nations of Western Europe, particular attention should be given to that part of section 101 (a) (1) which will permit the President to use not to exceed 10 percent of the \$5,043,350,000 for military assistance to any other country of Europe—

which the President determines to be of direct importance to the defense of the North Atlantic area and whose increased ability to defend itself the President determines is important to the preservation of the peace and security of the North Atlantic area and to the security of the United States \* \* \*

This means that a total not to exceed approximately \$500,000,000 can be used to supply military assistance to such countries as Western Germany, Spain, and Yugoslavia. For reasons which are obvious, it would not be proper for the joint committee to indicate in this report what assistance, if any, should be distributed to these countries and if so, the way in which assistance might be distributed. This is a matter in which the President must have discretion to be exercised in the interest of the United States, bearing in mind military, political,

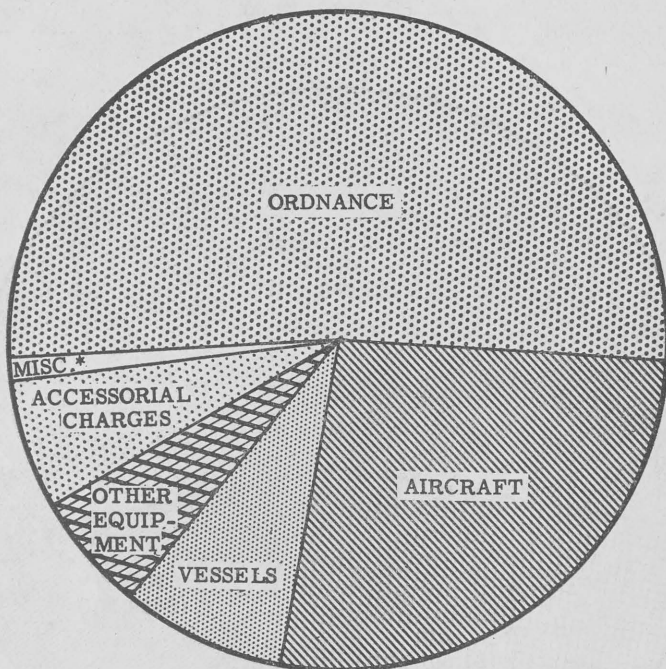
Department of Defense  
PROPOSED FY 1952 MUTUAL SECURITY PROGRAM  
MILITARY ASSISTANCE BY DEPARTMENT

WESTERN EUROPE  
(\$5,240 Million)



Department of Defense  
 PROPOSED FY 1952 MUTUAL SECURITY PROGRAM  
 MILITARY ASSISTANCE PLANNED FUND UTILIZATION

WESTERN EUROPE  
 (\$5,240 Million)



ORDNANCE	\$2,708 Million
AIRCRAFT	\$1,425 Million
VESELS	\$ 398 Million
OTHER	\$ 299 Million
ACCESSORIAL	\$ 338 Million
MISC.	\$ 72 Million

\* Training, Repair of Excess., Depots etc.

and economic considerations as well as the will and ability of possible recipient nations to defend themselves and to contribute to the mutual strength of the area.

#### 7. SIZE OF THE ARMED FORCES OF THE NORTH ATLANTIC AREA

When the Green subcommittee visited General Eisenhower in France this past July, it made special inquiries as to the size of existing armed forces in Western Europe, the projected rate of build-up, and plans for the next few years. The subcommittee reported as follows:

One of the matters that most concerned the subcommittee during its study of the strength of our Atlantic Pact allies was the rate of build-up of the forces in being in Western Europe as compared to the build-up in the United States. In June 1950 the United States had 10.7 men per 1,000 of population in uniform as contrasted with 10.8 per 1,000 in uniform in the Western European nations. Since Korea, however, the United States build-up has been much faster so that, as of June 1951, the United States ratio had gone to 22.8 men per 1,000 of population, whereas the European countries had a ratio of only 12.5 per 1,000.

The subcommittee learned of several reasons for this slower build-up in Western Europe. In the first place, equipment shortages have made it impracticable for some of these countries to call up men as rapidly as has been done in the United States. Secondly, rapid mobilization imposed on shaky domestic economies might very well throw some of these countries into an economic tailspin that would invite Communist subversion nearly as dangerous to the free world as military attack. Thirdly, figures on the number of men in uniform are to some extent misleading because European countries as a result of their geographical position have built their defenses around rapidly mobilized trained reserves. This means that figures on the number of men under arms in Western Europe do not show the complete picture.

According to United States officers at SHAPE, while the United States—

has increased the actual number of men in service by a substantially greater number than the European countries have, the result at the end of a year has been to achieve only an approximate temporary equality with its allies as to the numbers of trained manpower immediately available in the event of war.

While there has been some reluctance on the part of certain countries to increase the number of men in uniform, the table which follows indicate that substantial steps are being taken to increase the terms of service of conscripts.



*Comparison of effective term of national service, and ratio of number of men in uniform per 1,000 of population, United States versus European NATO countries*

	Effective term of national service				Number of men in uniform per 1,000 of population			
	1938 <sup>1</sup>	June 1, 1950	June 1, 1951	Increase since June 1, 1950	1938	June 1, 1950	June 1, 1951	Increase since June 1, 1950
United States.....	( <sup>2</sup> )	21	24	3	2.5	10.7	22.8	12.1
United Kingdom.....	( <sup>2</sup> )	18	24	6	8.9	13.6	15.2	1.6
France.....	12	12	18	6	17.8	15.1	17.8	2.7
Italy.....	18	12	15	3	20.0	5.8	<sup>3</sup> 6.3	.5
Belgium.....	10	12	24	12	11.1	10.4	14.5	4.1
Luxembourg.....	None	6	12	6	None	3.3	7.0	3.7
Netherlands.....	5½	12	16	4	10.7	6.2	9.8	3.6
Norway.....	4	8	12	4	5.5	9.2	10.4	1.2
Denmark.....	5	10	11	1	2.7	5.6	5.2	— .4
Portugal.....	17	16	16	0	8.2	10.6	10.7	.1
European average.....	9	12	16.5	4.5	14.0	10.8	12.5	1.7

<sup>1</sup> Source: Encyclopedia Britannica.

<sup>2</sup> Voluntary.

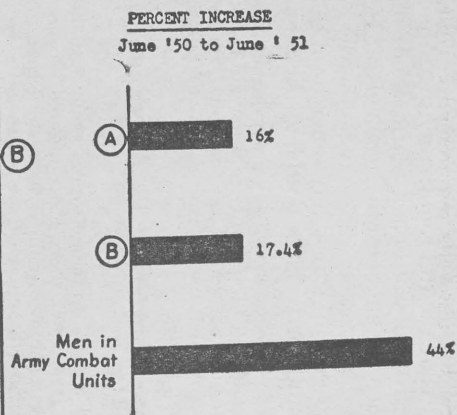
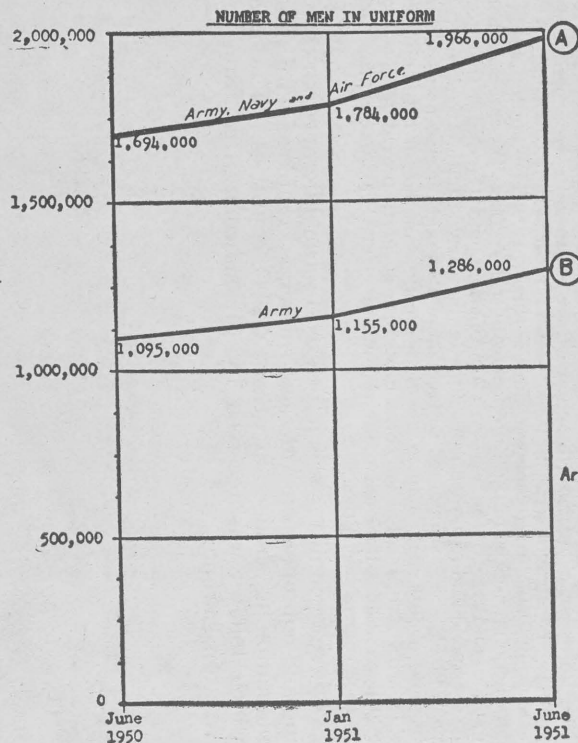
<sup>3</sup> Limited to 6.4 by provisions of peace treaty.

In several of the countries of Western Europe, the shortage of trained noncommissioned officers and in France in particular the high losses among commissioned officers fighting against communism in Indochina, have slowed the rate at which men can be called to the colors. Steps are being taken to build cadres of men able to train conscripts. Furthermore, the training program now being carried on under the terms of the Mutual Defense Assistance Act in the United States, in Germany, and in the treaty countries is serving to build up groups of specialists that will be competent to train men in the use of specialized equipment that will soon be received from the United States.

The precise size and strength of NATO forces and the projected rate of their increase is, of course, a basic element in General Eisenhower's plans for the defense of Western Europe, and as such it should not be definitively set forth in public documents. The subcommittee, however, was shown the timetable of force build-up for each country visited and for the NATO forces as a whole, together with an explanation of the manner in which the proposed military aid for fiscal year 1952 is intended to complete the capital equipment of European forces which will be in being by the end of calendar year 1952. Taking the present strength of NATO ground forces as a basis, United States officers pointed out that participating European nations have engaged to increase the number of divisions available to General Eisenhower by 75 percent in 1952, an additional 40 percent in 1953, with subsequent increases on a lessening scale. In terms of men on active duty in General Eisenhower's ground forces, excluding units which would be mobilized in an emergency, the commitments have already been exceeded in a number of countries, and the percentage increase over June 1950 figures is 5½ percent by January 1951 and an additional 11 percent by June 1951. Men in "pay-off" combat units are increasing at a more rapid rate than total manpower in uniform. This figure has increased about 44 percent since June 1950.



# MILITARY STRENGTH IN EUROPE U.S. not included



It is difficult to summarize the projected increase in military aircraft and naval vessels, since the commitments are dependent, to a large extent, on deliveries from the United States and on expected European production. Generally speaking, European nations can meet and even exceed their present commitments if the aircraft and vessels can be made available.

While the sum of the force commitments does not yet entirely meet General Eisenhower's requirements, United States officers saw no reason to doubt that the full requirement can be met on the target date as the momentum of European rearmament develops.

In summary, when the subcommittee asked at SHAPE as to whether the officers in the Organization were satisfied with the present situation in which European ground forces have increased 20 percent while the United States ground forces have doubled, the answer was:

We certainly are not. We are devoting a great deal of our effort here to remedy this ratio. The program of United States military aid for fiscal year 1952 as now proposed has the same purpose. As things now stand, the rate at which expansion is possible is directly governed by the rate at which equipment can be delivered to the European armed forces.

The situation was summarized by American sources in Europe as follows:

\* \* \* the United States, starting from a somewhat lower strength of manpower in uniform in June 1950, more than doubled its strength in a period of 1 year and is currently reaching a point where the expansion begins to level off. The European countries will achieve their expansion over a period of about 3½ years. The current year is their year of most rapid expansion—a 30-percent expansion being contemplated during this year. The limited budgetary and production potential of the European countries restricts the rate at which they can expand, and creates the necessity for American end-item aid if their forces are to be expanded and equipped as rapidly as the world situation requires. The European forces are now planned to level off at a strength in manpower on active duty in uniform just slightly in excess of that contemplated for the United States but they will have, in addition, organized reserve units providing between 100 and 200 percent of additional organized military forces available prior to \* \* \* in the event of hostilities.

The subcommittee was impressed by the differences in cost in training and equipping an American soldier as compared with similar costs in equipping soldiers in other NATO countries. The information which follows was received by the subcommittee from sources in Western Europe:

*Pay data—European NATO countries as of July 1, 1951*

## BASE PAY PER MONTH

	Conscript	Private	Master sergeant	Second lieutenant	Major
United States.....	\$75.00	\$82.50	\$198.45	\$213.75	\$384.75
United Kingdom.....	<sup>1</sup> 16.80 <sup>2</sup> 21.00	35.70	111.30	73.50	184.80
France.....	<sup>3</sup> 1.28	18.00	120.00	106.00	203.00
Italy.....	2.70	5.30	23.00	26.00	43.00
Belgium.....	<sup>1</sup> 6.00 <sup>2</sup> 12.00	<sup>1</sup> 58.00 <sup>2</sup> 75.60	<sup>1</sup> 115.20 <sup>2</sup> 129.60	<sup>1</sup> 117.20 <sup>2</sup> 129.20	<sup>1</sup> 273.20 <sup>2</sup> 297.20
Netherlands.....	8.00	24.00	59.00	71.00	137.00
Norway.....	<sup>4</sup> 6.30	<sup>4</sup> 12.60	92.66	92.66	146.00
Denmark.....	7.61	7.61	41.26	54.24	79.77
Portugal.....	.51	1.53	56.66	75.51	156.25

## ALLOWANCES PER MONTH

	Private	Master sergeant	Second lieutenant	Major
United States:				
With dependents.....	\$76.50	\$99.00	\$117.00	\$147.00
Without dependents.....	76.50	76.50	102.00	124.50
United Kingdom (with dependents).....	39.90	48.30	138.60	138.60
France <sup>5</sup> .....	2.30	57.00	63.00	90.00
Belgium <sup>5</sup> .....				
Netherlands <sup>5</sup> <sup>6</sup> .....				
Norway <sup>7</sup> .....				
Denmark.....	2.17	68.89	10.29	86.80
Portugal <sup>5</sup> .....				

<sup>1</sup> Initial pay of the rank.<sup>2</sup> Pay of the rank increases to this limit in accordance with longevity.<sup>3</sup> Conscripits receive \$51 bonus on enlistment for 2 years at end of conscript service.<sup>4</sup> If married, gets extra monthly allowance of \$34.80 for wife and \$8.40 per child.<sup>5</sup> No remuneration comparable with United States allowances.<sup>6</sup> Approximately 10 percent base pay deducted if single person in occupancy Government quarters. Quarters not furnished married personnel. Conscripits with dependents receive family allowances up to maximum of \$53 per month.<sup>7</sup> Averages 90 cents per day when on field or training duty.*Cost of equipping and maintaining a NATO soldier, July 1, 1951*

	Induction costs <sup>1</sup>	Annual maintenance cost <sup>2</sup>	Average cost of individual weapons	Estimated cost of equipping <sup>3</sup>	
				Infantry division	Armored division
United States.....	\$567.70	\$5,014.00	\$97.70	<sup>4</sup> \$95,600,000	<sup>4</sup> \$297,000,000
United Kingdom.....	( <sup>7</sup> )	<sup>5</sup> 686.56	46.50	( <sup>7</sup> )	( <sup>7</sup> )
France.....	203.00	932.00	65.00	<sup>8</sup> 105,422,915	<sup>8</sup> 289,901,543
Italy.....	264.00	563.00	59.00	20,843,000	76,798,000
Belgium.....	<sup>9</sup> 166.00	<sup>5</sup> 930.00	80.00	10,92,000,000	<sup>10</sup> 170,000,000
Netherlands.....	381.00	<sup>11</sup> 2,499.00	35.00	101,000,000	( <sup>12</sup> )
Norway.....	256.00	1,592.00	85.20	96,000,000	( <sup>12</sup> )
Denmark.....	202.00	836.00	<sup>13</sup> 20.00	14,20,000,000	( <sup>12</sup> )
Portugal.....	( <sup>7</sup> )	<sup>6</sup> 161.20	35.00	85,000,000	( <sup>12</sup> )

<sup>1</sup> Includes uniform, personal equipment and other induction costs.<sup>2</sup> Includes pay, rations, housing, medical care, clothing and training costs.<sup>3</sup> National price lists used for non-United States items, United States price lists used for United States type items.<sup>4</sup> Includes individual clothing and equipment and organizational equipment plus 1 year's spares.<sup>5</sup> Excludes training costs.<sup>6</sup> Excludes housing costs.<sup>7</sup> Data not available.<sup>8</sup> MAA G estimate only.<sup>9</sup> Cost of uniform and equipment only.<sup>10</sup> Cost of equipment only. Does not include clothing, food, spare parts, pay, replacements or ammunition.<sup>11</sup> Cost of training 1 conscript for 1 year.<sup>12</sup> Not applicable.<sup>13</sup> Low cost due to procurement from surplus stocks in Europe.<sup>14</sup> Low cost due to lack of armor and self-propelled weapons.

*National service data, July 1, 1951*

	Induction age	Conscript term of service (months)	First line reserve (years)	Second line reserve (years)	Third line reserve (years)	Age at which liability ceases
United States <sup>1</sup> -----	18	24-----	{Maximum 3, voluntary. Minimum 0.	Maximum 6-----	{None-----	26.
United Kingdom <sup>2</sup> -----	18	24-----	3.5-----	Minimum 0----- Unlimited Z reserve.	None-----	Indefinite.
France-----	20	18-----	3-----	16-----	7.5-----	48.
Italy-----	21	15/28/14 <sup>3</sup> -----	24-----	10-----	None-----	55. <sup>4</sup>
Belgium-----	20	24-----	6-----	7-----	do-----	35.
Luxemburg-----	20	12-----	6-----	7-----	do-----	34.
Netherlands-----	20	16/21/24 <sup>3</sup> -----	5-----	7-----	do-----	{35, privates. 40, NCO's.
Norway-----	19	12-----	13-----	12-----	do-----	45.
Denmark-----	20	11-----	3-----	6-----	11-----	40. <sup>5</sup>
Portugal-----	20	16/28/16 <sup>3</sup> -----	8-----	11-----	5-----	46.

<sup>1</sup> Required to serve for period equal to difference between 8 years and length of active military service. Reserve service period may be reduced by 3 years active participation in an accredited training program, or may be eliminated by 4 years active service.

<sup>2</sup> Reservists are released on consideration of age, condition, and service.

<sup>3</sup> Army/Navy/Air Force.

<sup>4</sup> General reserve from end conscript period until age 45; static reserve until age 55.

<sup>5</sup> Liability ceases after 20 years service in reserve status.

## 8. MILITARY ASSISTANCE FOR GREECE AND TURKEY

Although the authorization of funds for military assistance to Greece, Turkey, and Iran is contained in title II of the pending legislation, these states standing on the border between Europe and the Middle East must be considered in connection with the building of defensive strength in Western Europe. This is, of course, especially true with respect to Greece and Turkey which are discussed here. Military assistance for Iran is discussed in a later section.

Greece was the first of the free nations to feel the impact of Kremlin-directed military force. Weakened by occupation during World War II, Greece was a natural target for Communist imperialism. It seems certain now that had it not been for American military and economic assistance extended first to Greece in 1947, that nation would today be under Communist control.

The assistance the United Nations has received in Korea, where Turkish and Greek troops have given an excellent account of themselves, is evidence not only of the good training these troops have received but also in a large sense of their appreciation of the value of the concept of collective security. Nations which are in effect "under the gun" of Communist imperialistic aggression are much more likely to see the importance of maintaining their own strength and building the strength of the free world than nations which are more remote from the threat.

The joint committee takes this opportunity to endorse the comment of the Green subcommittee with respect to the desirability of integrating the defense plans of Greece and Turkey with plans for the defense of Europe. The subcommittee reported as follows:

The subcommittee was concerned that neither Greece nor Turkey has yet been fully integrated into European plans for the defense of Europe. Both of those nations desire to become full-fledged partners in the North Atlantic Treaty, and their membership would undoubtedly increase the combined defensive strength of the member states. At the same time, of course, their admission to membership would increase the obligations of each of the other members.



The committee does not feel itself competent to make a definitive recommendation as to the method whereby Greece and Turkey might be brought into a more satisfactory working relationship with the North Atlantic group. It does believe, however, that there should be no delay in moving, either through the pact organization or by means of a Mediterranean pact, to bring Greece and Turkey fully into plans for an integrated defense, not only of the Mediterranean area, but also of the European area. Until such time as there is a clear understanding of the part Greece and Turkey should play in the event of aggression, the defenses of the free world are incomplete.

Turkey is a next-door neighbor to Russia. According to Ambassador Wadsworth, with whom the Green subcommittee conferred in Ankara, the proximity of the Soviet Union to Turkey "has necessitated maintaining [the Turkish] national defense forces at the highest possible standard \* \* \*. In the last 10 years, for instance, their Ministry of National Defense has been allocated between 33 and 40 percent of the national budget every year."

The fact that Turkey has found it necessary for survival to maintain armed forces that impose such a heavy burden on the country is concrete evidence of the threat that Soviet imperialism carries for all free nations.

The military and economic assistance given to Greece and Turkey during the past few years by the United States has thwarted the aggressive designs of the Soviet on these states. This aid, in general, has been well used.

The American military mission in Turkey numbers over 1,200 men. During the last 4 years this group has assisted the Turkish armed forces in the modernization of their training procedures and their equipment. Funds to be made available under the program for next year will be devoted to additional modernization, particularly in the air force.

Funds to be made available to Greece for the next fiscal year will be used largely for modernization of the equipment of existing forces.

#### 9. ECONOMIC ASSISTANCE TO WESTERN EUROPE

The Administrator for Economic Cooperation, Mr. Foster, indicated in his testimony before the joint committee that the job of the Marshall plan in Europe as originally contemplated was virtually complete. The Deputy Administrator, Mr. Bissell, testified that if the Western European countries had not found it essential to build up their defensive strength, the Economic Cooperation Administration would have requested \$672,000,000 for aid to Western Europe for this year, primarily to prevent serious economic deterioration such as would carry with it the threat of Communist internal subversion in countries of great strategic importance. That threat still continues undiminished. The difference between this amount and the \$1,675,000,000 requested is, according to witnesses, directly traceable to the additional need of Western European countries emphasized by the Korean aggression—the need to immediately and speedily increase their own military production. Aid for both purposes is essential to preserve and build up the strength necessary to defend Western Europe.

In order that the Senate might have before it a succinct statement of the steps taken under ECA auspices to increase military production in Western Europe, the joint committee asked the Economic Coopera-

tion Administration to furnish a statement on this subject. This statement follows:

#### AID FOR EUROPEAN MILITARY PRODUCTION

##### A. AID POLICY

The mutual security bill contemplates that in the future the United States will furnish two basic types of aid to Europe, military end-item aid and economic-support aid. Both of these types of aid are to be directly related to the defense efforts of the recipient countries. Inasmuch as all economic-support aid is intended to provide the basic economic strength essential to the undertaking of an adequate defense effort, it is no longer necessary or desirable to preserve a distinction between the segment of that aid which is to be utilized in direct support of military production, and the remaining segment which is designed to provide for the impact of an over-all rearmament effort on the general economy.

##### B. HISTORICAL BACKGROUND

The MDAP program was relatively small in size when it was first presented to Congress, in the summer of 1949. The primary emphasis of United States aid at that time was necessarily placed on the economic aid being furnished under the Marshall plan, which Europe required due to the chaotic internal conditions which existed as a result of World War II. It was obvious at that time that Europe should ultimately produce a large share of the armaments it would need to discourage or resist external aggression, but neither the United States Government nor the Europeans themselves were willing to sponsor a full-scale rearmament effort which might jeopardize the more immediate objective of establishing healthy economic conditions in the countries concerned. The Marshall plan, in the summer of 1949, had already shown remarkable signs of success, but its job was far from done, and the general economic situation, though hopeful, remained critical, and it was obvious that the most crucial months were ahead. The United States Congress expressed its philosophy in this matter by providing as follows, in the preamble of the MDA Act passed in September 1949: "The Congress recognizes that economic recovery is essential to international peace and security and must be given clear priority."

In view of the stated position of Congress, and the general atmosphere and conditions then existing in the United States and in Europe, the United States Government sponsored a very limited increase in the almost nonexistent military production of Europe. This came to be known as the additional military production program (AMP). Aid was furnished for this program in the form of machine tools, components, and materials requested by the European governments for specific industrial projects for the production of military end items. Because this type of production constituted a drain upon, rather than an advantage to the economies of the countries concerned, and could not be considered to be in direct furtherance of the overriding objective of economic recovery, the aid furnished under AMP, although essentially economic in nature, was financed out of the MDAP appropriation. The actual financing of procurement, however, was undertaken by ECA, as the materials furnished by the United States were identical in nature, although earmarked for a different purpose, to items financed under the ECA program.

Eighty-five million dollars of the original MDAP appropriation were tentatively earmarked for AMP purposes, but as of the end of fiscal year 1950 less than \$20 million of those funds had actually been obligated. There were various reasons why the program was so slow in getting under way. For one thing, the effective period of operation of MDAP during its first fiscal year was only 5 months, due to the statutory requirement for prior execution of bilateral agreements. Further, the novel techniques and procedures for development submission of projects involved complex administrative difficulties both for the United States and recipient governments. The primary reason, however, for the delay in action in 1949-50 was the lack of sense of real urgency among the free nations in facing the hard task of mobilizing an adequate defense against external aggression. This same philosophy was reflected in the originally contemplated size of MDAP during fiscal year 1951, and the AMP segment thereof, which at the time of initial congressional hearings was believed to require a maximum United States financial obligation of \$75 million.

## C. BASIS FOR PRESENT POLICY OF ABANDONMENT OF AMP AS SEPARATE AID MECHANISM

The outbreak of hostilities in Korea abruptly changed the whole philosophy and sense of immediacy about the defense task faced by the free world, and of the manner and scope of the contribution which the United States should make to the common defense through the furnishing of military and economic assistance. By September of 1950, the original fiscal year 1951 MDAP request of little more than \$1 billion had been translated into an actual appropriation of approximately \$5½ billion. Of this amount, \$475 million was tentatively earmarked for direct support of armament production in Europe.

Korea and succeeding events similarly brought about a profound change in the basis for administering ECA aid. Although the European countries were still some distance from having achieved a sufficient measure of economic strength, the overriding purpose of all of such aid was changed to support the undertaking of an adequate defense effort. This change in the basic philosophy and objectives of aid eliminated any real possibility of distinction between types of economic aid which were in direct support of defense production (AMP), and which were in support of the other needs of the entire economy, in order to make possible the undertaking of other equally essential defense tasks, such as the raising and maintaining of large numbers of additional military forces.

The United States accordingly took all possible steps during fiscal year 1951 to insure a complete integration of all forms of economic assistance, despite the fact that the appropriated funds for such assistance were derived from two separate legislative sources which were only a year before considered to be wholly different, both as to objectives and methods of administration. The Marshall-plan countries were told in January 1951 that all further economic aid was to be directly related to the scope and adequacy of their defense efforts, and was not to be furnished on the basis of economic criteria no longer responsive to the needs of the world situation. The United States, during late 1950 and early 1951, engaged in a series of continuing bilateral negotiations with NATO countries in an effort to determine the total amount of economic aid required to support an adequate defense effort. Military production was an important factor in the determination of this requirement, but all other factors were taken into account at the same time in arriving at the total aid requirement.

Of the \$475 million tentatively earmarked out of the fiscal year 1951 MDAP appropriation for aiding European military production, \$180.5 million was obligated by the end of the fiscal year.<sup>1</sup> Of this amount, \$112 million went to the United Kingdom, \$43.8 million to France, \$5 million to Norway, \$0.5 million to Denmark, \$1 million to the Netherlands, and \$17.9 million to Italy. The aid to the United Kingdom was given for purposes of financing certain machine tools for the British military production program. The aid given to continental countries was in the form of needed dollar imports for direct military production, but this aid was included in the total allotment of economic-aid funds for those countries, arrived at as a result of the bilateral negotiations described above.

In view of the fact that the imports we had hitherto financed as AMP are exactly the same kinds of imports which we must furnish for other economic needs just as essential to defense, the aid for European military production is included in the total economic aid request for fiscal year 1952. This doesn't mean that our aid will be handled on a broad import program basis, bearing no relation to specific military production, as well as other essential defense undertakings. On the contrary, in view of the critical status of our own physical resources we will increasingly relate all economic aid to specific performance of military tasks, and the internal measures required if those tasks are to be accomplished. This means specific performance in raising and maintaining troops, in building and maintaining military facilities, in volume of defense production and in all other phases of rearmament. There can no longer be any specific compartmentalization, however, between the methods through which we attempt to reach our single objective—defense—and in keeping with this, the historic concept of AMP as a "special case" for justifying a specific contribution of United States resources has been logically abandoned.

The joint committee reduced the amount requested for economic assistance for Western Europe by about 30 percent, from

<sup>1</sup> Excludes \$29 million Yugoslav aid and the unobligated balance of approved AMP projects, all of which total as of June 30, 1951, \$231 million.

\$1,675,000,000 to \$1,130,500,000. It realizes that there may be some who will believe that what is called economic aid for Western Europe should be eliminated from this bill completely. The joint committee felt, however, that such action would impair the defensive efforts of our partners. Now that a larger part of their national effort is going into the production of military equipment and the maintenance of armed forces, there is less available to produce essential civilian goods and export products which must be exchanged with foreign countries to enable Western Europe to acquire essential raw materials. To the extent that we can help these countries meet the domestic impact of their rearmament, they will be able to increase their defense efforts;

## C. TITLE II—NEAR EAST AND AFRICA

### 10. STRATEGIC IMPORTANCE OF AREA

Title II covers the area comprised of Egypt, Ethiopia, Greece, Iran, Iraq, Israel, Jordan, Lebanon, Liberia, Libya, Saudi Arabia, Syria, Turkey, and Yemen. (Greece and Turkey are dealt with under title I of this report as economic assistance for them is included therein. Military aid for these countries is authorized in the bill under title II.) This area is of great strategic importance. It contains some of the world's major air and sea lanes, is a highway and an access route between Asia and Africa, and possesses valuable strategic materials, especially petroleum. Because of these great assets the region, although a part of the free world, has been under constant Soviet pressure, notably propaganda, subversion, and guerrilla warfare.

The Soviet Union has made capital of the racial antagonism, the social unrest and the widespread poverty which prevails among the people of the Near East. In Iran, for example, the Soviet Union is now exploiting the prevailing poverty to spread doubts abroad and hostility toward the Western World without offering any constructive program with which to correct the basic needs of Iran.

### 11. UNITED STATES OBJECTIVES

The interest of the United States in this area is of long standing, as is testified to by such acts as the Greek-Turkish Aid Act. The objectives of United States foreign policy in this region as announced by the State Department are: First, discouragement of aggression; second, protection against subversion from within; third, strengthening the will of the people in this area to resist aggression and to encourage them in their efforts to achieve stability and progress; and fourth, removal of sources of dissidence and unrest.

### 12. MILITARY AID

As already noted, the Soviet pressure from the north is constant and uninterrupted. Russian efforts to bring the region under Soviet control are being aided in no small measure by the tensions between Israel and the Arab States and among the Arab States themselves. While the whole area is concerned militarywise, the situation in Iran is perhaps the gravest. The military assistance for that country recommended in this bill continues the program inaugurated 2 years



ago. It is designed to keep Iran in the ranks of the free world for the loss of that country to communism would constitute a break in the dam which now protects the Near East from communism. Such a break would menace the security of the entire free world, for it would involve serious implications strategically for Africa and Asia.

#### 13. ECONOMIC AND TECHNICAL ASSISTANCE

In general the main problem of the people in the Near East is that of inadequate food, shelter, and clothing—the primary elements of existence, the lack of which causes disease, poverty, and unrest. The joint committee believes that the technical and economic assistance it recommends will help to correct these inadequacies particularly by supplying needed information and guidance for the improvement of health and the increased production of food. This covers technical aid particularly in the fields of public health, sanitation, and agriculture. It will be especially helpful to step up the production of food through the use of improved tools, better seeds, fertilizers, and improved methods of cultivation. In the main, technical assistance under title II is to be used for the following main purposes: joint commissions and surveys, agriculture, vocational education, health, industry and labor, transportation, mineral resources, water resources, and government administration.

In some cases the joint committee believes it will be necessary to make grants to the near-eastern governments; but the joint committee has been especially concerned to see that as much as possible of the assistance be in the form of loans without destroying the objectives sought.

#### 14. TRANSFERABILITY OF FUNDS

Because of the changing conditions in the Near East it may be necessary to use the funds allocated to Greece, Turkey, and Iran in some of the other near-eastern countries. The joint committee provides for such an eventuality by stipulating that when the President determines that (1) the strategic location of one of the countries in the area is of direct importance to the defense of the Near East area, (2) assistance to such a country is of critical importance to the free world, and (3) the immediately increased ability of such a country to defend itself is important to the preservation of the peace and security of the area and to the United States, he may use up to 10 percent of the amount available under this title, excluding unexpended balances for military assistance to that country.

#### 15. ARAB REFUGEES

One of the most vexing problems in the near eastern area is that of the Arab refugees from Palestine, displaced during and after the hostilities between Israel and the Arab states. These refugees constitute a source of potential unrest, which should be removed as rapidly as possible.

The desperate plight of these refugees was recognized by the United Nations late in 1948, and emergency relief operations were undertaken with support from the United States and other governments. In 1949 the United Nations Economic Survey Mission (the Clapp mis-

sion) was sent to the area to make recommendations looking to the restoration of economic stability. These recommendations resulted in the establishment of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) with the task of providing relief and work opportunities for the refugees. The United States appropriated \$27,450,000 last year for the work of this Agency, which operates entirely on voluntary governmental contributions. United States contributions have constituted somewhat less than 55 percent of the total United Nations programs of relief and rehabilitation in the Arab states through fiscal 1951.

During the past year, the number of refugees on relief has been reduced from a peak of over a million to approximately 875,000. No great progress has yet been made toward resettlement for a number of reasons, the principal of which are (1) the number of refugees was greatly underestimated and a major share of the resources of the agency had to go to direct relief rather than permanent resettlement measures; (2) during the latter part of this period the cost of supplies greatly increased; (3) countries were slow to make contributions to the program; (4) the refugees were apathetic to the resettlement program; and (5) the Arab nations were reluctant to accept the principle of resettlement. UNRWA, therefore, had to devote its limited resources largely to relief functions.

Greater progress is expected for the coming fiscal year inasmuch as the Arab states have now accepted, subject to certain reservations, the principle of resettlement, and the emphasis of the program will be shifted from direct relief to reintegration. UNRWA estimates that it will require a total amount of \$150,000,000 over the next 3 or 4 years to resettle the bulk of these refugees; amounts required for relief will depend upon the pace with which resettlement proceeds. The executive branch requested authority to utilize not to exceed \$50,000,000 from the total amount of economic aid in title II for the refugees. The size of this authorization was reduced by the joint committee to \$40,000,000 in the hope that the other funds required would be obtained from other United Nations members, which have already made pledges totaling around \$13,000,000.

The joint committee feels that this program is vitally important to the peace and security of the Near East. Failure to continue relief could only have very serious consequences. In approving this amount, the joint committee expresses its hope that the work of resettlement be vigorously pursued and that every effort be made to urge other members of the United Nations to support this program.

#### 16. ISRAEL REFUGEES

The joint committee took special note, also, of the great difficulties arising from the unprecedented immigration to Israel. Before the committee was S. 1247, introduced by Senator Douglas and others, proposing \$150,000,000 of grant aid to Israel. On the basis of testimony by several Senators and on the basis of action taken by the House, the committee decided to authorize not to exceed \$40,000,000 from the total of economic aid authorized in title II for specific refugee relief and resettlement projects in Israel, a cut of \$10,000,000 from the amount authorized in the House bill. This proposal was not included in the President's program.

Since achieving independence in 1948, Israel has received 600,000 immigrants. Refugees are still arriving at the rate of 16,000 a month. The absorption of this tremendous influx of people has been Israel's greatest economic problem. The committee feels that the amount is justified to help this young and struggling nation solve this problem.

#### D. TITLE III—ASIA AND THE PACIFIC

The authorizations recommended under this title include funds for economic and technical assistance in Afghanistan, Burma, Ceylon, Formosa, India, Indonesia, Indochina, Korea, Nepal, Pakistan, the Philippine Islands, and Thailand, and for military programs in a number of them. Although Japan is included in this area, the estimates submitted by the executive branch do not contain any programs for that country.

This region is of great importance. Within its confines, exclusive of China, are over 30 percent of the world's population, many of its strategic resources and some of the most important ocean lines of communication. Ninety-five percent of the world's rubber, a large part of its tin, copra, beryllium, quinine, jute, tea, and many other products also come from this region.

#### 17. COMMUNIST MENACE TO THE REGION

Since World War II large sections of this area, particularly China, have succumbed to communism and Soviet domination. The U. S. S. R. and its agents have busily stirred up strife and tension in order to extend Soviet control over the region. The forms of aggression visited upon the people and the area are many, particularly guerrilla warfare, subversion within the country, campaigns of propaganda, and aggression by satellites. The most flagrant case is the present North Korean aggression on South Korea. In addition, Communist activities hostile to the free world and to established far eastern governments are to be found in Indochina and in the Philippines. The ultimate Soviet object of all these activities is domination of the entire far eastern area.

#### 18. BASIC UNITED STATES POLICIES

United States policies in this region are the creation of sufficient strength and military power in the countries of this area so that they will be able to resist Communist military aggression if and when it may occur. But resistance to military aggression is not enough. American policy also aims at United States cooperation with the present free governments in order to help them to create the means by which they may continue to be associated with the free world instead of falling prey to imperialistic communism. This requires encouragement of various kinds, mainly financial and technical, in order to enable these countries to solve some of the economic maladjustments and the unfortunate social conditions under which their people live. This is the principal underprivileged area of the world and therefore is especially susceptible to the blandishments of false Communist promises and propaganda. Satisfying of the more urgent basic needs of these people is therefore vital to the security

of the area and constitutes a fundamental part of American foreign policy.

#### 19. MILITARY SITUATION

Almost every kind of military action may be seen in this area. A full-scale war is in progress in Korea between the United Nations forces and the North Korean and Chinese aggressors. In Indochina, Ho Chi Minh leads a powerful Viet Minh army supported by the Chinese Communist government and is fighting a civil war against the established local governments supported by the French.

In the Philippines, the Communist-inspired Huk guerrillas in certain areas are forcing the Government and the loyal citizenry to confine themselves largely to the cities. Communist guerrilla cells have been created in India and in Pakistan. The Government of Indonesia is experiencing difficulties in maintaining law and order. So are Malaya and Burma.

In the face of this condition, it is obvious that the military assistance for the area under title III must be based upon a series of unpredictables, and it will be necessary to make adjustments in the priority levels of the different countries in terms of the developments and upon short notice. So, too, with the priorities within each of the country programs.

The committee believes that its recommendation of \$535,250,000 for military assistance will permit the accomplishment of three specific objectives during the fiscal year 1952. These objectives were stated by the executive department as follows during the hearings:

(a) To furnish, on a priority basis, certain deficiencies in the equipment of the armed forces which, consistent with economic capabilities, are required to restore and/or maintain international security and discourage Communist encroachment in the area;

(b) To provide training necessary for the proper use and maintenance of equipment furnished under the fiscal year 1952 and earlier assistance programs; and

(c) To cover the cost of packing, handling, and transporting equipment to be delivered.

The training programs will supplement and make effective the providing of material as that phase of the assistance program develops.

#### 20. THE ECONOMIC PROBLEM

The principal problem in the area has been the inability of the governments of the newly emancipated states to achieve the productive levels which they confidently expected to attain when World War II came to an end. This has caused resentment and disillusionment, producing discontent among large masses of the people. When combined with the new spirit of nationalism now abroad in the Far East and with the hostile pressures of communism, most of these countries are living under a constant threat of civil disturbance, if not actually war.

The people exist on such a low level that it is impossible for them to experiment with new crops or new methods in order to increase agricultural production or even to obtain food supply sufficient for their own consumption. The inadequacy of diet and the poor living conditions create great suffering and disease attended by a short life expectancy.



There is today in the Far East, a great need for technicians and administrative officials, and need also for a system of training which will produce this kind of personnel, if these countries are to develop stable governments and healthy economies.

A great many other problems also have flowed from World War II and its subsequent disorders in the area. Great destruction and economic disorganization has to be overcome in almost every land. Formosa presents an especially acute problem since the arrival of the Nationalist Army and a million or more refugees who fled China proper upon the defeat of the Nationalist Government. India has suffered from several natural disasters, while most of the other countries need financial assistance if they are to achieve economic stability. The joint committee considers the economic and technical assistance provided under this title for southeast Asia to be important. In some countries, for example, Formosa, Indochina, and the Philippines, it will furnish economic support for defense efforts. In all countries it will help provide essential public services in health, sanitation, agriculture, fisheries, and forestry; will improve the transportation and communication facilities of the region, especially highways, railways, ports, and inland waterways; and will help provide sounder public administration. In south Asia, the joint committee considers the most important assistance required to be of an agricultural extension nature, consisting chiefly of technical advice and assistance, although there will have to be some supplemental material aid in the form of fertilizer, tools, irrigation facilities, and agricultural development projects. The joint committee recommends \$178,750,000 for these purposes for the whole region in this title.

#### 21. AID FOR KOREA

Although fighting is still in progress in Korea, it is hoped that hostilities can be brought to an end soon. The United States has the same objectives as those of the United Nations, namely, first, to repel aggression against the Republic of Korea; secondly, to establish a unified and independent Korea by peaceful means after aggression has been repelled; and third, to assist the Korean people to recover from the destruction caused by the war and to permit them to re-establish political and economic stability as a democratic nation.

The General Assembly of the United Nations has established the United Nations Korean Reconstruction Agency (UNKRA) assigning it the responsibility of providing relief and rehabilitation for Korea when hostilities come to an end. The United States has agreed, subject to congressional authorizations, to participate in this effort and to contribute an amount of approximately \$162 million for the first year of operation. Section 303 (a) of the bill authorizes not to exceed \$75,750,000 as the United States contribution for this purpose. Since there will be a substantial carry-over of unexpended funds already appropriated for economic assistance to Korea by ECA and from the pipeline of United States financed relief, it is believed that the authorization herein provided will be sufficient to meet the United States share in the United Nations program.

The bill also provides that up to 50 percent of the total authorization may, when determined by the President to be necessary for the purposes of the Mutual Security Program, be used for economic programs in other parts of the area.

One special problem requires attention in connection with Korea. At the outbreak of the war a number of Korean students and professors who were studying in the United States were left stranded here and have been unable to return to their home because of hostilities. Not only have they been cut off from all financial support from their homes, but some of them no longer have funds with which to return to their homeland even if they were permitted to do so. Section 302 (b) is designed to amend the China Area Aid Act of 1950 so as to permit the extension of the same additional benefits to Korean students that Congress has made available to selected Chinese students from unused ECA funds.

## E. TITLE IV—AMERICAN REPUBLICS

### 22. MILITARY ASSISTANCE

The joint committee need not stress the importance of adequate defenses in the Western Hemisphere. Latin America is the major source of many strategic materials, including some 20 that are on the United States critical list. The area controls the approaches to the Panama Canal, the Magellan Strait, and other strategic areas. During World War II, the United States was obliged to employ over 100,000 troops to help guard vital installations and strategic areas in Central and South America. The purpose of the program contemplated under this title is to help our neighbors to the south to build up their defensive strength so that they can more effectively contribute to hemispheric defense, and measurably lighten the drain on our manpower.

Western Hemisphere cooperation for military defense, although not an entirely new concept in 1947, was given strong impetus that year with the approval of the Rio treaty. This treaty provides that an armed attack on one of the signatories will be regarded as an armed attack on all and assistance would be lent to the nation under attack. At the recent meeting of foreign ministers in Washington, the principle was carried a step further with a resolution entitled "Inter-American Military Cooperation" urging the American Republics to base their defense plans on the principle of collective defense of the hemisphere rather than national security alone. The foreign ministers also directed the Inter-American Defense Board to develop plans and measures for the common defense of the area, which is now being actively done.

The American Republics are fully committed to the idea of common defense. Their immediate ability to contribute to this effort, however, is limited. On the whole, their armies today are neither sufficiently well trained, nor effectively equipped to bear a substantial portion of the burden of hemispheric defense. Therefore, for the first time, military assistance on a grant basis has been proposed for the American Republics. The Mutual Defense Assistance Act of 1949, as amended, provided for the furnishing of military assistance on a reimbursable basis. The financial situation of these countries, nevertheless, is not such that they can afford to produce or purchase such materials on the necessary scale. Since the United States is the only significant producer of military equipment in the Western Hemisphere, the President proposed \$40,000,000 of military grant-aid for fiscal 1952,

which the joint committee endorsed after a 5-percent cut, bringing the amount down to \$38,150,000.

The proposed program falls within the terms of a common defense scheme being prepared by the Inter-American Defense Board, a scheme which specifies the defense responsibilities of the various countries. Military assistance will be furnished only in furtherance of defense plans which are important to the entire Western Hemisphere. As with military assistance heretofore given other countries, the bill requires the signing of an agreement prior to the furnishing of any assistance, and this agreement must specify that the assistance is only to be used for the common defense of the American Republics. The joint committee wishes to stress the underlying principle of this program—namely that assistance will be granted to countries only for the performance of specific tasks which otherwise we would have to perform. The joint committee is impressed with that approach.

### 23. TECHNICAL ASSISTANCE

Technical assistance activities in Latin America were initiated early during World War II. A program of scientific and cultural cooperation was authorized in 1939 by Public Law 355, Seventy-sixth Congress. This program was extended under the United States Information and Educational Exchange Act of 1948 (Public Law 402, 80th Cong.). A substantial program of technical assistance was initiated under the Coordinator of Inter-American Affairs and has been continued by the Institute of Inter-American Affairs (IIAA).

Under the Act for International Development these programs became a part of point 4. The Administrator of the Technical Cooperation Administration was given responsibility "to coordinate and direct existing and new technical cooperation programs." Both the Public Law 402, Eightieth Congress, technical assistance program and the program of the IIAA were continued and expanded during 1951 under the policy direction of the Administrator of the Technical Cooperation Administration (TCA). A total of \$11,300,000 was expended for technical assistance in Latin America during the year.

The economic problems of Latin America arise out of the fact that the majority of its people live in poverty, hunger, and ill health. Since this situation inevitably lends itself to social unrest and political instability it is in the security interests of the United States to help the American Republics improve their economic life. The program for 1952 will continue the cooperative projects now under way with some expansion in the agricultural work, particularly in the development of rural extension programs.

The technical assistance program is helping to create and develop the basic services which are prerequisite to economic development and to large-scale private investment. Large expenditures required for the actual development of the vast resources of the American Republics can be provided through private investments, loans and their own earning power. Nonmilitary aid to these countries, therefore, consists entirely of technical assistance programs.

The funds supplied by the United States for technical assistance were matched by the recipient countries on the average more than threefold. The Administration proposed to expand this program to \$22,000,000 for fiscal year 1952. While the joint committee endorses

the principles of the program, it reduced the amount to \$15,250,000 in keeping with the general cut which it recommends. This amount will still permit an expansion of last year's activities in Latin America.

The Department of State had projected its estimate for technical cooperation funds on the following proposed bilateral program.

*Summary by function of projected United States bilateral programs of technical cooperation in the other American Republics, fiscal year 1952*

	Technicians		Trainees		Grants and materials	Total cost to United States
	Number	Cost	Number	Cost		
1. Joint commissions and surveys.....	27	\$306,450			\$73,500	\$379,950
2. Agriculture, forestry, and fishery.....	342	3,881,700	179	\$680,200	2,015,895	6,577,795
Rubber development.....	37	419,950			363,254	783,204
3. Education.....	117	1,327,950	80	304,000	660,000	2,291,950
4. Health and sanitation.....	200	2,270,000	100	380,000	1,850,000	4,500,000
5. Industry and labor.....	13	147,550	75	285,000	12,000	444,550
6. Transportation.....	42	476,700	55	209,000	14,915	700,615
7. Mineral resources.....	49	556,150	26	98,800	157,415	812,365
8. Water power development.....	21	238,350	30	114,000	37,100	389,450
9. Government administration and services.....	53	601,550	132	501,600	16,688	1,119,838
Total.....	901	10,226,350	677	2,572,600	5,200,767	17,999,717

In addition to the bilateral programs, the executive branch expected to make contributions to multilateral programs as indicated in the recapitulation that follows:

Bilateral technical cooperation.....	<sup>1</sup> \$18,000,000
Organization of American States.....	1,000,000
United Nations.....	3,000,000
Total technical assistance.....	22,000,000

<sup>1</sup> \$17,999,717 rounded out.

Both the Organization of American States (OAS) and the United Nations have modest programs of technical assistance in Latin America. The OAS at present is concentrating on strengthening various institutions in Latin America by the establishment of training centers. The United Nations is doing work on problems better handled by world-wide rather than regional organizations, such as, for instance, overseas migration. Our Government has been and expects to continue supporting both these programs.

Finally, the future role of the Institute of Inter-American Affairs needs to be mentioned in connection with the technical assistance program. It will be recalled that last year Congress extended the life of the institute for five more years and authorized an appropriation of \$35,000,000 for that period. No separate funds for the institute under that authorization are requested by the President this year.

The following statement was supplied by the Department of State on the position of the institute under the proposed program:



STATUS OF THE AUTHORIZATION FOR APPROPRIATIONS CONTAINED  
IN THE INSTITUTE OF INTER-AMERICAN AFFAIRS ACT AS AMENDED

The Institute of Inter-American Affairs was established as a Government corporation by the Institute of Inter-American Affairs Act, which was enacted as Public Law 369 of the Eightieth Congress, approved August 5, 1947.

This act was amended in 1949 by Public Law 283 of the Eighty-first Congress, section 2 of which reads as follows:

There are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums, not to exceed \$35,000,000, as may from time to time be necessary to carry on the activities of the Institute during the period ending June 30, 1955, and the appropriations hereby authorized shall be in addition to appropriations pursuant to authorizations granted in Public Law 369, Eightieth Congress.

The General Appropriation Act for the fiscal year 1951 was the first act that made appropriations to the Institute under the authorization contained in Public Law 283. That act appropriated to the Institute \$5,000,000 (General Appropriation Act, 1951, approved September 6, 1950, ch. III, title I, under the heading, "The Institute of Inter-American Affairs," page 23 of pamphlet copy of the act), leaving an unused balance of authorization of \$30,000,000.

It is the administration's plan to seek appropriations for the total point 4 program, including the work of the institute, for the fiscal year 1952, under the authorization for appropriations that is contained in the proposed Mutual Security Act of 1951. The administration does not intend to ask for a separate appropriation to be made available directly to the institute. It follows, therefore, that no part of the unused \$30,000,000 authorization contained in Public Law 283 will be used this year. It is likely that the unused \$30,000,000 of authorization contained in Public Law 283 will never be called upon, and that all future appropriations for the point 4 program will be sought as single lump-sum appropriations to effectuate the Act for International Development.

The Act for International Development authorizes the transfer of parts of the appropriation to agencies of the Federal Government who are called upon to participate in the administration of the program—see particularly, sections 405, 412, and 416 (a). Separate appropriations were sought for the Institute of Inter-American Affairs in the fiscal year 1951 because the Act for International Development had not yet become law when the President's budget for the fiscal year 1951 was submitted to the Congress. For the fiscal year 1952, however, the administration has decided, as stated above, to seek a single appropriation for the entire point 4 program, including the work of IIAA, so that it becomes unnecessary to call upon any part of the unused authorization for appropriations to the institute contained in Public Law 283.

## F. ADMINISTRATION OF THE PROGRAM

## 24. COORDINATION OF THE PROGRAM

Section 501 clearly fixes responsibility in the Executive Office of the President for the over-all coordination of the aid programs provided in this bill, and for the settlement of any interagency disputes that may arise in connection with this operation.

Administration of the military aspects of the program is lodged in the Secretary of Defense. Administration of economic assistance is left with the Economic Cooperation Administration. Technical assistance will be handled by the Technical Cooperation Administration in the Department of State and the Institute for Inter-American Affairs, a Government corporation.

The joint committee gave careful consideration to the provisions of the House bill for a single administering agency, as well as to the proposed amendment to the same general effect offered by Senator Smith of New Jersey and Senator Saltonstall.

In accepting the solution finally agreed upon, the joint committee was guided largely by the consideration that military programs should be administered by the Department of Defense. The joint committee believes, furthermore, that, under the Constitution, ultimate responsibility for effective operation of all aid programs must inevitably lie with the President. Accordingly it intends that the President shall have the authority and the responsibility for allocating funds within the limits of discretion of this section. The bill recognizes this constitutional principle by placing responsibility for coordination of foreign aid activities and for the resolution of conflicts among aid agencies directly in the Executive Office of the President.

The joint committee is not satisfied with the present coordination of our various foreign-aid programs by the International Security Affairs Committee (ISAC), an interagency committee headed by an official of the Department of State. The Green subcommittee stated in its report that it had found "evidence among field representatives of dissatisfaction with the multiheaded command in Washington."

The joint committee believes that many of the difficulties of the present organization lie in the fact that, in cases of interagency conflicts, the parties to the disputes are themselves represented on the board which is supposed to resolve the disputes. This fact reinforces the argument that over-all administration should be placed in the Executive Office of the President. It also led the joint committee to take a further step and to provide, in section 501 (a), that—

No person may serve in any office, or on any board established for the purpose of advising the President (on coordination of activities and resolution of inter-agency conflicts), while at the same time he is an officer or employee of any other department or agency of the Government.

It is the intent of this provision that no officer or representative of the Department of State, the Department of Defense, or the ECA shall be the officer or serve on the body in the Executive Office charged with coordination of, or responsibility for resolving conflicts among those agencies.

In accordance with the decision that the primary responsibility for the program must necessarily be borne by the President, the joint committee did not pass on the question whether the coordination should be carried out by a single official or by a board; neither did the joint committee consider the size of any organization that might be set up in the Executive Office to handle these matters. Under the terms of the bill, the President is free to deal with these problems as he desires.

#### 25. THE SECRETARY OF DEFENSE

Responsibility for administering the purely military aspects of the program is clearly placed in the Defense Department in section 504. It is essential to the success of the program that these functions be administered by the Military Establishment. The provisions of the committee's bill in these respects have been concurred in by the Department of Defense, and by the executive branch, generally.

## 26. ECONOMIC COOPERATION ADMINISTRATION

The joint committee left the administration of economic assistance in the Economic Cooperation Administration, but provided for the abolition of that agency in 1952 and the transfer to other agencies of such of its powers and functions as are still necessary. Section 505 (c) directs the President to submit a reorganization plan to this effect by March 30, 1952. Under the terms of the Reorganization Act of 1949, this plan will become effective within 60 days after submission to Congress unless it is disapproved by a constitutional majority of either the House or Senate.

While the Economic Cooperation Act of 1948, as amended, provides that the Economic Cooperation Administration shall be terminated on June 30, 1952, the rearmament of the free world and the other military aspects of the Mutual Security Program can be accomplished only if Europe can enlarge and maintain its ability to support forces and other military defense needs without serious damage to its underlying economic strength. Another essential element is the ability of European nations and the United States to acquire, for their respective military production needs, the strategic and critical raw materials that can be made available from nations in the Far East, the Middle East, Africa, and Latin America. This country will be required to continue its efforts to stimulate the production of such raw materials, for without them military production will not be possible not only in Europe but will be hampered seriously even in our own country. With the Economic Cooperation Administration scheduled to go out of existence, some organizational structure may need to be available to administer those economic functions which directly support the military armament effort by preserving the economic strength without which no military build-up is possible. Section 505 (c), therefore, is intended to permit sufficient time for consideration of the form of organization through which such assistance should be administered. It makes possible the transfer of such economic-assistance activities to a successor to the Economic Cooperation Administration, which will be oriented directly toward supporting military rearmament and indigenous production efforts by providing for the transfer of these activities to some other agency, or agencies, of the Government, as appropriate.

## 27. ADMINISTRATION IN EUROPE

Inasmuch as approximately five-sixths of the military assistance authorized by the bill is intended for Western Europe, the material which follows will be helpful in understanding the problems involved in the administration of the program abroad. It is taken from the report of the Green subcommittee on the administration of military assistance in Europe and its relationship to the North Atlantic Treaty Organization.

To understand the relationship between the North Atlantic Treaty Organization and the United States program of military and economic assistance to Europe, one must go back to the North Atlantic Treaty. Article 3 provides that the parties "separately and jointly, by means of continuous and effective self-help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack." The United States Congress when it passed the Mutual Defense Assistance Act of 1949 specified that assistance to be furnished to North Atlantic Pact countries should "be used to promote an integrated defense of the

North Atlantic area and to facilitate the development of defense plans \* \* \* under article 9 of the North Atlantic Treaty and to realize unified direction and effort."

The North Atlantic Treaty Organization (NATO) (see chart I) is the organization to provide the "unified direction and effort" for the development of "an integrated defense of the North Atlantic." It is an international organization and as such, officers who serve the Organization are part of an international contingent. Officers serving at the Eisenhower headquarters include Americans, British, French, Italians, Dutch, and others from various Treaty nations.

The North Atlantic Treaty Organization does not produce any equipment of its own, it does not raise troops, it has no power to compel any member state to make particular troops or equipment available to the international command. The Organization through its Defense Production Board seeks to stimulate defense production in the member states. Through its Financial and Economic Board it seeks to coordinate the financial and economic policies of the member states to the end that the economies of member states may be consistent with the integrated defense effort. The heart of the Organization, charts to the contrary notwithstanding, is the office of the Supreme Allied Commander, Europe, for it is here that forces placed at the disposal of the Organization are welded into a defense machine that gives hope that Europe may be defended if subject to aggression. It is here that morale is built, that national prides and prejudices are subordinated to the all-important task of building defensive strength; that inspiration and leadership is provided so that members will commit contingents of their armed forces to the command of General Eisenhower.

The command structure under General Eisenhower is rapidly being completed. The commander in chief, Allied forces, northern Europe, is Admiral Brind (United Kingdom), who has subordinate air, naval, and land forces under his command. In the south, Admiral Carney (United States) exercises command, and in the center of Europe, there is a land commander in chief, General Juin (French), an air commander in chief, General Norstad (United States), and a naval flag officer, Admiral Jaujard (French).

Distinct from the North Atlantic Treaty Organization and yet vital to its successful operation is the United States program for military assistance. The organization for the administration of this aid is made up of Americans. Through American channels military assistance is given to particular countries. Those countries are free to determine the extent to which they will commit such assistance to the command of General Eisenhower, except insofar as they have agreed in advance of the receipt of aid to use assistance "to promote an integrated defense of the North Atlantic area \* \* \*." However, the informal relationship between the military-aid organization and the Eisenhower headquarters is so close that American military assistance is not likely to be forthcoming to particular countries unless and until the Supreme Allied Commander is satisfied that the country concerned has forces in being that are able to make effective use of the equipment supplied.

\* \* \* Each country has a team (of American officials) to bring together the political, military, and economic factors that might influence recommendations as to the amount of aid to be given a particular country.

In determining the military and economic aid to be programmed, recommendations originate with the country teams, are then sent to the European Coordinating Committee for screening and evaluation in terms of the over-all program for the pact countries, and then go to Washington.

\* \* \* The subcommittee did not have time to examine closely the administration of the military-aid program. It was able to formulate some general conclusions, however, as the result of conversations with individual participants in the program.

So far as NATO is concerned, the committee was greatly impressed with the esprit de corps that General Eisenhower has developed in the organization.

The subcommittee was also favorably impressed by the cooperation and teamwork that has been developed by the country teams, made up of United States officials representing the Department of State, the Department of Defense, and the Economic Cooperation Administration (ECA). At the country level there seems to be a clear division of responsibility as between the political, economic, and military advisers and an ability to formulate well-balanced programs for particular countries.



## 28. UNITED STATES REPRESENTATIVES ABROAD

The bill also leaves it up to the President, in section 502, to "prescribe appropriate procedures to assure coordination among representatives of the United States Government in each country, under the leadership of the chief of the United States diplomatic mission."

It is the intent of this section that whatever procedures are prescribed will recognize that the State-Defense-ECA team, engaged in carrying out the Mutual Security Program in the recipient countries, is to be under the leadership of the chief of the diplomatic mission.

## G. SPECIAL PROBLEMS

## 29. TECHNICAL ASSISTANCE

In title II and title III the joint committee has made combined authorizations to cover economic and technical aid under both the ECA and point 4 programs. In so doing the joint committee has been governed by six main considerations which it strongly feels should govern the administration of the funds provided. These principles are as follows:

(1) In countries in which the Economic Cooperation Administration is at present operating a mission, such operations may continue within the limit of funds authorized in the accompanying bill.

(2) In countries in which the Technical Cooperation Administration is at present operating a mission, such operations may continue within the limit of the funds authorized in the accompanying bill.

(3) Notwithstanding the conditions expressed in paragraphs (1) and (2), in no case shall both the Economic Cooperation Administration and the Technical Cooperation Administration maintain separate missions in the same country.

(4) The Economic Cooperation Administration may operate technical assistance projects in the countries in which they are at present operating a mission.

(5) The Technical Cooperation Administration, in order to carry out technical cooperation projects, may commence operations in countries in which they are not now operating.

(6) The Economic Cooperation Administration shall not establish a mission in any country in which it does not now maintain a mission, except in India and Pakistan, unless and until consultation shall have been held between appropriate officials of the Economic Cooperation Administration and the Foreign Relations Committee of the Senate and the Foreign Affairs Committee of the House of Representatives.

It is also the sense of the joint committee that substantial grant-aid programs of the type administered by ECA in underdeveloped areas should be regarded as temporary, as contrasted with the longer range technical assistance type of programs. The joint committee feels that, as soon as the need for such substantial grant-aid programs ceases to exist in any country, the TCA should take over the administration of United States aid of the continuing technical assistance type in such country.

In countries in which ECA missions are operating and where programs are projected calling for sizable commodity import programs, it should be the policy, in the absence of compelling political consid-

erations to the contrary, for the ECA to provide loans rather than grant aid in all cases where the financial condition and the borrowing capacity of the country to be assisted is such as to justify such loan aid.

In expressing these views the joint committee is fully aware that a major problem of the underdeveloped areas is the great lack of capital for the development of their resources. These areas will require water supplies, power plants, swamp-drainage facilities, and many other kinds of capital projects, if they are to realize their potentialities. But they cannot undertake capital projects on their own. The average saving of a worker in the underdeveloped areas is only \$5 a year. Obviously this will not create the needed capital which must be sought abroad. On the other hand, only a small percentage of the national income of the United States is now going into foreign private investment. It is hoped that the technical assistance programs will stimulate the desires of these areas for the development of programs financed by international loans and private investment, matched on the part of the recipient countries by a willingness to undertake the necessary actions.

### 30. LOANS

The joint committee considered carefully the question as to whether it was advisable to stipulate in the legislation that a given proportion of the economic aid made available by this bill should be in the form of loans. It was called to the attention of the committee, that in view of the external financial position of the countries concerned, any loan contracts which might be exacted from these countries with few exceptions would give little prospect of repayment and would, in addition, tend to cast doubt on the soundness of presently outstanding foreign loans administered by the Export-Import Bank and the IBRD. In addition it should be taken into account that assistance in the form of loans does not generate counterpart funds. The committee wishes to emphasize its view that, where sound loans can be made and where there are no specific overriding political or economic considerations indicating that it would not be in the interest of the United States to do so, assistance should be given in the form of loans rather than grants.

### H. CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no changes are proposed is shown in roman):

China Area Aid Act of 1950 (title II of the Foreign Economic Assistance Act of 1950, Public Law 535, 81st Cong.).

### NATURE OF ASSISTANCE

SEC. 202. Funds, now unobligated or hereafter released from obligation, appropriated by section 12 of the Act entitled "An Act to amend the Economic Cooperation act of 1948", approved April 19, 1949 (Public Law 47, Eighty-first Congress), are hereby made available for furtherance of the general objectives of the China Aid Act of 1948 through June 30, 1951, and for carrying out the purposes of that Act through economic assistance in any place in China and in the general area of

China which the President deems to be not under Communist control, in such manner and on such terms and conditions as the President may determine, and references in the said Act to China shall, insofar as applicable, apply also to any other such place: *Provided*, That, so long as the President deems it practicable, not less than \$40,000,000 of such funds shall be available only for such assistance in areas in China (including Formosa): *Provided further*, That not more than \$8,000,000 of such funds (excluding the \$40,000,000 mentioned in the foregoing proviso) shall be available for relief on humanitarian grounds through the American Red Cross, or other voluntary relief agencies in any place in China suffering from the effects of natural calamity, under such safeguards as the President shall direct to assure nondiscriminatory distribution according to need and appropriate publicity as to source and scope of the assistance being furnished by the United States: *Provided further*, That not more than \$6,000,000 of such funds (excluding the amounts mentioned in the foregoing provisos), shall be available for allocation to the Secretary of State, to remain available until expended, under such regulations as the Secretary of State may prescribe, using private agencies to the maximum extent practicable, for necessary expenses of tuition, subsistence, transportation, and emergency medical care for selected citizens of China and of Korea for study or teaching in accredited colleges, universities, or other educational institutions in the United States approved by the Secretary of State for the purposes, or for research and related academic and technical activities in the United States, and the Attorney General is hereby authorized and directed to promulgate regulations providing that such selected citizens of China and of Korea who have been admitted for the purpose of study in the United States, shall be granted permission to accept employment upon application filed with the Commissioner of Immigration and Naturalization.

ECONOMIC COOPERATION ACT OF 1948, AS AMENDED (PUBLIC LAW 472,  
80TH CONG.)

BILATERAL AND MULTILATERAL UNDERTAKINGS

SEC. 115. (a) \* \* \*

(b) The provision of assistance under this title results from the multilateral pledges of the participating countries to use all their efforts to accomplish a joint recovery program based upon self-help and mutual cooperation as embodied in the report of the Committee of European Economic Cooperation signed at Paris on September 22, 1947, and is contingent upon continuous effort of the participating countries to accomplish a joint recovery program through multilateral undertakings and the establishment of a continuing organization for this purpose. In addition to continued mutual cooperation of the participating countries in such a program, each such country shall conclude an agreement with the United States in order for such country to be eligible to receive assistance under this title. Such agreement shall provide for the adherence of such country to the purposes of this title and shall, where applicable, make appropriate provision, among others, for—

\* \* \* \* \*

(6) placing in a special account a deposit in the currency of such country, in commensurate amounts and under such terms and conditions as may be agreed to between such country and the Government of the United States, when any commodity or service is made available through any means authorized under this title, and is furnished to the participating country on a grant basis: *Provided*, That the obligation to make such deposits may be waived, in the discretion of the Administrator, with respect to technical information or assistance furnished under section 111 (a) (3) of this title and with respect to ocean transportation furnished on United States flag vessels under section 111 of this title in an amount not exceeding the amount, as determined by the Administrator, by which the charges for such transportation exceed the cost of such transportation at world market rates: *Provided further*, That such special account, together with the unencumbered portions of any deposits which may have been made by such country pursuant to section 6 of the joint resolution providing for relief assistance to the people of countries devastated by war (Public Law 84, 80th Cong.) and section 5 (b) of the Foreign Aid Act of 1947 (Public Law 389, 80th Cong.) shall be used in furtherance of any central institution or other organization formed by two or more participating countries to further the purposes set forth in subsection (d) of section 111 or otherwise shall be held or used for purposes of internal monetary and financial stabilization, for the stimulation of productive activity

and the exploration for and development of new sources of wealth, *for the encouragement of emigration pursuant to subsection (e) of this section*, or for such other expenditures as may be consistent with the declaration of policy contained in section 102 and the purposes of this title, including local currency administrative and operating expenditures of the United States [within such country] incident to operations under this title: *Provided further*, That the use of such special account shall be subject to agreement between such country and the Administrator, who shall act in this connection after consultation with the National Advisory Council on International Monetary and Financial Problems and the Public Advisory Board provided for in section 107 (a): *And provided further*, That any unencumbered balance remaining in such account [on June 30, 1952] upon termination of assistance to such country under this Act, shall be disposed of within such country for such purposes as may, subject to approval by Act or joint resolution by the Congress, be agreed to between such country and the Government of the United States. *The Administrator shall exercise the power granted to him by this paragraph to make agreements with respect to the use of the funds deposited in the special accounts of the countries receiving assistance under the Mutual Defense Assistance Act of 1949, as amended, in such a manner that the equivalent of not less than \$500,000,000 of such funds shall be used exclusively for military production, construction, equipment, and matériel in such countries. The amount to be devoted from each such special account for such use shall be agreed upon by the Administrator and the country or countries concerned;*

\* \* \* \* \*

MUTUAL DEFENSE ASSISTANCE ACT OF 1949, AS AMENDED (PUBLIC LAW 329,  
81ST CONG.)

SEC. 408. (a) \* \* \*

(e) (1) The President may, from time to time, in the interest of achieving standardization of military equipment and in order to provide procurement assistance without cost to the United States, transfer, or enter into contracts for the procurement for transfer of, equipment, materials or services to: (A) nations eligible for assistance under title I, II, or III of this Act, (B) a nation which has joined with the United States in a collective defense and regional arrangement, or (C) any other nation not eligible to join a collective defense and regional arrangement referred to in clause (B) above, but whose ability to defend itself or to participate in the defense of the area of which it is a part, is important to the security of the United States: *Provided*, That, prior to the transfer of any equipment, materials, or services to a nation under this clause (C), it shall provide the United States with assurance that such equipment, materials, or services are required for and will be used solely to maintain its internal security, its legitimate self-defense, or to permit it to participate in the defense of the area of which it is a part or in *United Nations collective security arrangements and measures*, and that it will not undertake any act of aggression against any other state: *Provided further*, That, in the case of any such transfer, the President shall forthwith notify the Committee on Foreign Relations of the Senate, the Committees on Armed Services of the Senate and of the House of Representatives, and the Committee on Foreign Affairs of the House of Representatives.

(2) Whenever equipment or material is transferred from the stocks of, or services are rendered by, any agency, to any nation as provided in paragraph (1) above, such nation shall first make available the fair value, as determined by the President, of such equipment, materials, or services. The fair value shall not be less for the various categories of equipment or materials than the "value" as defined in subsection (c) of section 403: *Provided*, That with respect to excess equipment or materials the fair value may not be determined to be less than the value specified in paragraph 1 of that subsection plus (a) 10 per centum of the original gross cost of such equipment or materials; (b) the scrap value; or (c) the market value, if ascertainable, whichever is the greater. Before a contract is entered into, such nation shall (A) provide the United States with a dependable undertaking to pay the full amount of such contract which will assure the United States against any loss on the contract, and (B) shall make funds available in such amounts and at such times as may be necessary to meet the payments required by the contract in advance of the time such payments are due, in addition to the estimated amount of any damages and costs that may accrue from the cancellation of such contract: *Provided*, That the total amount of outstanding contracts under this subsection, less the amounts which have been paid the United States by such nations, shall at no time exceed **[\$100,000,000] \$500,000,000.**



## SEC. 403. (a) \* \* \*

(d) Not to exceed \$450,000,000 worth of excess equipment and materials may be furnished under this Act or may hereafter be furnished under the Act of May 22, 1947, as amended: *Provided, That during the fiscal year ending June 30, 1951, an additional \$250,000,000 worth of excess equipment and materials may be so furnished.* *Provided, That after June 30, 1950, [such limitation shall be increased by \$250,000,000 and after June 30, 1951, by an additional \$150,000,000].* For the purposes of this subsection, the worth of any excess equipment or materials means either the actual gross cost to the United States of that particular equipment or materials or the estimated gross cost to the United States of that particular equipment or materials obtained by multiplying the number of units of such particular equipment or materials by the average gross cost of each unit of that equipment or materials owned by the furnishing agency.

## ACT FOR INTERNATIONAL DEVELOPMENT (PUBLIC LAW 535, 81ST CONG.)

## SEC. 404. (a) \* \* \*

(b) Within the limits of appropriations made available to carry out the purposes of this title, the President is authorized to make contributions to the United Nations for technical cooperation programs carried on by it and its related organizations which will contribute to accomplishing the purposes of this title as effectively as would participation in comparable programs on a bilateral basis. The President is further authorized to make contributions for technical cooperation programs carried on by the Organization of American States, its related organizations, and by other international organizations: *Provided, That for the fiscal year ending June 30, 1952, such contributions from funds made available under authority of sections 101 (a) (2), 203, 302, and 402 of the Mutual Security Act of 1951 shall not exceed in the aggregate \$13,000,000, and the use of such contributions shall not be limited to the area covered by the section of the Act from which the funds are drawn.*

**[SEC. 414.** No citizen or resident of the United States, whether or not now in the employ of the Government, may be employed or assigned to duties by the Government under this Act until such individual has been investigated by the Federal Bureau of Investigation and a report thereon has been made to the Secretary of State: *Provided, however, That any present employee of the Government, pending the report as to such employee by the Federal Bureau of Investigation, may be employed or assigned to duties under this Act for the period of three months from the date of its enactment. This section shall not apply in the case of any officer appointed by the President by and with the advice and consent of the Senate.*]

**SEC. 414.** No citizen or resident of the United States, whether or not now in the employ of the Government, may be employed or assigned to duties by the Government under this Act for a period to exceed three months until such individual has been investigated by the Civil Service Commission and a report has been made to the Secretary of State: *Provided, however, That in the event the Civil Service Commission discovers evidence of disloyalty or that the individual may be a security risk the matter will then be referred to the Federal Bureau of Investigation for a full field investigation: Provided further, That no such individual may be employed or assigned to duties by the Government under this Act until the Civil Service Commission has made a name check of the files of the Federal Bureau of Investigation and a report thereon has been made to the Secretary of State: Provided further, That, prior to the receipt of a report of the Civil Service Commission, persons may be given temporary employment without acquiring any civil-service status, exclusively for purposes of job training within the United States not involving access to any classified information: Provided further, That any present employee of the Government, pending the report as to such employee by the Civil Service Commission, may be employed or assigned to duties under this Act for the period of three months from the date of its enactment. This section shall not apply in the case of any officer appointed by the President by and with the advice and consent of the Senate.*

## I. SECTION-BY-SECTION ANALYSIS AND COMMENT

When the administration submitted its program to the Congress its draft bill was accompanied by an analysis of the intent of the sections, as drafted. In those cases in which the language expressed

the intent of the joint committee and when the joint committee did not make any changes in the sections of the bill originally recommended, it has drawn upon the comments supplied by the executive branch.

*Section 2. General purpose*

This section declares it to be the purpose of the act "to maintain the security and to promote the foreign policy of the United States by authorizing military, economic, and technical assistance to friendly nations," thereby strengthening the individual and collective defenses of the free world.

*Section 101 (a). Military and economic assistance*

This subsection authorizes the appropriation of funds to the President for the fiscal year 1952 in order to support the freedom of Europe, maintain economic stability in Europe, and encourage the economic unification and political federation of Europe.

(1) *For military assistance.*—Not to exceed \$5,043,000,000 is authorized to be appropriated for military assistance for use under the terms of the Mutual Defense Assistance Act of 1949, as amended. Assistance is to be for countries party to the North Atlantic Treaty and for any other country of Europe which the President determines is important to the defense of the area, except that not more than 10 percent of the sum appropriated under this authority may be used for such other countries, and except that military assistance for Greece and Turkey are covered in title II.

This paragraph authorizes the use of not to exceed \$100,000,000 of the sum authorized to form selected escapees from iron curtain countries into elements of military forces supporting the North Atlantic Treaty Organization. In adopting this provision the joint committee desires to make it clear that persons who might be formed into such units would do so only of their own free will and that this language is not designed to prescribe any particular way in which such units might be formed, either as national or as international units.

This paragraph also carries over unexpended balances of previous appropriations available under the Mutual Defense Assistance Act.

(2) *For economic assistance.*—This paragraph authorizes the appropriation of \$1,130,500,000 for economic assistance to European countries under the terms of the Economic Cooperation Act of 1948. These countries include Greece and Turkey, which are covered for military assistance in title II, as well as Western Germany and Trieste.

Assistance in furtherance of additional military production in Europe will be provided under this subsection. Section 104 of the Mutual Defense Assistance Act imposes limitations on the use of MDAA funds by forbidding their use (a) to construct or aid in the construction of foreign factories or to provide equipment (other than production equipment) for them; (b) to defray the cost of maintaining such factories; (c) to compensate any country or person for diminution in export trade resulting from the carrying out of any program of increased military production or to make any payment to the owner of any factory as an inducement to undertake or increase the production of military goods; (d) to pay any person for personal services rendered in any such factory other than personal services of a technical nature provided by United States employees in order to establish or

maintain production to effectuate the purposes of the act and in conformity with desired standards and specifications.

No similar set of prohibitions appears in the Economic Cooperation Act. Since the purposes of the latter act have been changed by the inclusion of the defense purposes of the new act, it will be possible for funds made available under provisions of the ECA Act to be expended for the objects which section 104 prohibits with respect to MDAA funds.

The paragraph also carries over unexpended balances of appropriations heretofore made under the Economic Cooperation Act.

*Migration of surplus manpower.*—Not to exceed \$10,000,000 of the funds available under this paragraph may be used to give effect to the purposes of section 115 (e) of the Economic Cooperation Act of 1948, as amended. That section reads as follows:

(e) The Administrator shall encourage arrangements among the participating countries in conjunction with the International Refugee Organization looking toward the largest practicable (sic) utilization of manpower available in any of the participating countries in furtherance of the accomplishment of the purposes of this title. The Administrator shall also encourage emigration from participating countries having permanent surplus manpower to areas, particularly underdeveloped and dependent areas, where such manpower can be effectively utilized.

H. R. 5113 as passed by the House provided that not to exceed \$30,000,000 may be used for this purpose. The joint committee understands, however, that \$10,000,000 will be sufficient for this purpose and amended the bill accordingly. Present plans contemplate an expenditure of about \$30,000,000 for the total program, of which approximately \$10,000,000 will be paid by the country of emigration, \$10,000,000 by the country of immigration, and \$10,000,000 by the United States in furtherance of the purposes of the above-quoted section of the Economic Cooperation Act.

The joint committee heard testimony to the effect that no funds for the purpose were included in the economic-aid estimate submitted by the executive branch. It is to be noted that the \$10,000,000 United States contribution is not mandatory but permissive.

Funds authorized under section 101 (a) (2) should be utilized in cooperation with the countries of Europe and other countries of immigration directly concerned with the movement of migrants. During its hearings the joint committee learned that, with the scheduled expiration of the International Refugee Organization on or before December 31, 1951, immediate action must be taken to keep its fleet of ships in operation, possibly through an interim organization, so that these facilities will be kept intact until more definite arrangements for the administration of a migration program can be made. In the light of the consideration now being given to this problem by various international organizations, the nature of the arrangements to be made for the effective operation of such a program to follow any necessary interim period is left open at this time.

The joint committee believes, however, that any such arrangements should preclude duplication of effort between international organizations, and be so developed as to provide that the establishment, direction, and operation of the program are placed under the control of countries which are directly concerned and contributing to the financial support of the program and which participate in the free international exchange of emigrants and immigrants.

*Section 101 (b). Transferability between economic and military authorizations*

This subsection authorizes the transfer by the President from the economic appropriations to the military appropriations, or vice versa, of not to exceed 5 percent of the total amounts appropriated pursuant to section 101. The purpose of this transferability provision is to provide limited flexibility to meet situations which cannot now be foreseen. It may be, for example, that under certain circumstances the maximum benefit to national defense of a given dollar made available to the Defense Department could be better realized if expended for support of the defense efforts of one of the NATO countries. If any transfer is made, the interested committees of the Congress are to be notified "forthwith."

*Section 201. Military assistance to Greece, Turkey, and Iran*

This section authorizes additional funds for military aid to Greece and Turkey under the original Greek-Turkish Aid Act. (Economic aid for these countries is contained in title I.) It also authorizes military assistance to Iran under the Mutual Defense Assistance Act. The total so authorized is \$396,250,000. With respect to all three countries, the formula is the same as that followed under title II of the Mutual Defense Assistance Act.

This section also continues the availability of unexpended balances from previous appropriations.

*Section 202. Military aid to near eastern countries other than Greece, Turkey, and Iran*

This section authorizes military assistance to countries of the Near East, other than Greece, Turkey, and Iran, whenever the President determines that such action is essential to carry out the purposes of the bill. The expression "Near East area" is used in order to include certain countries in Africa which are commonly thought of as part of the Near East. The amount of aid authorized is limited to 10 percent of the amount made available for military assistance to Greece, Turkey, and Iran for the fiscal year ending June 30, 1952, including any amounts that may be transferred into section 202 from other titles of the act. All assistance under authority of section 202 will be made available under the provisions of the Mutual Defense Assistance Act, and agreements would be required in accordance with the provisions of section 402 of that act, before any aid is made available.

*Section 203. Technical and economic aid for Africa and the Near East*

This section authorizes economic and technical assistance in the amount of \$122,500,000 for the independent countries of Africa and the Near East. Assistance of this kind to Turkey and Greece and the dependent territories of the European countries is covered by section 101 (a) (2). Assistance furnished under authority of this section will be rendered under the applicable provisions of the Economic Cooperation Act and of the Act for International Development.

*Section 204. Arab refugees*

The utilization of \$40,000,000 out of the economic and technical assistance funds is authorized under section 203 to carry out the purposes of the United Nations Palestine Refugee Aid Act, through



contributions to the United Nations Relief and Works Agency for Palestine Refugees in the Near East in accordance with the provisions of that act. Should the President determine that these funds could be more effectively used for the same purpose in some other ways, he may allocate them to any agency of the United States Government for expenditure in aid of the Arab refugees, and funds so allocated will be considered as a contribution to the United Nations program.

*Section 205. Israel refugees*

This section allows the President to use not to exceed \$40,000,000 of the economic and technical assistance funds authorized under section 203 for specific refugee relief and resettlement projects in Israel under such terms and conditions as he may prescribe.

*Section 301. Military assistance in the general area of China*

This section authorizes an appropriation of not to exceed \$535,250,-000 to the President for the fiscal year ending June 30, 1952, to carry out the provisions of section 303 (a) of the Mutual Defense Assistance Act.

The latter section authorized an appropriation to the President to be used to accomplish the policies and purposes of the Mutual Defense Assistance Act in the general area of China. These funds were in addition to funds otherwise provided as an emergency fund to the President. This authority, as was explained in the first report of the Senate Armed Services and Foreign Relations Committees, permits the expenditure of funds generally, without limiting such expenditure to the furnishing of military assistance.

Title III of the Mutual Defense Assistance Act not only contains authorization for assistance in the "general area of China" but also authorizes aid to the Republic of the Philippines and the Republic of Korea in a separate section. The authorization in this new proposal makes it clear that hereafter these two countries will receive aid as countries in the general area of China.

Section 303 (a) of the Mutual Defense Assistance Act contains a provision under which a certification by the President of the amounts expended for use in the general area of China, that it is in the security interests of the United States not to specify the nature of such expenditures, shall be deemed a sufficient voucher for the funds expended. In section 301 of this bill this special authority in the President is continued with respect to not to exceed \$50,000,000 of the funds newly appropriated pursuant to this act.

This section also authorizes the unexpended balance of the previous appropriations for carrying out the provisions of section 303 of the Mutual Defense Assistance Act to be continued available through June 30, 1952.

*Section 302 (a). Authorized Amount for Economic and Technical Assistance in the General Area of China*

This subsection authorizes an appropriation of not to exceed \$178,750,000 for economic and technical assistance in the general area of China, covering the same areas as section 301 except for Korea, which is covered by section 303. All assistance provided under this section will be rendered under the applicable provisions of the Economic Cooperation Act and of the Act for International Development. The residual funds made available for carrying out the China

Area Aid Act of 1950 are continued available for the purposes of this section 302. The effect of this carry-over is to continue the availability of funds originally appropriated for the China Aid Act of 1948 and funds transferred out of regular ECA appropriations for use in this area pursuant to chapter IX of the Second Supplemental Appropriations Act, 1951, Public Law 911, Eighty-first Congress.

*Section 302 (b). Aid to Korean students*

This subsection amends the China Area Aid Act of 1950 so as to extend to Korean students now stranded in the United States the same educational benefits which the Congress authorized 2 years ago to be made available out of unused Economic Cooperation Act funds to selected Chinese students (and in a few cases to professors) who were stranded in this country.

The need for such action is apparent. It should be pointed out, however, that the intention is to assist only those Korean students now in the United States who are well qualified, and who should be encouraged to complete their course of study and return to Korea to assist in the rehabilitation of that country. In view of the fact that it is possible for Korean students to return to Korea without falling into the hands of an unfriendly power, that the Government of the Republic of Korea is most desirous that its citizens return to Korea at the end of the period for which they came to the United States, and that use can be made of returning Koreans to assist in the rehabilitation of Korea, it is not the intention of this proposal to provide financial relief to all Korean students enrolled in accredited colleges and universities in the United States and who are in financial need. Rather, it is to provide assistance to those well-qualified persons who should be encouraged to complete their courses of study and who can make a greater contribution to the rehabilitation of Korea as a result of having completed their next immediate educational objective.

*Section 303. Aid for Korea*

(a) This subsection authorizes an appropriation for a United States contribution to the UN Korean Reconstruction Agency (UNKRA), which was established by the resolution of the General Assembly of December 1, 1950, to assist in Korean recovery and reconstruction. The United States has committed itself, subject to congressional authorization, to contribute \$162,500,000. This section provides for \$75,750,000 of new funds. In addition a substantial unobligated balance from previous appropriations for Korean aid will provide additional funds for this contribution.

The subsection also provides that up to 50 percent of the total authorization may, when determined by the President to be necessary for the purposes of the Mutual Security Program, be used for economic programs in other parts of the area.

The authorization for aid to Korea is substantially less than that devastated country will eventually need—and is not to be considered as a final assessment of those needs or the United States intent to contribute. But in the present state of war UNKRA will only operate to a limited extent as military conditions permit, and a partial contribution is all that needs be made at this time.

(b) This subsection specifies that the times of the contributions to UNKRA are to be determined by the President, taking into consideration the military situation in Korea. The arrangements for the

assumption of responsibility by UNKRA will be made between that agency and the UN Unified Command in Korea. During the period of active hostilities, relief and civilian supply operations in Korea have been the responsibility of the Unified Command, established by the United States pursuant to the UN Security Council resolution of July 7, 1950. These operations are being financed by the United States Department of Defense appropriations and by contributions from other members of the UN and nongovernmental organizations.

UNKRA will assume full responsibility for relief and rehabilitation operations only when the military situation permits relinquishment of this responsibility by the Unified Command. In the interim period, arrangements are being made whereby UNKRA will cooperate with the Unified Command and engage in such limited activities as the command may agree are feasible.

The President will exercise his authority to make contributions to UNKRA consistently with the agreements between the UN Agent General, the United Nations Commission for the Unification and Rehabilitation of Korea, and the Unified Command governing the commencement of operations by UNKRA. The contributions will be phased in time and amount to support the functions which the military situation permits UNKRA to undertake, as set forth in such agreements. Contributions of major amounts will be made only when agreement has been reached for UNKRA to assume full responsibility for relief and rehabilitation operations.

(c) This subsection authorizes United States employees to be made available for work with UNKRA and also authorizes United States governmental agencies to accept funds, made available under this section, to help in the reconstruction operations.

(d) This subsection is required because the Economic Cooperation Act, which has been made applicable to aid to Korea, provides that balances of local currency counterpart funds remaining when the ECA operations terminate shall be disposed of in accordance with congressional direction (sec. 115 (b) (6) of the Economic Cooperation Act). This subsection is intended to provide such congressional direction and authorizes release of these counterpart funds for purposes consistent with the UN assistance programs, in accordance with agreements between the United States and Korea.

(e) This subsection is required because certain functions which were given to the Economic Cooperation Administrator under the Far Eastern Economic Assistance Act of 1950 will no longer be performed by him. This subsection authorizes the President to relieve him of such duties, and to give them to any other appropriate agency of the Government.

#### *Section 401. Military assistance for American Republics*

For furnishing of military assistance to the American Republics, there are authorized \$38,150,000 under the following provisions: Assistance may only be furnished in accordance with defense plans which, the President finds, require the recipient country to participate in missions important to the defense of the Western Hemisphere; bilateral agreements, assuring that the aid given will promote the defense of the Western Hemisphere, must be signed as required by section 402 of the Mutual Defense Assistance Act of 1949; and military assistance can be furnished only in accordance with this bilateral agreement.

*Section 402. Technical assistance for American Republics*

This section authorizes \$15,250,000 to be appropriated for technical assistance under the provisions of the Act for International Development and the Institute of Inter-American Affairs Act, as amended.

*Section 501. Coordination of activities in United States*

Subsection (a) places responsibility in the Executive Office of the President for the coordination of the activities of, and the resolution of conflicts among, the various departments and agencies of the Government exercising functions under the act. The subsection makes it clear that no officer or representative of the Department of State, the Department of Defense, or ECA shall be the officer or serve on the body in the Executive Office charged with performing these functions.

Subsection (b) authorizes the President to use, for the purposes of subsection (a), the positions authorized by section 406 (e) of the Mutual Defense Assistance Act of 1949, as amended. This section provides for the employment of one person at a salary of \$16,000 a year and three persons at \$15,000 a year each, subject to Senate confirmation.

*Section 502. Coordination of activities abroad*

This section directs the President to prescribe procedures for the coordination of the activities of representatives of the United States in foreign countries. It makes it clear that the State-Defense-ECA team responsible for carrying out the foreign aid program is to operate under the leadership of the chief of the diplomatic mission in each country.

*Section 503. Eligibility for assistance*

This section is intended to insure that any type of assistance given pursuant to authority proposed by the bill shall contribute to the security of the United States and shall be based on the principle of mutuality of effort.

*Section 503 (a). For military purposes*

This subsection requires that no military, economic, or technical assistance which is intended to further military effort shall be granted unless there is a finding by the President that the supplying of such assistance will strengthen the security of the United States, and unless the recipient country agrees or has previously agreed to commitments along the lines set out in this subsection. These conditions are not required in the case of aid which is being furnished on a reimbursable basis under the provisions of section 403 (e) of the Mutual Defense Assistance Act of 1949, as amended. Generally speaking, this subsection extends to any assistance furnished pursuant to authority intended to be conferred by this bill the same conditions as have heretofore been required as to assistance under the Mutual Defense Assistance Act.

*Section 503 (b). Economic and technical assistance*

This subsection requires that no economic or technical assistance may be supplied to any nation unless the supplying of such assistance will actually strengthen the security of the United States and promote world peace. This subsection requires that the recipient country has agreed to join in promoting international understanding and good will and maintaining world peace, and to take such action as



may be mutually agreed upon to eliminate causes of international tension. The arrangements contemplated under this subsection do not, however, require specific obligations to increase military efforts, as is the case under the preceding subsection.

*Section 504. Responsibilities of Secretary of Defense*

This section makes it clear that in administering military assistance and technical assistance related to military items, the Secretary of Defense shall have primary responsibility and authority in six fields, which are named as follows: (a) The determination of military end-item requirements; (b) the procurement of military equipment in a manner which permits its integration with service programs; (c) establishment of priorities in procurement and deliveries; the allocation of military equipment and the apportionment of funds between the services and countries within each area specified in the act; (d) the supervision of end-item use by the recipient countries; (e) the supervision of the training of foreign military personnel; and (f) the movement and delivery of military end items.

*Section 505. Termination of assistance*

This section provides for the termination of military and economic assistance by providing methods by which the authority conferred by the constituent acts shall be terminated. The termination date is June 30, 1954, unless sooner fixed by concurrent resolution of the Congress.

*Section 505 (a). Assistance under the Mutual Defense Assistance Act*

This subsection provides that no authority conferred by the Mutual Defense Assistance Act may be exercised after June 30, 1954, except to complete shipment and delivery of previously authorized equipment and materials and related services, and to wind up operations under the act. The period of availability for obligation of any funds previously authorized for assistance under the Mutual Defense Assistance Act are continued available for obligation for 12 months after the termination date to assist in winding up operations.

*Section 505 (b). Liquidation of Mutual Defense Assistance Act*

This subsection authorizes the President, during the 12 months following June 30, 1954, to transfer for the purposes of liquidation, the powers, duties, and authorities conferred by the Mutual Defense Assistance Act to such other establishments of the Government as he shall specify.

*Section 505 (c). Functions of the ECA*

This subsection provides for the liquidation of the Economic Cooperation Administration. It directs the President to submit to Congress, on or before March 30, 1952, a reorganization plan under the Reorganization Act of 1949 abolishing the ECA and transferring such of its powers and functions as are necessary to carry out this act to such other agency, or agencies, as he deems appropriate. As noted in the comment in the section of this report on administration this provision is intended to make possible the transfer of economic assistance activities to a successor to the Economic Cooperation Administration. The transferred powers shall continue until July 1, 1954, unless terminated earlier by concurrent resolution of Congress. At that time, the operations under that act shall be brought to an

end by the agencies to which they were transferred in accordance with section 122 of the Economic Cooperation Act of 1948, as amended. (This section of the ECA Act provides for liquidation over a 12-month period in a manner similar to that provided in sections 505 (a) and (b) above.)

*Section 506. Termination of assistance by the President*

In addition to the provisions of the preceding section which look toward the termination of the constituent programs, authority is provided in this section whereby the President may terminate assistance furnished pursuant to authority conferred by the Mutual Security Act of 1951. The provisions of this section are identical to those provisions already contained in section 405 of the Mutual Defense Assistance Act of 1949, as amended.

*Section 507. Effective date*

This section provides that all provisions of the act, excepting Section 503, shall take effect on the date of enactment of the act. Section 503 deals with matters that must have been agreed to by recipient nations prior to receiving any assistance authorized under this act. In any case, where a nation has not already agreed to conditions of the kind indicated in section 503, time will be required for the necessary negotiations. Therefore section 503 does not become effective until 90 days after date of enactment.

*Section 508. Transferability of funds*

This section authorizes the President to transfer from one title to another not to exceed 10 percent of the funds made available under the title from which the transfer is made. In the event that funds are so transferred from one title to another title, they must be utilized to furnish of the same kind to a different area assistance of the kind for which such funds were available before transfer. This section requires prompt reports of such transfers to appropriate committees of the Congress.

*Section 509. Development of strategic materials*

The development of additional sources of strategic materials is of major importance to the security of the United States. The Economic Cooperation Act of 1948 contains specific provision for obtaining materials in which the United States is deficient, and the significance of expanding the production of strategic materials was recognized in the Act for International Development.

This section of the bill authorizes the use of not to exceed \$55 million of the funds appropriated pursuant to section 101 (a) (2) of the bill for the development of strategic materials, pursuant to the authority contained in the Economic Cooperation Act of 1948.

*Section 510. Utilization of patents and technical information*

(a) *Definitions.*—The two paragraphs of this subsection are self-explanatory.

(b) *Privately owned patents and information.*—This subsection relates to the use of patents and technical information used in furtherance of the Mutual Security Program without prior authorization by the owners or originators. There are certain factual and legal uncertainties surrounding the right and authority of the Government to disclose certain of the technical information and know-how available

in Government files. These uncertainties arise from the question of the property rights of the originators and owners. In order to remove any delay which might be occasioned by these uncertainties and to assure just compensation to the owners of inventions or information utilized in the Mutual Security Program, this subsection provides a forum in which title may be adjudicated and in which value may be established. The wording of the subsection makes it clear that the procedures which are authorized by the subsection are available only insofar as the activities concerned form a part of the Mutual Security Program.

(c) *Settlement by negotiation.*—This subsection authorizes the appropriate Government department or agency which has furnished any assistance in furtherance of the purposes of the bill to enter into agreement with the claimant in full settlement and compromise of any claim against the United States hereunder.

(d) *Period of limitation.*—Existing law provides a 6-year period of limitation on suits of the type herein under consideration. This subsection provides that such 6-year period may be extended by the period during which a claim for unauthorized use, filed as contemplated in the preceding subsection, is being considered by a Government agency, unless suit is brought on the claim before decision by the Government agency.

#### *Section 511. Semiannual reports to Congress*

The wording of this section is self-explanatory. It requires the President to transmit to the Congress semiannual reports of operations conducted in furtherance of the purpose of the proposed legislation.

#### *Section 512 (a). Purchase of local currency in areas covered by titles II and III*

This subsection would permit the utilization of not to exceed \$10 million for title II countries, and not to exceed \$25 million for title III countries, to be utilized from appropriated funds to acquire local currency needed to meet local currency requirements of the aid programs in the areas covered by those titles. In most cases it will be possible to make advances of dollars out of aid allotments in return for local currency, with the agreement that the country will subsequently use an equivalent amount of dollars to pay for goods or services scheduled under the United States aid program in the country. Such advances will be made on a short-term basis and the amounts received in reimbursement credited to the appropriation used. Where determined to be necessary for the success of a country program, the outright purchase of local currency may be resorted to.

#### *Section 512 (b). For strategic materials development*

This subsection makes additional provision for the development of the production of deficiency materials by permitting funds authorized for economic assistance to be used to obtain local currency for the specific purpose of increasing the production of materials in which the United States is deficient. In view of the fact that in many of the countries where strategic materials are located, balances in the 5-percent local currency accounts owned by the United States are limited, and inasmuch as much of this development work involves local currency rather than dollars, the provisions of this subsection will facilitate the program of development of strategic materials.

*Section 513. Extending the scope of guaranties*

This section extends to any area in which assistance is authorized under the Economic Cooperation Act, the investment guaranty program of the Economic Cooperation Act which is financed out of public-debt funds and limited to the Marshall plan countries, including their overseas dependencies. Such guaranties to private investment are limited by the Economic Cooperation Act to not more than \$200 million, of which amount only about \$30 million has been arranged.

*Section 514. Administrative funds*

This section provides that all funds needed to cover administrative expenses incident to furnishing assistance under the Mutual Security Act shall be drawn out of appropriations made under title I. This principle has already been approved by the Congress in the Mutual Defense Assistance Act.

This section also permits the use of title I funds for paying the expenses of United States participation in the North Atlantic Treaty Organization and includes the United States contribution to expenses of the Supreme Headquarters of the Allied Powers in Europe, the United States portion of the expenses of the several boards of the North Atlantic Treaty Organization, and other expenses necessary or incident to effective United States participation in the North Atlantic Treaty Organization, and other international security organizations. It also authorizes the use of these funds for expenses of domestic programs being carried out under the Act for International Development. Such programs are related to technical assistance being furnished to foreign governments but carried out in the United States in Government agencies or in institutions such as colleges and universities.

This section also authorizes any local currency received by the United States for its own use in return for assistance furnished by it, to be used for administrative and operative expenses of all agencies participating in the furnishing of assistance under the accompanying bill without reimbursement from appropriations available to those agencies.

*Section 515. Amendments to section 115 (b) (6) of the Economic Cooperation Act of 1948*

This section amends section 115 (b) (6) of the Economic Cooperation Act in five separate particulars:

(a) *Encouragement of emigration.*—This subsection would amend the second proviso of section 115 (b) (6) by authorizing counterpart funds to be utilized for the encouragement of emigration.

(b) *Utilization of local currency counterpart to pay operating as well as administrative expenses.*—This subsection would permit the use of counterpart funds to pay local currency operating expenses as well as purely administrative expenses of the United States incident to operations under the Economic Cooperation Act. This has application to the 5-percent portion of the counterpart deposit which is owned by the United States. There are a number of local currency expenses incident to operating of technical assistance and other programs which are not strictly administrative in kind but which must be met out of the 5-percent account in order to operate the programs effectively. As an example, the value of certain forms of technical



assistance must be demonstrated in some countries before they appreciate the advantage of using their own funds for such assistance. The best way to further the program is to carry out demonstration projects, which, through their own effectiveness, prove the value of technical help of the kind demonstrated. It is not intended to permit the use of the 5-percent fund for payments for such purposes as supplying regularly scheduled program goods and services, or providing additional productive, plant, or other facilities, inasmuch as such expenses are not considered to be operating expenses.

(c) *Use of counterpart outside the country of origin.*—This subsection would permit the use of 5 percent local currency counterpart for expenditures outside the country of origin. This could be accomplished by conversion into the currencies of other countries where local currency is needed for United States programs.

(d) *Termination date for provision requiring congressional action on counterpart disposition.*—This subsection would preserve beyond June 30, 1952, the powers of the ECA Administrator with respect to counterpart funds. Under section 505 (c) of this bill, his other powers are continued beyond that date, and the President is authorized to transfer them to another agency. The counterpart powers should be similarly treated.

(e) *Use of counterpart funds for military purposes.*—This subsection provides that not less than \$500 million equivalent of the counterpart funds now or hereafter deposited in the special accounts set up under section 115 (b) (6) of the Economic Cooperation Act against aid previously furnished or authorized by this bill should be used exclusively for military production, construction, equipment, or matériel in countries receiving assistance under the Mutual Defense Assistance Act. In each case the amount to be devoted from each counterpart account for military uses shall be agreed upon by the Administrator and the country or countries concerned. The advantages of this procedure in furthering features of the program are obvious.

#### *Section 516. Final disposition of matériel; reimbursable aid*

(a) *Final disposition of matériel.*—This subsection requires the President to make arrangements with recipient nations which will insure that equipment or matériel which is no longer required for the purposes for which originally conveyed shall be returned to the United States for salvage or scrap, or shall be disposed of in such manner as the President shall deem to be in the interest of mutual security.

(b) *Reimbursable aid.*—Section 408 (e) of the Mutual Defense Assistance Act provides authority to the President to transfer equipment, materials and services to certain nations "without cost to the United States." This subsection has been amended by section 516 (b) of the present bill in two particulars.

First. Certain nations were made eligible under section 408 (e) on condition that they provide the United States with assurances that the equipment, materials, or services are required for and will be used to promote their internal security, their legitimate self-defense, or to permit them to participate in the defense of the area of which they are a part. The nations from whom that assurance is required are nations eligible for assistance by virtue of the fact that their ability to defend themselves or to participate in the defense of the area of

which they are a part is important to the security of the United States. The assurances required from nations which have been outlined above, are so restrictive as to prevent the use of such equipment as is transferred to them under the provisions of section 408 (e) in United Nations collective security arrangements and measures. Accordingly, this subsection of the Mutual Defense Assistance Act has been amended so as to provide that equipment, materials, or services transferred by virtue of section 408 (e) may be used by such countries in United Nations collective security arrangements and measures.

Second. Section 408 (e) authorized the President to enter into procurement contracts for equipment to be transferred to other countries. Section 408 (e) provided that the total amount of outstanding procurement contracts which the President might enter into should at no time exceed \$100 million. This limitation constitutes an undesirable barrier to the procurement of equipment by other countries which have embarked on very substantial procurement programs in the United States on a cash-payment basis. The limitation has accordingly been raised to \$500,000,000.

*Section 517. Raising the ceiling on excess equipment or matériel*

Under the Mutual Defense Assistance Act of 1949 as amended, there is a ceiling of \$700 million on the amount of excess equipment or matériel which may be transferred under that act or under the Greek-Turkish Aid Act of 1947.

The authorized ceiling of \$700 million has very nearly been reached. The Administration proposed that the amount should be increased by \$450 million to a grand total of \$1.15 billion. The committee felt that an increase of \$150 million was adequate under the circumstances.

*Section 518. Amendments of Act for International Development*

(a) *Contributions for technical assistance programs carried out through other agencies.*—This subsection amending section 404 (b) of the Act for International Development authorizes contributions of funds made available pursuant to the first four titles of the bill to the United Nations and the Organization of American States for technical assistance programs carried out through those agencies. It grants no new powers but merely continues an authority contained in the Act for International Development, but with a limitation of \$13 million as to the amount. The subsection does not require the contributions to be used in the specific areas covered by the sections of the Mutual Security Act, from which the funds are taken.

(b) *Security clearance of employees under the Act for International Development.*—This subsection amends section 414 of the Act for International Development, and deals with security clearance procedures for employees engaged in carrying out activities under that act. The purpose of this subsection is to permit persons to start work for a maximum period of 3 months under the Act for International Development pending completion of an investigation for security purposes. It would relieve the Federal Bureau of Investigation of the burden imposed upon it by the recent legislative provisions for personnel investigations and reports, and is based upon a recommendation of the Attorney General, who points out the enlargement of the Federal Bureau of Investigation's activities in this field has

diverted much of its energies from the pursuit of its primary responsibilities. Under the proposed language, those employed for a period exceeding 3 months must first be investigated by the Civil Service Commission and a report made to the Secretary of State. Where the Civil Service Commission discovers evidence of disloyalty or security risk, the matter will then be referred to the Federal Bureau of Investigation for a full field investigation. No individual may be employed or assigned to duties until the Civil Service Commission has made a name check of the files of the Federal Bureau of Investigation and a report made thereon to the Secretary of State. Prior to receipt of a report by the Civil Service Commission, persons may be given temporary employment without acquiring civil-service status, exclusively for purposes of job training within the United States, not involving access to any classified information.

#### APPENDIX I—POSTWAR DOLLAR AID

In order that the Senate might have before it figures showing dollar assistance which the United States has given countries covered by the pending legislation since the war, the joint committee asked the executive to supply in summary form information on all such assistance. The information furnished is as follows:

*Postwar dollar assistance to participating countries by the United States and by international financial agencies—through March 1951<sup>1</sup>*

	World total
Gross foreign aid .....	\$31, 229, 207
Grants utilized .....	20, 464, 456
Agriculture Department:	
Donation of surplus .....	77, 564
Foot-mouth disease eradication .....	81, 487
American Red Cross .....	10, 435
Defense Department:	
Civilian supplies:	
Army and Air Force Departments .....	4, 413, 358
Relief in Korea .....	65, 785
Navy Department .....	18, 856
Army and Navy Departments .....	4, 413
Refugee assistance .....	8, 937
Economic Cooperation Administration:	
Civilian supplies .....	172, 333
European recovery .....	8, 316, 266
Far eastern (general area of China) aid .....	189, 142
Interim aid (Public Law 389) .....	555, 660
Korean aid .....	81, 053
Post-UNRRA (Public Law 84) .....	298, 624
Executive Office of the President (Chinese military aid) .....	120, 715
Philippines War Damage Commission (private claims) .....	397, 348
Reconstruction Finance Corporation .....	53
State Department:	
Chinese student assistance .....	3, 861
Greek-Turkish aid .....	654, 438
Institute of Inter-American Affairs .....	36, 257
Mutual defense assistance .....	822, 700
North Atlantic area .....	603, 800
Greece, Turkey, Iran .....	104, 900
Other areas .....	114, 000

<sup>1</sup> The figures are based on assistance actually utilized. They take no account of return aid rendered to the United States (e. g. the value of strategic materials received by the U. S. Government under the European recovery program and reverse lend-lease) or of repayments on credits.

*Postwar dollar assistance to participating countries by the United States and by international financial agencies—through March 1951<sup>1</sup>—Continued*

Grants utilized—Continued	
State Department—Continued	
Philippine rehabilitation:	<i>World total</i>
Surplus property.....	\$100, 000
Philippine reconstruction and rehabilitation.....	125, 701
Technical assistance.....	19, 884
Through international agencies:	
For refugees.....	230, 829
For Palestine relief.....	40, 450
For children.....	75, 000
For United Nations relief and rehabilitation.....	2, 588, 659
Yugoslavia aid.....	11, 358
Treasury Department:	
Chinese stabilization.....	119, 594
Lend-lease (net of credit offsets).....	689, 209
Civilian supplies.....	134, 487
Credits utilized.....	10, 764, 751
Agriculture Department (occupied-areas commodity program).....	
Commerce Department:	214, 353
Maritime Administration (merchant ships).....	229, 001
Defense Department, Army Department:	
Surplus property.....	20, 000
Natural fibers revolving fund.....	54, 366
Economic Cooperation Administration:	
European recovery.....	1, 107, 038
Through Export-Import Bank.....	1, 089, 208
Deficiency-material projects.....	17, 830
Export-Import Bank.....	2, 811, 704
Direct loans.....	2, 665, 137
Loans through agent banks.....	145, 566
General Services (surplus property).....	18, 254
Reconstruction Finance Corporation:	
Loans.....	70, 102
Occupied-areas commodity programs.....	14, 760
Surplus property.....	1, 965
State Department:	
IIAA.....	32
UN headquarters loan.....	48, 044
Treasury Department:	
British loan.....	3, 750, 000
Lend-lease current credit.....	14, 565
Lend-lease silver.....	54, 484
Credit agreement offsets to grants.....	1, 256, 326
Surplus property.....	1, 064, 757
Philippine funding.....	35, 000

## APPENDIX II—UNOBLIGATED AND UNEXPENDED BALANCES FROM EARLIER PROGRAMS

Each of the titles in the pending legislation authorizing new appropriations for fiscal 1952, contains a provision authorizing the carry-over of unexpended balances of appropriations heretofore made for the purposes covered by the said titles. This provision has the effect of carrying over funds from previous appropriations which were not obligated as of June 30, 1951, as well as funds obligated as of that date, but not expended.



The Joint Committee asked the executive departments for an explanation of the need for these provisions as well as for statements of the amounts of estimated unexpended and unobligated funds. The information received in reply to this request is as follows:

1. Carry-over provisions of this kind are needed because the size and nature of the military assistance programs and of the grant economic aid programs for 1952 are based on the assumption that the fiscal year 1951 programs will be completed, even though some of the goods and services programed are not actually delivered and paid for until after the end of that fiscal year. To assure the completion of the 1951 programs, it is necessary to carry over not only funds programed but unobligated as of June 30, 1951, but also funds obligated under procurement authorizations or procurement contracts as of June 30, 1951, which later become "deobligated" by cancellation of the procurement authorizations or the contracts. Without a carry-over provision, these funds would lapse.

For example, the 1951 military assistance program calls for certain quantities of matériel. The program for 1952 is based on the assumption that all matériel programed for 1951 will be bought and delivered. But because of the long lead time between programing and delivery, much of matériel included in the 1951 program will not be delivered until well after the end of fiscal year 1951; and some of the contracts and orders may, for one reason or another, have to be canceled after the turn of the fiscal year. In order to permit new orders for the same or substitute matériel to be let, it is necessary to continue the availability of these "deobligated" funds during the fiscal year 1952.

In the same way, the 1952 economic aid programs are based on balance-of-payments computations and other estimates which are in turn based on the assumption that the 1951 programs will be completed. But procurement authorizations issued by the ECA obligating funds for the 1951 program may have to be canceled after the end of fiscal year 1951 because of shortages of particular goods, failure to get allocations of goods programed, or other unforeseeable circumstances. In order that goods in the same amount may be furnished to complete the 1951 program, these same funds must be reobligated and for this purpose must be continued available into fiscal year 1952.

2. In section 303 (a) of the bill provision is made only for carry-over of unobligated balances of prior year obligations, rather than carry-over of unexpended balances as provided in other sections. The funds authorized by this section for fiscal year 1952 are to be used only for a contribution to the United Nations Korea Reconstruction Agency. In case any of the procurement authorizations already issued under the 1951 direct grant aid program are canceled, the funds obligated by those procurement authorizations will be allowed to lapse. The carry-over provision will permit the unobligated balance of last year's appropriations for Korean aid, as of June 30, 1951, to be used as part of the contribution to UNKRA and thereby reduce the amount of new funds which will need to be appropriated for that purpose. The unobligated balance of \$50 million plus the \$112,500,000 requested will make up the total \$162,500,000 United States contribution to UNKRA.

3. In section 203 (aid to Near East and independent Africa) and in title IV (aid to Latin America) no carry-over provision for economic aid appears. The 1951 economic aid programs in the Near East and Africa consisted only of the Palestine refugee and point 4 programs. The Latin-American economic program consisted entirely of point 4 aid. These funds are almost fully obligated and the chance of deobligation for this type of program is so remote that it was felt unnecessary to provide carry-over.

*Estimates of unobligated and unexpended fiscal year 1951 balances, by sections, proposed mutual security bill*

[In millions of dollars]

Section 101 (a) (European military):	
Unexpended	4, 681. 0
Unobligated	566. 4
Obligated	4, 114. 6

Carried over by S. 1762: \$315.8 million, plus any of the \$3,832.6 million which may subsequently be released from obligation.

Section 101 (b) (European economic):	
Unexpended	1, 380. 9
Unobligated	62. 9
Obligated	1, 318. 0

Carried over by S. 1762: \$62 million, plus any of the \$1,445 million which may subsequently be released from obligation.

Section 201 (Greece, Turkey, Iran military):	
Unexpended	405. 9
Unobligated	69. 0
Obligated	336. 9

Carried over by S. 1762: \$44.7 million, plus any of the \$302.1 million which may subsequently be released from obligation.

Sections 202, 203, and 204 ((Near East economic and technical):

Sections 202, 203, and 204 do not provide for any carry-over.

Section 301 (Asia and Pacific military):	
Unexpended	420. 1
Unobligated	124. 3
Obligated	295. 8

Carried over by S. 1762: \$95.5 million, plus any of the \$191.6 million which may subsequently be released from obligation.

Section 302 (Asia and Pacific (except Korea) economic and technical):	
Unexpended	133. 6
Unobligated	. 4
Obligated	133. 2

Carried over by S. 1762: \$0.2 million, plus any of the \$133.8 million which may subsequently be released from obligation. (See supplementary statement attached on southeast Asia programs.)

Section 303 (a) (Korean rehabilitation):	
Unexpended	84. 3
Unobligated	50. 2
Obligated	34. 1

Carried over by S. 1762: \$50 million unobligated balance in addition to new funds authorized as contribution to UN Korean Reconstruction Agency. The \$84.3 million represents unexpended balances of fiscal year 1951 funds, prior year funds not having been carried forward.

Section 303 (d) (Korea):

This section does not relate to dollar funds but to counterpart funds. This subsection is required because the Economic Cooperation Act, which has been made applicable to aid to Korea, provides that balances of local currency counterpart funds remaining when the ECA operations terminate shall be disposed of in accordance with congressional direction (sec. 115 (b) (6) of the Economic Cooperation Act). This subsection is intended to provide such congressional direction and authorizes release of these counterpart funds for purposes consistent with the UN assistance programs, in accordance with agreements between the United States and Korea.

Sections 401 and 402 (Latin-American military and technical assistance):

Do not provide for any carry-over under S. 1762. However, authority under other legislation exists for carry-over (11AA).

#### SUPPLEMENTARY STATEMENT ON SOUTHEAST ASIA PROGRAMS, FISCAL YEAR 1951<sup>1</sup>

The attached tables show the situation as of June 30, 1951.

As shown in table 1, \$157,318,000 was obligated for program expenses in south-east Asia, Philippines, and Formosa. This was equal to the full amount available for those programs. (Of this total of funds available, it should be noted that \$71,384,000 only became available in the final quarter of the fiscal year, most of it for Formosa and the new programs in the Philippines. Of this amount, \$41,680,000 was made available for Formosa in the latter part of June.)

Table 1 also shows that, as of June 30, reported program expenditures amounted to \$28,882,450, leaving unliquidated obligations in the amount of \$128,435,550.

However, as shown in table 2, the estimated total value of arrivals as of June 30 was \$43,009,380. Because of a lag in reporting a large part of expenditures to ECA (in particular, because 90 days or longer customarily elapse after a transaction occurs before ECA obtains documents from Emergency Procurement Service), only \$28,882,450 had been officially reported as expended by that date, but reports of arrivals received by ECA/Washington from the field indicate that additional shipments to a value of \$14,126,930 had actually reached their destination.

In addition, shipments to a value of \$5,057,271 were en route and items under contract but not yet shipped amounted to \$22,291,044, making a total physical pipeline of \$27,348,315 (not reported as expenditures). Thus, goods arrived plus goods in the physical pipeline on June 30 amounted to \$70,357,695.

The value of commitments made but not yet contracted represented the difference between total funds available, \$157,318,000 (of which \$71,384,000 was made available in the fourth quarter) and \$70,357,695, or \$86,960,305.

The amounts included in this category of \$86,960,305 represent commitments to the recipient governments concerned which they and ECA necessarily take fully into account in developing plans and programs. ECA is not in a position to cancel or change these commitments without agreement on the part of the governments concerned. Moreover, the carrying out of projects such as those of which ECA programs in the Far East consist, and the process of orderly advance planning which ECA is endeavoring to help those governments to establish, require that firm commitments such as these should not be upset at a later date without compelling reason.

#### ECONOMIC COOPERATION ADMINISTRATION, FAR EAST PROGRAM DIVISION, PROGRAM COORDINATION BRANCH

SOUTHEAST ASIA SUPPLEMENTARY TABLE I.—*Statement of unliquidated obligations of fiscal year 1951 program funds, by country shown in 2 parts*

Part 1: Statement of unliquidated obligations by country arrived at by subtracting the reported expenditures from the obligations.

	Obligations	Reported expenditures	Unliquidated obligations
Grand total.....	<sup>1</sup> \$157,318,000	<sup>2</sup> \$28,882,450	<sup>3</sup> \$128,435,550
Burma.....	10,774,000	251,525	10,522,475
Formosa.....	92,621,000	24,559,517	68,061,483
Indochina.....	21,828,000	3,033,975	18,794,025
Indonesia.....	7,973,000	200,403	7,772,597
Philippines.....	15,000,000	0	15,000,000
Thailand.....	8,876,000	679,030	8,196,970

<sup>1</sup> Includes \$34,000 MDAP funds for Indochina and \$246,000 unallocated program funds obligated under an agreement between ECA and the Federal Security Agency (U. S. Public Health Service).

<sup>2</sup> Includes \$158,000 against obligation of \$246,000 under agreement with U. S. Public Health Service.

<sup>3</sup> Includes \$88,000 against obligation of \$246,000 under agreement with U. S. Public Health Service.

<sup>1</sup> Excludes south Asia programs and administrations.

SOUTHEAST ASIA SUPPLEMENTARY TABLE 2.—*Statement of unliquidated obligations of fiscal year 1951 program funds by country shown in 2 parts*

Part 2: Statement of unliquidated obligations by country showing in separate columns (a) Unliquidated obligations, (b) Value of contracts made but not reported as expenditures (c) Value of supplies and equipment en route to destination but not reported as expenditures, (d) Value of supplies and equipment arrived at destination but not reported as expenditures, (e) Total value of contracted commitments not reported as expenditures (columns (b), (c), and (d)), (f) Reported expenditures, (g) Estimated value of total arrivals (columns (d) and (f)), (h) Value of commitments made but not yet contracted (column (a) minus column (e)).

	Column (a) Unliquidated obligations	Column (b) Value of contracts made but not reported as expenditures	Column (c) Value of supplies and equipment en route to destination but not reported as expenditures	Column (d) Value of supplies and equipment arrived at destination but not reported as expenditures	Column (e) Total value of contracted commitments not reported as expenditures (columns (b), (c), and (d))	Column (f) Reported expenditures	Column (g) Estimated value of total arrivals (columns (d) and (f))	Column (h) Value of commitments made but not yet contracted (column (a) minus (e))
Grand total.....	<sup>4</sup> \$128,435,550	\$22,291,044	\$5,057,271	<sup>4</sup> \$14,126,930	<sup>4</sup> \$41,475,245	<sup>5</sup> \$28,882,450	<sup>6</sup> \$43,009,380	\$86,960,305
Burma.....	10,522,475	2,055,307	236,787	3,246,540	5,538,634	251,525	3,498,065	4,983,841
Formosa.....	68,061,483	7,602,967	2,556,395	7,517,150	17,676,512	24,559,517	32,076,667	50,384,971
Indochina.....	18,794,025	7,697,055	1,205,170	1,178,925	10,081,150	3,033,975	4,212,900	8,712,875
Indonesia.....	7,772,597	2,729,252	0	40,635	2,769,887	200,403	241,038	5,002,710
Philippines.....	15,000,000	425,728	166,723	305,000	897,451	0	305,000	14,102,549
Thailand.....	8,196,970	1,780,735	892,196	1,750,680	4,423,611	679,030	2,429,710	3,773,359

<sup>4</sup> Includes \$88,000 against obligation of \$246,000 under agreement with U. S. Public Health Service.

<sup>5</sup> Includes \$158,000 against obligation of \$246,000 under agreement with U. S. Public Health Service.

<sup>6</sup> Includes \$246,000 unallocated program funds obligated under an agreement ECA and Federal Security Agency (U. S. Public Health Service).



### APPENDIX III—ECA PROCUREMENT AUTHORIZATIONS SINCE BEGINNING OF PROGRAM

In order that the Senate might have before it figures on ECA aid since the beginning of the program, the information which follows was obtained from the ECA.

*Summary of procurement authorizations issued European recovery program, period April 1948-June 1951*

[In thousands]

Country	ECA grant aid	ECA loans
Austria.....	\$550,739.4	-----
Belgium.....	495,210.8	\$51,300.0
Denmark.....	225,901.9	31,000.0
France.....	2,218,626.8	182,400.0
Germany.....	1,297,285.8	-----
Greece.....	489,791.8	-----
Iceland.....	17,289.5	3,400.0
Ireland.....	17,999.5	128,200.0
Italy.....	1,223,109.7	73,000.0
Netherlands.....	742,767.7	133,500.0
D. O. T. (Indonesia).....	84,225.0	17,200.0
Norway.....	196,596.7	35,000.0
Portugal.....	26,870.4	23,600.0
Sweden.....	97,998.0	20,400.0
Trieste.....	33,422.2	-----
Turkey.....	73,540.3	71,100.0
United Kingdom.....	2,376,597.7	336,900.0
Total.....	10,167,973.2	1,107,000.0

### APPENDIX IV—COMMITMENT OF BALANCES AVAILABLE IN LOCAL CURRENCY (95 PERCENT) COUNTERPART ACCOUNT AS OF JUNE 30, 1951

The attached table gives a breakdown by countries of the deposits, withdrawals, and available balances in the 95 percent local currency counterpart account as of June 30, 1951. It indicates that as of that date a total of approximately \$1.5 billion of local currency counterpart of ECA assistance had not yet been withdrawn. Approximately half of this total, however, had been committed for various purposes by agreement between the United States Government and individual participating countries.

*Austria.*—The balance of counterpart deposits for which approval for release has not already been granted is \$146 million. Of this amount, \$32 million will be needed to complete the 1951 counterpart program which has been approved in general by ECA subject to later consideration as to the specific projects to be financed under the final quarterly release.

*Belgium.*—Approximately \$28 million of counterpart equivalent to the balance of the undisbursed 1950-51 aid remains to be deposited. No commitment has been made as to the specific purposes for which this amount is to be utilized but there is a general understanding that it will be utilized to finance projects which will assist in expanding Belgian productive capacity.

*Denmark.*—No proposals have been put forward by the Danish Government for the utilization of the available balance, and no commitments have been made by the United States.

*France.*—ECA has given approval to the utilization of counterpart accruals for financing a general program of capital investment in France (the so-called Monnet plan). The agreement applies to all counterpart funds of the 1950-51 aid program, a large portion of which still remains to be deposited.

*Germany.*—All counterpart funds available on June 30, 1951, and the local currency counterpart for the 1950-51 aid which still remains to be deposited have been committed for specific purposes, with the exception of a reserve fund amounting roughly to 425 million deutschmarks. Negotiations between the German Government and HICOG regarding use of this reserve were broken off by HICOG pending complete implementation by the Germans of the coal and steel industry reorganization contemplated under the AHC law 27.

*Greece.*—No formal commitment has been made with regard to the available balance and anticipated future deposits. It has been the policy of ECA to consider local currency counterpart deposits primarily as an offset to the inflationary pressures engendered by the Government's budget deficit and releases have been considered in the light of this objective. It is expected that releases during the current fiscal year will be limited to less than \$100 million.

*Iceland.*—Although the available balance is uncommitted, it is expected that it will be used in part to finance investment projects to which ECA has already given its approval.

*Ireland.*—No commitments have been made with regard to the available balance.

*Italy.*—An agreement was reached at the beginning of the fiscal year between the United States and the Italian Government on the specific types of projects for which counterpart accruing from the anticipated 1950-51 aid program would be utilized. The actual withdrawals depend upon the rate of completion of the particular project eligible for counterpart financing. The agreement at the beginning of the fiscal year did not cover a subsequent increase in aid of approximately 50 million. The counterpart equivalent of this amount which still remains to be deposited has not yet been committed.

*Netherlands.*—Of the balance available on June 30, 1951, \$33 million have been committed for release as part of the counterpart program for calendar 1950. Additional proposed withdrawals of \$35 million are now under consideration by ECA. The substantial balance remains uncommitted, pending submission by the Dutch Government of a counterpart investment program which would reflect more closely the need for expenditures related to the defense effort.

*Norway.*—Past counterpart releases have been used for retirement of the "occupation account" of the Bank of Norway. No commitments have been made with regard to the available balance. However, ECA has indicated its general approval to a continued use of counterpart for this purpose, provided that the supplementary measures taken by the Norwegian Government to combat inflationary pressures appear satisfactory.

*Portugal.*—A general agreement was reached last fall between the United States and the Portuguese Government for the release of counterpart in 1951 for industrial and agricultural projects. However, no commitment has been made with regard to a small amount of counterpart still to be deposited.

*Turkey.*—The United States has agreed to the utilization of counterpart for financing economic development programs and certain high priority military programs. This agreement applies not only to the balance available on June 30, 1951, but includes counterpart still to be deposited as the balance of the 1950-51 aid program is being disbursed.

*United Kingdom.*—The United States has agreed to the utilization of the counterpart accruing from the 1950-51 aid program for debt retirement as the most effective way to help control the inflationary pressure created by the British defense program.

*Status of European local currency (95 percent) counterpart account as of June 30, 1951*

[Dollar equivalents of the local currency, in millions of dollars]

Country	Public Law 472		
	Adjusted dollar equivalents of deposits, <sup>1</sup> 95 percent account	Withdrawals	Available balances
Total.....	\$7,738.5	\$6,195.4	\$1,543.1
Austria.....	517.0	304.7	212.3
Belgium-Luxemburg.....	2.3	2.1	.2
Denmark.....	177.7	118.8	58.9
France.....	1,983.8	1,965.2	18.6
Germany (Federal Republic).....	930.6	841.5	89.1
Greece.....	596.0	311.5	284.5
Iceland.....	10.6	.9	9.7
Ireland.....	6.6	( <sup>2</sup> )	6.6
Italy.....	743.9	457.9	286.0
Netherlands.....	678.5	270.9	407.6
Norway.....	304.7	200.9	103.8
Portugal.....	16.7	13.9	2.8
Trieste.....	28.3	26.1	2.2
Turkey.....	67.9	34.2	33.7
United Kingdom.....	1,673.9	1,646.8	27.1

<sup>1</sup> In order to provide comparability between the dollar equivalents of deposits and withdrawals, all dollar equivalents are computed at the conversion rates in effect at the time of withdrawal.

<sup>2</sup> Less than \$50,000.

