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**INTER-AMERICAN PROGRAMS FOR 1961
DENIAL OF 1962 BUDGET INFORMATION**

GOVERNMENT

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HEARINGS
BEFORE THE
SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
EIGHTY-SEVENTH CONGRESS
FIRST SESSION

SUBCOMMITTEE ON FOREIGN OPERATIONS APPROPRIATIONS

OTTO E. PASSMAN, Louisiana, Chairman

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FRANCIS G. MERRILL, *Staff Assistant to the Subcommittee*

**INTER-AMERICAN PROGRAM FOR SOCIAL PROGRESS
CHILEAN RECONSTRUCTION AND REHABILITATION
PROGRAM**

DENIAL OF 1962 BUDGET INFORMATION

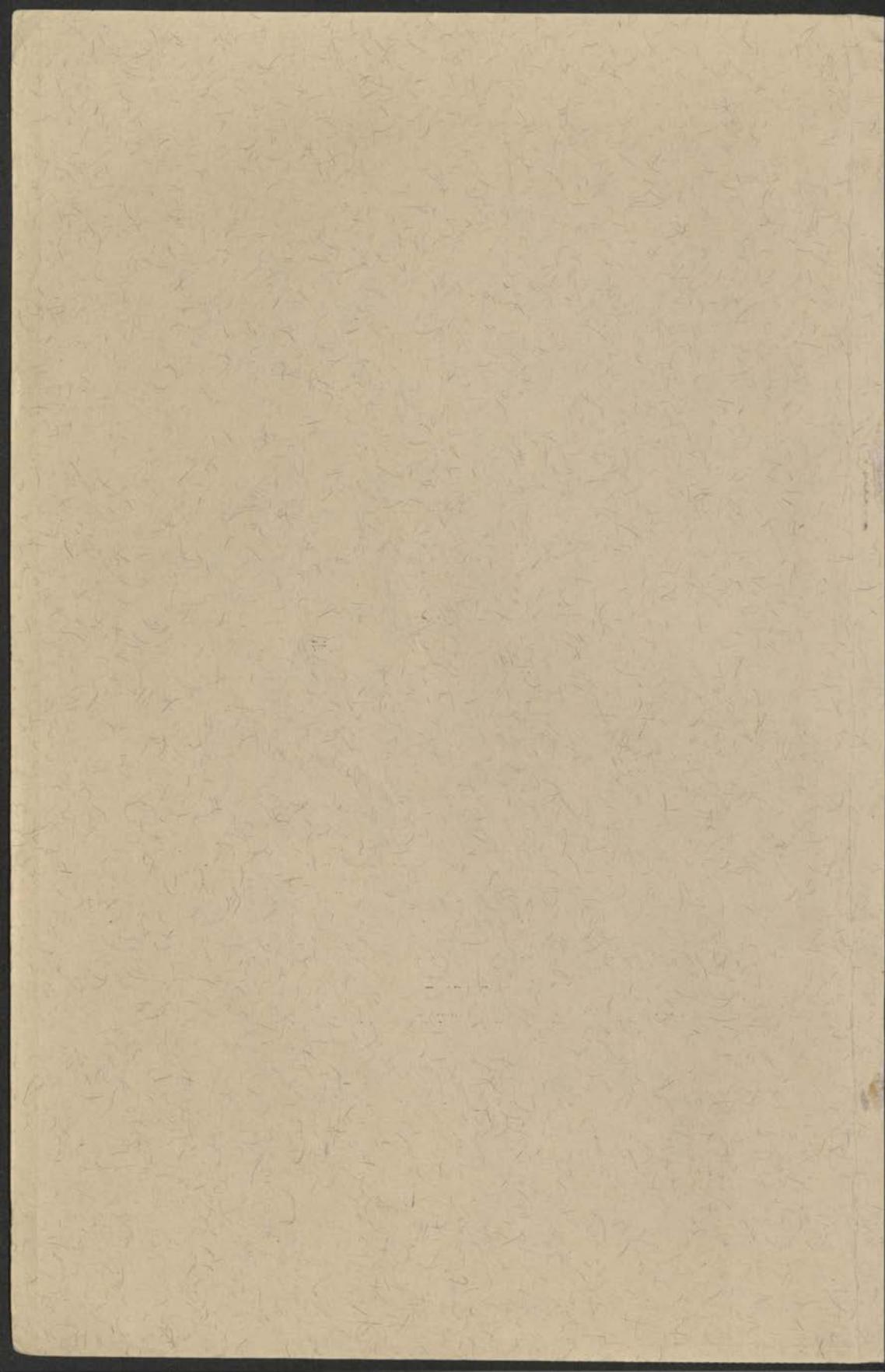
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(II)



INTER-AMERICAN PROGRAMS FOR 1961 DENIAL OF 1962 BUDGET INFORMATION

MONDAY, MARCH 20, 1961.

INTER-AMERICAN PROGRAM FOR SOCIAL PROGRESS

WITNESSES

HON. CHESTER BOWLES, ACTING SECRETARY OF STATE
HON. DOUGLAS DILLON, SECRETARY OF THE TREASURY
LINCOLN GORDON, CONSULTANT, PRESIDENT'S TASK FORCE ON
LATIN AMERICA, DEPARTMENT OF STATE
ADOLF A. BERLE, CHAIRMAN, PRESIDENT'S TASK FORCE ON LATIN
AMERICA, DEPARTMENT OF STATE
HENRY R. LABOUISSSE, DIRECTOR, INTERNATIONAL COOPERATION
ADMINISTRATION
PHILANDER P. CLAXTON, JR., DEPUTY ASSISTANT SECRETARY OF
STATE FOR CONGRESSIONAL RELATIONS (MSA)
DONALD B. MacPHAIL, ASSISTANT DEPUTY DIRECTOR FOR OPERA-
TIONS, INTERNATIONAL COOPERATION ADMINISTRATION
WILLIAM V. TURNAGE, SPECIAL ASSISTANT TO THE ASSISTANT
SECRETARY OF STATE FOR ECONOMIC AFFAIRS
CHARLES R. HARLEY, CHIEF, LATIN AMERICAN DIVISION (OIF),
DEPARTMENT OF THE TREASURY

Mr. PASSMAN. The committee will come to order.

This is the first session of the annual hearings of the Subcommittee on Appropriations for Foreign Operations.

Today we shall begin consideration of two items, one a request for \$500 million for Latin America, and the other a request for \$100 million specifically for Chile.

We are certainly pleased to have with us the distinguished Secretary of the Treasury, the former Under Secretary of State, Secretary Dillon, who in the past has testified before this subcommittee in behalf of the budget requests for the foreign aid program, and also, of course, our former colleague, the distinguished Under Secretary of State, Mr. Chester Bowles, as well as the other distinguished witnesses.

I should state at the outset that the Secretary of the Treasury, Mr. Dillon, informed me earlier that he would have to finish his testimony by 3:15 o'clock. It may well be we shall not have finished the questioning by that time; so, if not, we certainly hope that the Secretary may be able to return at some subsequent date.

STATEMENTS ON FLOOR DURING CONSIDERATION OF AUTHORIZATION BILL

In order to keep the record in proper order, I am sure the members of this committee and the witnesses present would like to hear a restatement of the understanding that the membership of the House

had last year with the distinguished chairman of the Foreign Affairs Committee. The specific statements will be found on page 17360 of the Congressional Record, dated August 31, and I shall quote:

Mr. MORGAN. Any requests submitted to the next Congress would be based on a carefully worked out program and would only be for such amounts as may be fully justified.

Further, the chairman stated:

Both the authorizing committees and the appropriation committees will have a look at the program next year, and, as I just said, every project must be justified.

Quoting again from the same page:

These programs of social development have not yet been worked out. Before the United States appropriates funds to assist in these programs, our representatives have told the Latin American governments that it will be necessary to have specific programs worked out and justified in detail, and, even more important, that these programs will have to be accompanied by basic legislation and institutional reforms in such matters as tax structure, land tenure, and legal procedure in order that new facilities provided under these programs may produce the benefits which are intended.

Now, one final quotation:

I think we have a responsibility. I can assure the gentlemen that next year, if the Democrats are in the majority and I head the Committee on Foreign Affairs, a detailed program for Latin America will have to be justified.

I am sure this committee and the witnesses would want these terms met just as they were stated.

CONSIDERATION BY HOUSE FOREIGN AFFAIRS COMMITTEE
OF APPROPRIATION REQUEST PROGRAM

I might ask at this point whether testimony has been presented to the House Foreign Affairs Committee justifying in detail each project presented to this committee, and as understood in the floor debate last year would be done?

Mr. GORDON. Mr. Chairman. I have been working with Under Secretary Ball in the development of this program. We did have a meeting with the House Foreign Affairs Committee about 2 weeks ago. I have forgotten the date.

Mr. PASSMAN. The full committee considered it?

Mr. GORDON. It was formally a meeting of the Latin America Subcommittee, but there were present also about half of the other members of the Foreign Affairs Committee itself.

Mr. PASSMAN. That presentation was in detail, in keeping with the understanding of last year on this program?

Mr. GORDON. There was not presented at that time a detailed list of projects. What was presented was a preview of the sort of presentation which we will be making to your committee, and some discussion of it.

Under Secretary Ball was present that day, as was Mr. Berle and I.

We discussed with the Foreign Affairs Committee that day the statements in the report of the Foreign Affairs Committee last year concerning the opportunity they would have to look at this again and consider further legislation, and, as I understand it, there was no objection to our proceeding directly with the request for appropriation.

Mr. PASSMAN. Of course, this subcommittee will have to have a reasonable explanation for the membership. Chairman Morgan's language was very specific and to the point. I quote from him again:

Both the authorizing committees and the Appropriation Committees will have a look at the program next year, and, as I just said, every project must be justified.

That detailed justification is yet to come; is that correct?

INABILITY TO JUSTIFY PROJECTS IN DETAIL

Mr. GORDON. I do not think that it would be possible, consistent with the kind of program this is, and the administrative arrangements proposed for it, to have the projects justified in detail before the appropriations are forthcoming.

Mr. PASSMAN. Should we ignore this part of the agreement on the part of the chairman of the Foreign Affairs Committee?

The chairman of the committee made a clear statement to the membership of the House.

Mr. GORDON. This is what the committee said in its report, and this language we discussed with the committee on the day I spoke of:

The committee has been assured that no requests for appropriation of any of the funds authorized will be made by the Executive until comprehensive programs for their use have been worked out. The subcommittee has been further assured that assistance from these funds will not be provided until the governments which are to be beneficiary have given evidence of their determination and ability to carry through the necessary institutional and legislative changes.

The program for the use of the funds is what is before us today.

The arrangements for administration, which are largely for administration by the Inter-American Development Bank, provides for the Bank not actually making loan commitments on individual projects until satisfactory evidence of the sort described by the House Foreign Affairs Committee has been forthcoming.

Mr. PASSMAN. I think perhaps we have carried this discussion far enough; but I believe, however, that this is worth repeating:

Mr. MORGAN. These programs of social development have not yet been worked out. Before the United States appropriates funds to assist in these programs, our representatives have told the Latin American governments that it will be necessary to have specific programs worked out and justified in detail, and, even more important, that these programs will have to be accompanied by basic legislation and institutional reforms in such matters as tax structure, land tenure, and legal procedure in order that new facilities provided under these programs may produce the benefits which are intended.

And further:

Mr. MORGAN—

on page 17361 of the Congressional Record for August 31, 1961—

It is an overall long-range program. I can assure the gentleman that the \$500 million will not be spent for several years. As I said previously, every dollar will have to be justified.

Mr. GORDON. For the actual expenditure, that is so.

Mr. PASSMAN. We understood that this appropriation should be forthcoming within a matter of hours. If the expenditure is going to be over several years, perhaps we could have a little more time to deliberate.

Mr. GORDON. May I distinguish between the problem of negotiating the commitment of the funds and the actual expenditures?

As many of the projects described in the book suggest, they may be 5-year programs, or 7-year programs, and indeed a number are. The expenditures would obviously take place over that time. By the nature of the long-range program, they cannot be properly planned unless one is sure at the beginning the total amount is given.

Mr. PASSMAN. All out of the \$500 million?

Mr. GORDON. Yes.

PLANS FOR A NEW FOREIGN AID PROGRAM

Mr. PASSMAN. I read in the newspapers this morning that President Kennedy will request a major aid overhaul. I am quoting the first paragraph of a news report:

President Kennedy will send to Congress Tuesday plans for a major overhaul of the foreign aid program, including a 5-year \$7 billion development fund and bonuses for countries that adopt democratic social reforms.

Do you have any bonus arrangement in this request for countries which adopt "democratic social reforms?"

Mr. GORDON. I have never used the word "bonus" myself.

Mr. PASSMAN. I did not give the President these words.

Mr. BOWLES. The President's message has not been crystallized yet.

Mr. PASSMAN. I am only quoting what are supposed to be the President's intentions. Of course, if the President did not indicate that, I am sure at the proper time he will say he did not offer bonuses. But the news report says:

Bonuses for countries that adopt democratic social reforms.

I can understand there could be some word substituted for "bonuses," but "countries that adopt democratic social reforms," I wonder if you can clear that up?

Mr. GORDON. I do not think that is a correct description. I think you will find the actual intent described in the President's message which is still being worked out.

Mr. PASSMAN. I think it is not inappropriate to have this comment in the record at this point:

A few evenings ago, I drove downtown and had a congenial taxicab driver who wished to engage in conversation, and I was accommodating. We passed a mission. There were about 40 or 50 men standing out there, poorly dressed, and I asked, "What is this?"

And he said, "A mission. They have services there each evening, and each one of these individuals who go in, and confess their sins and agree that they are going to try to reform, they get a hot meal and a bed for the night. But, in most instances, the same people are back to confess and accept salvation the following evening."

I wonder if we might not be getting into such a situation as that? I wonder if these people might not be somewhat like those going to the mission.

Mr. GORDON. I do not know what the President's message will say, but I assure you, so far as our thinking on this program is concerned, the idea of reward for good behavior is furthest from our thoughts.

What we are talking about here is outside resources essential to make these kinds of activities work, and not just rewards for good behavior. We do not regard—

Mr. PASSMAN. I did not use the word "behavior." I was quoting what were supposed to be the President's intentions:

* * * Will send to Congress Tuesday plans for a major overhaul of the foreign aid program, including a 5-year \$7 billion development fund and bonuses for countries that adopt democratic social reforms.

Mr. GORDON. I think the reporter is badly informed.

Mr. BOWLES. May I see that?

Mr. PASSMAN. That is a wire service report from UPI.

Mr. BOWLES. That is known as a leak. That is not quite accurate.

Mr. PASSMAN. I hope the President corrects it, then, before we get too far along in this committee.

Secretary Dillon, we shall be pleased to hear from you at this time.

Mr. BOWLES. Mr. Chairman, we have here three statements, one of which leads to another.

What we would prefer to do, if you feel it is proper, is to read those through to give you the integrated three views, and then you can ask questions. I will read mine first and Mr. Dillon's will follow after mine.

Mr. PASSMAN. We do not want to be deprived of the opportunity of asking Mr. Dillon some questions.

You may proceed.

GENERAL STATEMENT OF UNDER SECRETARY BOWLES

Mr. BOWLES. Last Monday evening President Kennedy enunciated his proposals for an "alliance for progress" with our neighbors in Latin America. A major element of these proposals—and an essential first step—is the inter-American program for social progress.

The Congress last September authorized for this program an appropriation of \$500 million. The President sent to the Congress on March 14 a message asking that the authorized funds be now appropriated as a matter of urgency.

Mr. Dillon will place this program in the perspective of the Conference of Bogotá last September—where he led the U.S. delegation—and will discuss with you the Inter-American Development Bank, which is expected to play a key role in the program. Mr. Dillon is now the U.S. member of the Bank's Board of Governors.

Under Secretary for Economic Affairs Ball, who had planned to join in this presentation, is presently in Europe discussing with our friends and allies there the need for greater participation by them in the common effort to accelerate economic growth in the underdeveloped free countries of the world.

Mr. Gordon, who has been working with him in the preparation of this program, will present the statement Mr. Ball had planned to make, outlining the plans developed since the Bogotá Conference for administration of the problem and the types of proposals and projects which will be eligible for assistance from these funds.

There is also before you the President's request for an appropriation of \$100 million for Chilean rehabilitation and reconstruction, pursuant to the special authority provided in the same act of Congress pursuant to President Eisenhower's request last summer.

Mr. Mann, the Assistant Secretary of State for Inter-American Affairs, will speak to that program, together with Mr. Labouisse, the Director of the International Cooperation Administration. I will say

at this point only that it is important to our interest in the success of the Chilean people in completing their recovery from last year's devastating earthquake that these funds be made available to them promptly.

Mr. Chairman, I need hardly emphasize to you the vital importance to the United States of a Latin America which is independent of alien influence, and growing in strength and self-confidence.

The natural relationship of the nations of the hemisphere is one of mutual understanding and cooperation in common endeavors. We are bound together by the ties of our origins in political revolution from Old World empires, our heritage of European civilization and values, and our economic interdependence.

A firm and fruitful partnership, however, requires strength in the social and economic foundations of all its members—a strength responsive to the awakened aspirations of the masses of mankind which characterize our period of world history.

In much of Latin America today, despite the vast human and material resources of the region, those foundations are not sufficiently strong.

The Soviets and their allies have left no room for doubt that they regard the Latin American nations as vulnerable targets for Communist infiltration, subversion, and ultimate capture.

It is for us to demonstrate that a true partnership of free nations can provide more fully and more durably for man's basic material needs and highest spiritual aspirations.

The alliance for progress is conceived as a sustained and systematic cooperative endeavor to come to grips with these deficiencies.

ORIGIN OF THE PROGRAM

This program has not been conceived in a vacuum. For many years, the problems of Latin American economic and social development have been closely studied by national, regional, and international agencies working in the American Republics, and by U.S. officials, foundations, and private citizens.

Special studies made by Members of Congress and commissioned by congressional committees have helped to lay a firm foundation for a new concerted effort.

These studies and reports show a remarkable degree of consensus concerning the basic nature of the problem. While there has been marked progress in Latin America in certain fields of industry, urban commercial and financial institutions, mining, and plantation agriculture for export, many millions of the populations have not shared in this development.

Illiteracy, desperate poverty, ill health and malnutrition, and appalling housing conditions are widespread, especially in the countryside. Rapid population growth aggravates these evils. This imbalance in development results from structures of social institutions—especially systems of land tenure, taxation, and education—which are not in keeping with the needs or the possibilities of the 20th century.

There is no simple and uniform pattern. In some countries a substantial middle class has emerged and in almost all there are new political forces pressing for constructive social and economic change.

The new element is not so much the diagnosis as it is the growing resolve in Latin America itself to remedy these ills and to do so without delay.

The Brazilian initiative for Operation Pan America gave special stimulus to hemispherewide attention to these problems. It set in motion the movement from mere study to affirmative action. The culmination of this movement thus far is the Act of Bogotá, subscribed to by representatives of 19 American Republics last September 12.

Without the action of Congress in authorizing the Inter-American Fund for Social Progress, the Act of Bogotá would have been impossible. Without further action by the Congress to provide funds for this program, the Act of Bogotá would become merely another empty declaration of vain hopes.

THE NEW PROGRAM

The inter-American program for social progress is a new type of effort. It is in every sense a bipartisan and nonpartisan program—a truly national program in which our people can join with those of the other American Republics in building for a better future. Originally proposed by President Eisenhower, it now constitutes a basic step in President Kennedy's alliance for progress.

For many years, the United States has provided both technical assistance and investment funds to Latin America. Technical assistance was pioneered by the private foundations in the early part of the century, greatly expanded under the Coordinator of Inter-American Affairs beginning more than 20 years ago, and continued in recent years by point 4 and by the International Cooperation Administration.

A great deal has been accomplished through these programs in identifying the critical problems of agricultural improvement, public health, housing, and education and in pointing the way toward workable methods of attacking these problems. Without this previous work, the more comprehensive effort now proposed would be impossible.

As now conducted, technical assistance is on a less than adequate scale; it is not related to a coherent and systematic design for national economic and social progress; and it is not backed by sufficient financial resources, domestic or foreign, for the social investment needed to make it fully effective.

There has also been a substantial flow of private and public capital from the United States for economic development in Latin America. This capital flow has contributed to the building up of mining and manufacturing industry, power, transportation, and communications.

Such investments are indispensable to the growth of production and will have to play a large continuing part in Latin American economic development. It has become increasingly clear, however, that the benefits of such investments are not adequately diffused to major sectors of the Latin American societies, especially to the mass of agricultural workers and small farmers, and that a more direct attack on these lagging social sectors is indispensable to progress on a broad front.

These lagging sectors are the focuses of social unrest and political vulnerability. Although technical assistance and capital investment have made indispensable contributions, we have now come to realize

that they alone cannot bring about the improvement in the conditions of life of the ordinary people with the rapidity which these times demand.

There must be an expanded effort to strengthen those institutions which make possible a decent and secure living from the land, adequate health and housing, and widespread educational opportunity. This is the purpose of the inter-American program for social progress.

What are the new elements in this program? There are four outstanding ones:

(1) The program is addressed squarely to the critical lags in social development recognized as urgent by the Latin Americans themselves.

(2) It calls for measures of self-help not only in funds contributed to individual projects but even more importantly related institutional improvements where needed to promote enduring social progress.

(3) It is to become part of a sustained cooperative effort, jointly planned through the Organization of American States and comprising sound national programs for long-term economic and social development.

(4) It grows out of the combined thinking of Latin and North Americans and its administration is to be handled mainly by the Inter-American Development Bank, a regional operating agency in which the Latin American part is predominant.

I cannot stress too strongly the importance of this inter-American institution to the success of the whole plan. The Bank is led by a Latin American, staffed mainly by Latin Americans, and recognized throughout the hemisphere as dedicated to the special needs and problems of this continent.

The difficult problems of institutional improvement related to loans for social projects can be far better worked out by such a cooperative institution with its own members than through bilateral means.

It is for this reason that the present administration, after carefully reviewing the proposals made by the former administration, fully supports the principle of relying on the Bank for handling the bulk of the funds—a principle also welcomed by the Latin American representatives at Bogotá.

It is intended to allocate to the Bank for administration as a special trust fund \$394 million out of the total \$500 million.

There are, however, activities which should be financed mainly on a grant basis and for which Bank administration would be inappropriate. These fall mainly in the fields of education and training and public health. In these fields the International Cooperation Administration has long experience of a type directly applicable to the expanded program now required.

It is intended, therefore, to assign to the ICA responsibility for administering the funds for these purposes.

Finally, as President Eisenhower urged to the Congress last summer and as President Kennedy has urged in his message of last week, it is of the highest importance that these funds be made available as soon as possible and in the full amount.

Time is running out in the Americas. The winds of change are blowing over the continent. Millions of people have come to know that a better life is possible and they are determined to secure it. It is important to us, as it is to them, that they may gain this better

life as free societies, dedicated to the dignity of man and led by governments of, by, and for the people.

The Act of Bogotá makes it clear that the will for progress in freedom exists. By making these funds available promptly, we will give assurance that our part in this program is being undertaken in earnest. By this action we will make it possible for our sister nations to move ahead with projects of sufficient size and duration to make a real attack on the most critical areas of social need.

There can be no absolute guarantee of success for this program, but the alternative to prompt and resolute forward action is certain catastrophe. I am confident that the Congress will do its part to help set in motion this alliance for fortifying the foundations of freedom in this hemisphere.

That completes our statement and leads to Mr. Dillon's.

Mr. PASSMAN. Mr. Secretary, we shall be very pleased to hear from you.

STATEMENT OF SECRETARY OF THE TREASURY DILLON

Secretary DILLON. Thank you, Mr. Passman.

As Secretary Bowles said, I am here for an important but a limited part of this presentation, to present to you what happened at the Conference at Bogotá, which is a necessary background of your consideration and as Governor of the Inter-American Bank, to testify as to its competence in this field. I have not personally had any part in and I am not able to testify regarding individual projects which are being handled by the Department of State as such.

My statement is very short.

THE BOGOTÁ CONFERENCE

The conference held in Bogotá, Colombia, in September of last year was the third full-scale meeting of the Committee to Study the Formulation of New Measures for Economic Cooperation.

This group, popularly known as the Committee of Twenty-one, was first convened by the Organization of American States in November 1958 in Washington, to give specific form and content to Operation Pan America. This was the name given by the then President of Brazil to the stirring appeal he had voiced in June of that year for closer cooperation within the Americas, in order to preserve and defend Western values of democratic government and personal freedom by joining in a concerted attack on underdevelopment and poverty. The Committee met again in the spring of 1959 in Buenos Aires and, for the third and last time, last summer in Bogotá.

The Brazilian appeal embodied in Operation Pan America—like the call of President Kennedy for an "alliance for progress"—dramatized the growing desire through the hemisphere for a collective attack upon the social and economic problems of the Americas.

The U.S. delegation went to the Bogotá Conference with an unusually favorable opportunity to present a positive and forward-looking program to the other American Republics. This opportunity existed because of the action of the Congress last September in authorizing appropriation to the President of \$500 million to be used in assisting those Latin American countries which were prepared to

support programs designed to further social progress in their respective countries.

Early in the conference, the U.S. delegation introduced a draft document proposing a great cooperative effort to achieve these goals. After intensive consideration, based on this draft, the Act of Bogotá was evolved and approved by the Conference. You will find the full text in annex B of the presentation book.

I should like to stress at this point the emphasis which the Act of Bogotá as finally agreed placed upon self-help measures. The preamble of the act recognizes that the success of a cooperative program of economic and social progress will require maximum self-help efforts on the part of the American Republics. Chapter I consists of an outline of a program for social development in which the participating countries undertake to examine existing legal and institutional systems dealing with land tenure legislation, agricultural credit institutions, tax systems, and fiscal policies as they affect use of land. Similar examination is called for in connection with measures for improving housing and community facilities, the reexamination of educational systems, measures for improving public health, and measures for mobilizing domestic resources with a view to providing additional revenues to assist in accomplishing the purposes of the act.

In chapter II of the Act of Bogotá, the other American Republics welcome the decision of the United States to establish a special inter-American fund for social development "to support the efforts of the Latin American countries that are prepared to initiate or expand effective institutional improvements and to adopt measures to employ efficiently their own resources, with a view to achieving greater social progress and more balanced economic growth."

The introduction of the U.S. proposal to the meeting rapidly set the tone of the entire Bogotá Conference. All other topics on the agenda were subordinated to the task of drafting the "Act of Bogotá." The tone of the conference was one of enthusiastic and friendly cooperation in working out agreement on detailed areas of activity in which the Latin American countries recognized the need for self-help measures in support of which the proposed fund for social progress would provide assistance.

The only discordant note was sounded by representatives of the Government of Cuba. Cuba did not sign the Act of Bogotá and will not be eligible for assistance from the proposed social progress fund so long as it continues to isolate itself from cooperative efforts in this hemisphere. The Dominican Republic was not present at the Conference and will not be eligible for assistance so long as it is subject to economic or diplomatic sanctions by the Organization of American States.

Chapter III of the Act of Bogotá, which deals with measures for economic development, emphasizes a very important point—that the social progress program is designed to supplement, not to supplant in any degree, the essential measures needed for economic development.

Social progress and economic development are not separate and independent efforts. They are mutually reinforcing. Fundamentally, social progress is an added dimension to economic growth—the dimensions of a broader distribution of the benefits of growth

and genuine participation in the development process by all segments of the population. Economic development can take place without adequate social progress. But sustained social progress cannot take place without economic development.

I think we will find as the years go by that the Act of Bogotá will be regarded as one of the truly historic documents of human progress in this hemisphere. It is taken very seriously by the Latin American countries. One very encouraging development since the close of the meeting in Bogotá is the agreement of the Organization of American States and the United Nations Economic Commission for Latin America to sponsor a long-range program to strengthen Latin American tax systems within the context of the Act of Bogotá. This work will be carried out in cooperation with the Harvard Law School's international program in taxation. The Inter-American Development Bank will participate in certain phases of the program. A conference in Latin America on tax administration is planned for this fall to be followed by another conference on tax policy early next year.

USE OF THE INTER-AMERICAN DEVELOPMENT BANK AS A PRIMARY MECHANISM IN ADMINISTERING THE PROPOSED FUND

Secretary Bowles has rightly stressed the desirability of using an inter-American agency for administering a substantial portion of the proposed fund for social progress.

When the social development program was presented to the Congress last year it was suggested that a substantial proportion of the funds available should be channeled through the Inter-American Development Bank. The same proposal was enthusiastically endorsed by representatives of the Latin American governments at the Bogotá Conference and the Act of Bogotá contemplates that the Inter-American Development Bank will be the "primary mechanism" for the administration of the proposed fund.

Operating on the conviction that social progress is an added dimension to economic growth it appears highly appropriate that the Inter-American Development Bank, which was created "to contribute to the acceleration of economic development in Latin America," should be entrusted with additional funds to handle this additional dimension of the problem. Both economic development and social development must be carried on with due attention to the total allocation of a nation's resources, both those domestically available and those provided through external assistance. The staff of the Bank is highly qualified to deal with both these problems.

The Act of Bogotá emphasizes necessary improvement of institutions for mobilizing domestic resources. Such improvement will involve consideration of tax systems, the stimulation of capital markets, the organization of savings and loan institutions. These are all areas in which the Inter-American Development Bank and its specialized personnel will have particular competence.

The Inter-American Development Bank is already showing its ability to handle the important functions with which it has been entrusted. It opened its doors for business on October 1, 1960. By the end of January 1961, the Bank had received nearly 250 applications for loans. It had selected 108 of these for active consideration as

representing the most feasible projects and those most likely to contribute rapidly and directly to the development of Latin America. Under current examination by loan committees are some 19 applications, representing potential loans in excess of \$60 million. The Bank has made its first two loans: one for a municipal water and sewage treatment project in Arequipa, Peru, and the second—from its fund for special operations—to the Bolivian Development Corporation to help finance projects in agriculture, industry, mining, electric power, irrigation, and land drainage.

The management of the Bank has the full confidence of the United States and the enthusiastic support of the Latin American countries which have contributed to its resources and regard it as an institution wholly devoted to economic advance in the Americas. The President of the Bank is Mr. Felipe Herrera. He is a distinguished Chilean who formerly served his country as Minister of Finance and as general manager of Chile's Central Bank. The Executive Vice President is Mr. T. Craydon Upton of the United States who was formerly Assistant Secretary of the Treasury. All the executive directors have had broad experience with both the economic and social problems of the area. Mr. Gordon will explain the arrangements we have in mind for entrusting the management of a substantial portion of these funds to the Inter-American Development Bank. We expect to benefit from the wide knowledge and experience of the Bank's Board of Executive Directors and from the work of the Bank's staff which has already demonstrated high competence and a strong sense of responsibility both to the shareholders and to the clients of the Bank. At the same time, all decisions regarding use of the moneys entrusted to the Bank from the social progress fund will be taken by a two-thirds vote of the Board of Executive Directors. This means that the executive director representing the United States, who casts over 40 percent of the total votes, will be in a position to prevent favorable action on any particular loan proposal not clearly in harmony with the principles of the Act of Bogotá.

Thank you, Mr. Chairman.

Mr. PASSMAN. Thank you, Mr. Secretary, for a very enlightening statement.

This is a special item in addition to the regular aid program that we have operating in Latin America?

Secretary DILLON. That is correct.

Mr. PASSMAN. I believe that later, in another bill, there will be an item for \$110 million for the Inter-American Development Bank, in addition to this request?

Secretary DILLON. That is correct. That is a Treasury item. That will come up because I am the Governor. We will be prepared to defend that when it comes up.

Mr. PASSMAN. This is a special item. The Latin American countries are still participating in the other aid programs.

AMOUNT OF AID EXTENDED TO LATIN AMERICA

Will you tell us briefly the amount of aid we have given to Latin America, say, in the past 12 months?

Mr. GORDON. We have a table from the presentation book Mr. Chairman. Table E-1, under the last tab, table 1, page E-1, at the

very last of the book. This shows the assistance to Latin America under these various headings by fiscal years from 1951 through 1960.

Mr. PASSMAN. What is the total amount of assistance through 1960?

Secretary BOWLES. \$3,263,900,000 of which \$2 billion approximately is Export-Import Bank loans.

Mr. GORDON. Under the mutual security program for the 9 years, it is \$565 million and for last year alone just under \$100 million.

BENEFITS TO THE UNITED STATES TO BE DERIVED FROM THE ACT OF BOGOTÁ

Mr. PASSMAN. Chapter I of the act calls for self-examination on the part of the Latin American countries; chapter II welcomes the decision of the United States to establish a special fund; chapter III emphasizes that this program is not a substitute for, but a supplement to, existing aid programs in Latin America. My question is: What benefits are received by the United States through becoming a signatory to the act?

Secretary DILLON. I think that is a very useful and interesting question and it certainly should be asked here.

We receive two, I think, main benefits. The first one is that we are interested in economic development in this hemisphere, Mr. Chairman, which we do not have.

It is very clear that the type of explosion that has already occurred in Cuba might very well spread throughout the hemisphere and we would then find ourselves in a very unpleasant situation here in the Western Hemisphere.

In this Act of Bogotá, all the Latin American countries who signed it, which are all of them except the Dominican Republic and Cuba, pledge openly and freely for the first time to really tackle on their own a lot of the difficulties that have existed in Latin America historically—the bad division of land, the unfair, inequitable tax systems, things of that nature which have to be rectified if there is to be true progress and which cannot be done by outside money but must be done by effort internally. By our agreement to go ahead with this we have given them the courage to agree to take these steps, which are difficult steps for them.

Secondly, the United States has been somewhat isolated. There has been a lot of feeling that the United States was not interested enough in Latin America but that we were more interested in Asia, Africa, and other parts of the world. I think, as we join in this, the Latin American peoples will feel once again, if we carry this through, that the United States is looking to our neighbors in this continent as people who are at least equally of concern to us, if not a little more equally, and I think that is to our benefit.

Mr. PASSMAN. I believe that you understand my sympathetic attitude toward this program.

Secretary DILLON. Absolutely, Mr. Chairman.

Mr. PASSMAN. Then, with an outlay already of \$3,263 million, and the aid program still going full speed, did it require \$500 million in additional funds to indicate to those countries that we were courageous in helping them?

Secretary DILLON. I think so. If you will take a look at that \$3 billion figure which was pointed out, something over \$2 billion of it

was in the form of Export-Import Bank loans to promote our exports which were paid back in dollars. You will know how the Export-Import Bank operates. It is a very good operation. Plus, I do not think they looked on that as aid comparable to the type of aid we have given in the rest of the world.

Mr. BOWLES. Over \$400 million, I think, was surplus food, too.

Mr. PASSMAN. They should have received some encouragement from the \$2 billion. I wonder if they can't be encouraged with anything but dollars.

I have received a telegram from some of my constituents, who have read about the new \$600 million. They indicated they supported the so-called Marshall plan because its purpose was to rehabilitate war-torn countries. Now, they say, it is turned into an international charity fund.

Mr. RHODES. Will the chairman yield?

Mr. PASSMAN. I yield.

LATIN AMERICAN REACTION TO PROGRAM

Mr. RHODES. I read an article in one of the daily papers, shortly after the President announced this program, in which the reporter indicated there was some dissatisfaction in the Latin American countries. They did not think the amounts indicated were enough and were rather disappointed with this program.

Secretary DILLON. This was announced last summer. When we first went down there, there was a misunderstanding or a feeling that this particular program was to take the place of all economic aid; that there would be no further economic assistance or no further loans for economic development, as such, and a number of the countries, particularly Brazil and Argentina, who were interested in economic programs, wanted to make sure this was not the case. When we assured them it was not, as is listed in chapter III here in the Act of Bogotá, as the chairman mentioned, any feeling of dissatisfaction was enthusiastically revoked by all the countries.

Mr. RHODES. The timing of the article mentioned was shortly after President Kennedy had made the announcement of this. The indication was that Brazil was most unhappy. The only nation happy with it was Peru. The President of Peru appointed a committee to go ahead with it.

Secretary DILLON. That is absolutely untrue. I was at Bogotá. I visited with the President of Colombia. They are very enthusiastic about it. In Brazil it is true there are certain people who have their sights set very much higher and have always had that view. Those people do not really represent the Government. But Mr. Berle talked with the Government down there and he would know better. Those people would like a program 10 times this amount. That is not indicative of the sentiment of the peoples down there.

Mr. RHODES. It would be interesting to have Mr. Berle tell of his conversation with the President of Brazil.

Mr. PASSMAN. The article I read here is an Associated Press article of March 14, "An undertone of disappointment was apparent." This is very recent comment.

Mr. RHODES. This is the one I had reference to.

Mr. GORDON. We, of course, have had reports on the press comment in Latin America which has been almost universally favorable, the principal exceptions being from the Communist press or the leftwing press associated with the Communist press.

I think it is important to say that some people from the leftwing element, that is to say, if they thought this \$500 million was all that the United States was going to do over a period of years for all purposes of assistance, they would be disappointed. I think that the disappointment reflects a rather careless reading of the President's speech and the President's message.

Mr. PASSMAN. On page 3 of Mr. Bowles' statement he said:

The Bank shall give continuous consideration to the institutional improvements and other self-help measures which the country is making.

They should have gained a lot of encouragement from the United States advancing this amount of money. It would have been encouraging to me, knowing I did not have to pay it back.

PARTICIPATION BY CUBA

What assurance do we have that Cuba will not be a recipient of the benefits of the Act of Bogotá?

Secretary DILLON. Cuba is not a member of the Inter-American Development Bank and under the charter of the Inter-American Bank she cannot join it unless she is elected to membership. With a 41 percent vote on the part of the United States, that does not appear likely unless there is a substantial change in the Cuban Government.

We certainly hope for such a change and hope that the time will soon come when we can welcome Cuba back into the Society of Free Nations and she could become a member.

Mr. PASSMAN. That answers my next question. Suppose Cuba were to sign? They could sign if there were a majority vote approving such action.

(Discussion held off the record.)

VETO POWER OF U.S. REPRESENTATIVE

Mr. PASSMAN. What safeguards does the United States have that none of these funds will be allocated to any country in which there is no tangible evidence at this time of self-help or self-reform?

Secretary DILLON. The reason for the safeguard on that is contained in the last sentence of my statement where I pointed out that since all of these things will have to be approved by two-thirds vote of the Board of Directors, and since the U.S. Executive Director has 41 percent of the vote, no project can be approved without the approval of the U.S. Director. It depends on the instructions given the U.S. Director, and we certainly would not intend to give him instructions to approve projects in a country which had made no attempt to fulfill its part of the obligations under the act of Bogotá.

Mr. PASSMAN. Mr. Secretary, I want to say respectfully that countries have had very little trouble in the past getting our directors on these many boards to approve these contracts, so I would not anticipate much difficulty on the part of this Bank getting approval.

Mr. GORDON. The language is very clear on this point. It has been carefully explained to the Bank management and the Board of Executive Directors and has been approved by them tentatively. I think there is a positive as well as a negative background for seeing that this is really enforced.

Mr. PASSMAN. I believe it will be not unlike the other foreign aid. We shall all get along, and everything will be nice, but I do not anticipate much difficulty on their part in getting just about any program they want.

Mr. RHODES. May we have that agreement put in the record.

Mr. GORDON. It is in the presentation book.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. I shall not take up any more of Secretary Dillon's time. I had a number of questions with respect to our gold reserves, foreign dollar credits, and, too, I believe we had a balance of trade deficit with Latin America last year; and there is much other interesting detail that should be discussed.

We shall do this, however, with other witnesses, but if we do not get the answers we shall request the distinguished Secretary to come back. I yield to our distinguished chairman of the full Committee on Appropriations, Mr. Cannon.

Mr. CANNON. Thank you. I have no questions.

Mr. PASSMAN. Mr. Gary?

Mr. GARY. Mr. Dillon, do I understand that this Inter-American Development Bank is similar to the World Bank?

FISCAL DATA OF THE INTER-AMERICAN BANK

Secretary DILLON. This is a different type of organization, Mr. Gary, from any bank. It has many similarities to the World Bank. That is, of its total funds authorized, there are some \$400 million by way of contributions from various countries, \$450 million by way of guarantee authority to guarantee bonds that might be sold publicly in the same way the World Bank sells bonds publicly. All of these funds which are called the ordinary funds of the bank are for loans of exactly the same type as the World Bank makes, loans which would justify the public's buying the bonds and the Inter-American Bank operating in just the same way as the World Bank operates, but with its attention devoted more particularly than would be possible in the World Bank to Latin American problems and Latin American affairs because it is controlled by Latin America.

On the other hand, they have in addition something called the Fund For Special Operations which has \$150 million, of which \$100 million was contributed by the United States and \$50 million by the Latin American countries. This is available for a different kind of operation which is more akin to our Development Loan Fund type operation, more akin to what is now developing alongside the World Bank in the International Development Association; in other words, soft loans. So there are two quite different operations.

They also have, which the World Bank does not have, the responsibility of providing technical assistance to the member countries in developing development programs and also in developing projects, because they have found the Latin American countries, the less developed ones, did not have the capacity to engineer properly certain

projects themselves. So the Inter-American Development Bank is a place to which they can come to do this.

The Inter-American Development Bank also is supposed to be a sort of center to which a Latin American country can come with a problem, and the Inter-American Development Bank can guide them to other institutions, whether this be the World Bank or whether it be private institutions. It can help them in reaching the capital markets of the world to get funds they need.

Therefore, this is a bank which has been formed for Latin America for the specific needs which are there, and in its ordinary operations it is similar to the World Bank but it has additional functions.

Mr. GARY. It is in a sense a bank similar to the World Bank setup solely for Latin America?

Secretary DILLON. For Latin America; that is right.

CAPITAL STRUCTURE OF THE BANK

Mr. GARY. What is the total capital of the Bank?

Secretary DILLON. The total capital the Bank has available, not counting what we are talking about here, would be \$1 billion authorized. However, it is somewhat less than that because of the fact that Cuba did not join. It may be about \$40 million less than it would have been.

I can give you the division. It is divided between the hard-loan section and the soft-loan section.

Mr. GARY. I would like a complete statement of its capitalization, sir, and its purpose.

Mr. TABER. And the name of each country.

Secretary DILLON. We have a list here which I can put into the record which shows the amounts paid by each country last September 30 and the amounts due next October 31, and the final amounts due on October 31, 1962.

Mr. FORD. Would it be possible to have that for the members of the committee tomorrow?

Secretary DILLON. There will be no problem. We shall be glad to do that.

There are plenty of copies and it may be in the justifications. Page 29 shows a summary of this.

Mr. GARY. I would like to ask this be inserted in the record at this point.

Mr. PASSMAN. Without objection that may be done.
(The information follows:)

INTER-AMERICAN DEVELOPMENT BANK

TABLE I.—Installments of subscriptions to paid-in capital stock due pursuant to the Bank's charter in calendar years 1960, 1961, and 1962

[In thousands of U.S. dollars]

Country	Due Sept. 30, 1960 (20 percent)		Due Oct. 31, 1961 (40 percent)		Due Oct. 31, 1962 (40 percent)	
	Dollars and/or gold	Local cur- rency	Dollars and/or gold	Local cur- rency	Dollars and/or gold	Local cur- rency
Argentina	5,157	5,157	10,314	10,314	10,314	10,314
Bolivia	414	414	828	828	828	828
Brazil	5,157	5,157	10,314	10,314	10,314	10,314
Chile	1,416	1,416	2,832	2,832	2,832	2,832
Colombia	1,415	1,415	2,830	2,830	2,830	2,830
Costa Rica	207	207	414	414	414	414
Dominican Republic	276	276	552	552	552	552
Ecuador	276	276	552	552	552	552
El Salvador	207	207	414	414	414	414
Guatemala	276	276	552	552	552	552
Haiti	207	207	414	414	414	414
Honduras	207	207	414	414	414	414
Mexico	3,315	3,315	6,630	6,630	6,630	6,630
Nicaragua	207	207	414	414	414	414
Panama	207	207	414	414	414	414
Paraguay	207	207	414	414	414	414
Peru	691	691	1,382	1,382	1,382	1,382
United States	30,000	-----	60,000	-----	60,000	-----
Uruguay	553	553	1,106	1,106	1,106	1,106
Venezuela	2,763	2,763	5,526	5,526	5,526	5,526
Total	53,158	23,158	106,316	46,316	106,316	46,316
Total capital authorized by charter	55,000	25,000	110,000	50,000	110,000	50,000

NOTE.—The difference between the 2 foregoing totals is explained by the failure of Cuba to become a member of the Bank in accordance with the charter.

TABLE II.—Statement of subscriptions to capital stock and voting power, Dec. 31, 1960

[In U.S. dollars]

Member	Shares	Percent of total	Total subscribed capital paid-in and callable)	Amounts received on account of paid-in capital			Portion of paid-in capital receivable in future	Total callable portion of subscribed capital	Number of votes	Percent of total
				U.S. dollars	Member currency	Non-negotiable, non-interest-bearing demand notes				
Argentina.....	10,314	12.68	103,140,000	5,157,000	51,570	5,105,430	41,256,000	51,570,000	10,449	12.44
Bolivia.....	8,828	1.02	8,280,000	4,140,000	14,140	399,860	3,312,000	4,140,000	963	1.15
Brazil.....	10,314	12.68	103,140,000	5,157,000	5,157,000	-----	41,256,000	51,570,000	10,449	12.44
Chile.....	2,832	3.48	28,320,000	1,416,000	1,416,000	-----	11,258,000	14,180,000	2,967	3.53
Colombia.....	2,830	3.48	28,300,000	1,415,000	1,415,000	-----	11,230,000	14,150,000	2,965	3.53
Costa Rica.....	414	.51	4,140,000	207,000	207,000	-----	1,656,000	2,070,000	549	.65
Dominican Republic.....	552	.68	5,520,000	5,520	-----	-----	2,754,480	2,790,000	687	.82
Ecuador.....	552	.68	5,520,000	276,000	276,000	-----	2,208,000	2,790,000	687	.82
El Salvador.....	414	.51	4,140,000	207,000	207,000	-----	1,656,000	2,070,000	549	.65
Guatemala.....	552	.68	5,520,000	276,000	276,000	-----	2,208,000	2,790,000	687	.82
Haiti.....	414	.51	4,140,000	207,000	207,000	-----	1,656,000	2,070,000	549	.65
Honduras.....	414	.51	4,140,000	207,000	207,000	-----	1,656,000	2,070,000	549	.65
Mexico.....	6,630	8.15	66,300,000	3,315,000	3,315,000	-----	26,520,000	33,150,000	6,765	8.05
Nicaragua.....	414	.51	4,140,000	207,000	207,000	-----	1,656,000	2,070,000	549	.65
Panama.....	414	.51	4,140,000	207,000	207,000	204,930	1,656,000	2,070,000	549	.65
Paraguay.....	1,382	1.70	13,820,000	691,000	2,070	-----	5,528,000	6,910,000	1,517	1.81
Peru.....	35,000	43.04	350,000,000	39,000,000	6,910	684,090	120,000,000	200,000,000	35,135	41.82
United States.....	1,105	1.35	11,050,000	2,763,000	-----	553,000	4,424,000	5,530,000	1,241	1.48
Uruguay.....	5,526	6.80	55,260,000	2,763,000	-----	2,735,370	22,104,000	27,630,000	5,661	6.74
Venezuela.....	5,526	6.80	55,260,000	2,763,000	-----	2,735,370	22,104,000	27,630,000	5,661	6.74
Total.....	81,316	100.00	813,160,000	52,887,520	13,199,320	9,682,680	305,810,480	431,580,000	84,016	100.00

NOTE: At Dec. 31, 1960, the Dominican Republic had not met the full requirements for the payment of its subscription to the capital stock of the Bank, which was due not later than Sept. 30, 1960.

TABLE III.—Contributions to the Fund for Special Operations due pursuant to the Bank's charter during calendar years 1960 and 1961

[In thousands of U.S. dollars]

Country	Due Sept. 30, 1960 (50 percent)		Due Oct. 31, 1961 (50 percent)	
	Dollars and/or gold	Local cur- rency	Dollars and/or gold	Local cur- rency
Argentina.....	2, 578. 5	2, 578. 5	2, 578. 5	2, 578. 5
Bolivia.....	207	207	207	207
Brazil.....	2, 578. 5	2, 578. 5	2, 578. 5	2, 578. 5
Chile.....	708	708	708	708
Colombia.....	707. 5	707. 5	707. 5	707. 5
Costa Rica.....	103. 5	103. 5	103. 5	103. 5
Dominican Republic.....	138	138	138	138
Ecuador.....	138	138	138	138
El Salvador.....	103. 5	103. 5	103. 5	103. 5
Guatemala.....	138	138	138	138
Haiti.....	103. 5	103. 5	103. 5	103. 5
Honduras.....	103. 5	103. 5	103. 5	103. 5
Mexico.....	1, 657. 5	1, 657. 5	1, 657. 5	1, 657. 5
Nicaragua.....	103. 5	103. 5	103. 5	103. 5
Panama.....	103. 5	103. 5	103. 5	103. 5
Paraguay.....	103. 5	103. 5	103. 5	103. 5
Peru.....	345. 5	345. 5	345. 5	345. 5
United States.....	50, 000		50, 000	
Uruguay.....	276. 5	276. 5	276. 5	276. 5
Venezuela.....	1, 381. 5	1, 381. 5	1, 381. 5	1, 381. 5
Total.....	61, 579	11, 579	61, 579	11, 579
Total Fund for Special Operations au- thorized by charter.....	62, 500	12, 500	62, 500	12, 500

NOTE.—The difference between the 2 foregoing totals is explained by the failure of Cuba to become a member of the Bank in accordance with the charter.

TABLE IV.—Statement of contribution quotas to Fund for Special Operations, Dec. 31, 1960

[In U.S. dollars]

Member	Percent of total	Total subscribed quota	Contributions received			Amounts receivable in future
			U.S. dollars	Member currency	Nonnego- tiable, non- interest- bearing demand notes	
Argentina.....	7.05	10, 314, 000	2, 578, 500	25, 785	2, 552, 715	5, 157, 000
Bolivia.....	.57	828, 000	207, 000	2, 070	204, 930	414, 000
Brazil.....	7.05	10, 314, 000	2, 578, 500	2, 578, 500		5, 157, 000
Chile.....	1.94	2, 832, 000	708, 000	708, 000		1, 416, 000
Colombia.....	1.93	2, 830, 000	707, 500	707, 500		1, 415, 000
Costa Rica.....	.28	414, 000	103, 500	103, 500		207, 000
Dominican Republic.....	.38	552, 000	552			551, 448
Ecuador.....	.38	552, 000	138, 000	138, 000		276, 000
El Salvador.....	.28	414, 000	103, 500	103, 500		207, 000
Guatemala.....	.38	552, 000	138, 000	138, 000		276, 000
Haiti.....	.28	414, 000	103, 500	103, 500		207, 000
Honduras.....	.28	414, 000	103, 500	103, 500		207, 000
Mexico.....	4.53	6, 630, 000	1, 657, 500	1, 657, 500		3, 315, 000
Nicaragua.....	.28	414, 000	103, 500	103, 500		207, 000
Panama.....	.28	414, 000	103, 500	1, 035	102, 465	207, 000
Paraguay.....	.28	414, 000	103, 500	103, 500		207, 000
Peru.....	.94	1, 382, 000	345, 500	3, 455	342, 045	691, 000
United States.....	68.35	100, 000, 000	50, 000, 000			50, 000, 000
Uruguay.....	.76	1, 106, 000	276, 500		276, 500	553, 000
Venezuela.....	3.78	5, 526, 000	1, 381, 500	13, 815	1, 367, 685	2, 763, 000
Total.....	100.00	146, 316, 000	61, 441, 552	6, 594, 660	4, 846, 340	73, 433, 448

NOTE.—At Dec. 31, 1960, the Dominican Republic had not met the full requirements for the payment of its quota contribution to the Fund for Special Operations, which was due not later than Sept. 30, 1960.

Mr. CONTE. Does this chart show what percentage is hard currency and what is soft currency?

Secretary DILLON. We will give you all of these figures. In the ordinary paid-in capital about 70 percent is in dollars and 30 percent in Latin American local currencies. In the "Fund for special operations" about 84 percent is in dollars and 16 percent in Latin American local currencies.

The basis on which the Bank operated, the basic agreement of the Bank was that every country would make the payments it was supposed to make, 50 percent in gold or dollars, and 50 percent in their local currency.

For the United States, our local currency is dollars, so we pay 100 percent in gold and dollars. All the other countries pay 50 percent in gold or dollars and 50 percent in their own local currency.

PAID-IN CAPITAL

For the hard loan portion of the Bank, the capital due to be paid in was \$400 million, always less the small amount which was due for Cuba, and I do not have that exact figure readily available, but I will give it to you tomorrow morning.

Mr. GARY. And will you insert that in the record at this point?

Secretary DILLON. Yes, sir.

(The information requested follows:)

The paid-in portion of the Bank's capital originally authorized in the charter, was \$400 million. Of this, the quota assigned to Cuba amounted to \$18.4 million. Since Cuba is not a member, the present authorized paid-in capital of the Bank amounts to \$381.58 million.

Secretary DILLON. Of this \$400 million, the United States is putting up a total of \$150 million.

Mr. FORD. Off the record.

(Discussion held off the record.)

Secretary DILLON. This \$400 million is due to be paid in, 20 percent last September, 40 percent next October, and 40 percent in October of 1962. This is for the payment for the capital of the Inter-American Bank.

Mr. FORD. Where was the \$150 million derived from that we are not talking about today?

Secretary DILLON. Part of this was appropriated by Congress last year.

Mr. FORD. That has been paid?

Secretary DILLON. It has.

All of these different amounts, the 20 percent last fall, and the total amount the United States will put up, is \$150 million. Last fall \$30 million was paid, and what is being asked for this fall is \$60 million, and a year later there will be another \$60 million.

In addition to that, and this is the hard currency part paid in, the other countries put up \$250 million, of which \$125 million is in dollars or gold and \$125 million in their own local currency.

CALLABLE CAPITAL

In addition there was a provision that there would be \$450 million of callable capital of the bank, which is similar to the callable capital of the World Bank, which would be used only to make good obligations

which the Bank itself had sold in public market, just in the same way the World Bank sells obligations in the public market.

The World Bank sells bonds in New York and gets its money in that way.

They are able to do that because there is very substantial guarantee authority behind that.

Of this \$450 million guarantee authority, \$200 million comes from the United States, and in the appropriation last year that entire amount of guarantee authority was appropriated.

Mr. GARY. We put up \$200 million of the \$450 million?

Secretary DILLON. That is right. That entire amount already has been appropriated although there is no expenditure from it.

Mr. GARY. What do you call that, callable capital?

Secretary DILLON. Yes, sir.

Mr. GARY. That is \$450 million, and the Federal Government has put up \$200 million of that?

Secretary DILLON. That is right.

Mr. GARY. That has already been appropriated, all of it?

Secretary DILLON. Yes, sir. You have no money to spend under that. That is merely something we are able to pledge and it will not be put up until such time as the Inter-American Bank, first, is able to sell their bonds to the public, second, makes loans on that money, and third, unfortunately it doesn't get paid back. If they operate like the World Bank and get paid back it will never be called on.

Mr. GARY. We have authorized that but it has not been appropriated?

Secretary DILLON. Authorized and appropriated.

Mr. GARY. But the money has not actually been taken out of the Treasury?

Secretary DILLON. We hope it will never be.

Mr. TABER. Was that in this bill last year?

Secretary DILLON. Not in mutual security but in the Inter-American Bank bill.

Mr. GARY. What about the soft loan?

FUND FOR SPECIAL OPERATIONS

Secretary DILLON. On the soft side we have \$150 million, of which the United States puts up \$100 million and the other countries \$50 million.

Again these payments, the \$50 million from the other countries, come half in dollars and half in local currency.

This amount was payable half last year, and we put up our \$50 million of that \$100 million, and another \$50 million, the final half of it, is payable this October. We owe another \$50 million under that, and it is that \$50 million and the \$60 million for the hard capital that makes up the total of \$110 million which was in the other bill which will come before you later on.

Mr. GARY. The \$400 million hard capital is supposed to be used for sound, hard loans such as are now being made by the World Bank?

Secretary DILLON. That is correct.

Mr. GARY. And their experience in those loans has been very good as I understand it. They have had very few losses in their hard loans.

Secretary DILLON. I do not think the World Bank has had any losses so far.

Mr. GARY. No losses whatever?

Secretary DILLON. That is right.

Mr. GARY. The \$150 million in soft capital will be used for soft loans?

Secretary DILLON. That is right.

Mr. GARY. Repayable in local currencies, and as to some of them it is questionable whether they will be repaid at all.

Secretary DILLON. The \$150 million of the special fund is not soft capital because \$125 million of it is in gold or dollars.

Mr. GARY. They will not be as sound a form of loan as the \$400 million type of loan?

Secretary DILLON. We expect they will be equally sound as far as projects are concerned, but they will be made in places where the country itself may not have the foreign exchange readily available to repay in dollars. Also they may perhaps more approach the field of loans for health or education purposes which are not strictly economic development as is the other type.

LOANS MADE TO DATE FROM SPECIAL OPERATIONS FUND

The Bank has made two loans so far, one from the hard loan side which was made in Peru for something like \$3,900,000, which was for a water and sewage system in southern Peru, the big town of Arequipa, where practically the whole population had been living for some time without water. Of that, \$1,450,000 was in dollars and \$2,450,000 was in Peruvian local currency.

The other loan made so far was to Bolivia. This is the type of loan made out of this Special Operations Fund because Bolivia's credit now is not very good. Bolivia has good projects, things they need to do, but the ability to repay in dollars is not very clear, so they were given a loan from this Fund for Special Operations to be repayable in Bolivian local currency.

Mr. GARY. Very well.

Mr. GORDON. The Bolivian loan includes dollar repayments at the end of it. Under the Fund for Special Operations the Bank has the option of asking for repayment in local currency or hard currency or a mixture of the two. In the Bolivian case it is a mixture of the two.

Mr. PASSMAN. Was a loan not made to Bolivia from the Development Loan Fund?

Mr. GORDON. I am not sure of that.

Mr. FORD. You said the Bank has the right to ask for an option. Is there any assurance that if they requested such repayment that it has to be in hard currency?

Secretary DILLON. Whatever is written into the loan is the agreement. In this case the agreement was partly for repayment in dollars and partly in local currency. It is a question of negotiation.

Mr. GORDON. It is an option the Bank has in negotiating a loan agreement. In this case the actual agreement negotiated for payments during the first 5 years in local currency, I believe, and the later installments were to be in hard currency.

Mr. FORD. Categorically. Repayment in the latter part of the contract shall be in dollars?

Mr. GORDON. That is right.

EXECUTIVE DIRECTORS OF THE INTER-AMERICAN BANK

Mr. GARY. Will you at this point in the record place the names of the officers and directors of the Inter-American Development Loan Bank, and opposite each give the countries from which they come and the countries they represent?

Secretary DILLON. They do not each represent the countries from which they came.

Mr. GARY. That is right.

(The information requested follows:)

INTER-AMERICAN DEVELOPMENT BANK EXECUTIVE DIRECTORS

Ignacio Copete (represents Colombia,¹ Chile, and Venezuela). general manager of a leading commercial bank in Colombia; general manager of the Central Bank of Colombia; president of the Colombian Banking Association; Governor of the World Bank and International Monetary Fund; professor of law.

Robert Cutler (represents the United States¹): president and chairman of the board, Old Colony Trust Co., Boston; brigadier general, USA; Special Assistant to President Eisenhower for National Security Affairs; attorney at law.

Lucien Hibbert (represents Haiti¹ and Panama): president of University of Haiti and dean of faculty of science; Secretary of Treasury of Haiti; Secretary of Agriculture and National Economy; Ambassador to the Organization of American States.

Cleantno de Paiva Leite (represents Bolivia, Brazil,¹ and Ecuador): Head of National Economic Development Bank of Brazil; Chief of Cabinet, Ministry of Public Works and Transportation; adviser to Brazilian Government, loan and financial studies in Brazil, United States and England; graduate of University of Recife Law Faculty.

Raul Martínez Ostos (represents Costa Rica, Dominican Republic, Guatemala, Mexico,¹ Nicaragua, Paraguay, and Uruguay): Deputy Director General of Nacional Financiera, Mexican development agency; chief of audit department, Bank of Mexico; Executive Director, International Monetary Fund; director of financial studies, Ministry of Finance; attorney at law.

Mario Oscar Mendivil (represents Argentina¹ and Peru): Under Secretary of State for Finance of Argentina; General Manager of Finance Ministry; adviser on monetary policy, Central Bank of Argentina; national public accountant.

Alfonso Rochac (represents El Salvador¹ and Honduras): Minister of Economy of El Salvador; professor of economics, University of El Salvador; manager, Mortgage Bank; Director General of Customs; adviser to number of development banks in Latin America; doctor of law.

Mr. GARY. I believe you said something about the United States having about 40 percent of the votes?

Secretary DILLON. The United States has 41.8 percent of the vote in this Bank.

Mr. GARY. Is that similar to a stockholder's vote?

Secretary DILLON. Exactly similar to the World Bank where votes are weighted based on the contribution that each country makes to the capital of the Bank, and based on the size of the capital contribution, not counting the Special Fund.

Mr. GARY. It is the vote of the Bank that determines the policy?

Secretary DILLON. That is right.

Mr. GARY. What percentage of the Board of Governors or Directors do we have?

Secretary DILLON. We have one Governor but he casts 41 percent of the votes.

Mr. GARY. Even in the actions of the Board of Governors?

Secretary DILLON. That is right.

¹ Indicates country from which executive director was elected.

Mr. GARY. So we have 41 percent of the vote on all the actions of the Board of Governors of the organization?

Secretary DILLON. That is right. In the case of the Fund for Special Operations, where we have made a far bigger contribution, it takes a two-thirds vote to approve anything.

Under this agreement, if this appropriation of \$394 million is given to the Bank to administer under this agreement, that will be administered under the same terms where it takes a two-thirds vote.

On the other hand, under the ordinary operations of the Bank, similar to the operations of the World Bank, the hard loan operations, it takes only a majority vote and we have 41 percent. Theoretically there we do not have absolute control but a very influential vote.

Mr. GARY. By whom are the Governors named?

Secretary DILLON. The Governors, of which I am the U.S. Governor, are named by each country and they represent their country, and they meet once a year exactly in the same way as the Governors of the World Bank meet once each year.

In addition to that, there is a Board of Executive Directors named also by certain governments, and arrangements have been worked out on a weighted basis whereby the United States is the only country which has one Executive Director. All the other six Executive Directors represent more than one country. When we give you the list of people we will indicate what countries they represent.

Mr. GARY. A list of the Executive Directors, also?

OFFICERS OF THE INTER-AMERICAN BANK

Secretary DILLON. The Executive Directors and who they represent. A Mexican also might represent Guatemala, in fact he does represent Guatemala, and a number of other Central American countries.

(The information requested follows:)

PRESIDENT, EXECUTIVE VICE PRESIDENT, AND DEPARTMENT HEADS

- Felipe Herrera, president (Chile): Minister of Finance of Chile; General Manager of Central Bank of Chile; Governor of World Bank; Executive Director of International Monetary Fund; attorney at law and social scientist.
- T. Graydon Upton, executive vice president (United States): Vice president, Philadelphia National Bank; president of Bankers Association for Foreign Trade; Assistant Secretary of the Treasury; Executive Director of World Bank; Director of Development Loan Fund; A.B., c.l., Harvard; Harvard Business School.
- Ewaldo Correia Lima, chief, loan division (Brazil): Director of National Development Bank of Brazil; Head of Economic Department of National Confederation of Industry; professor of University of Brazil; economist, Ministry of Labor.
- Manuel Noriega Morales, chief, technical assistance division (Guatemala): President of Bank of Guatemala; Minister of Economy and Labor; Governor, International Monetary Fund; professor of public finance, money, and banking.
- José C. Cárdenas, chief, economic division (Ecuador): Deputy Director of Central Bank of Ecuador; Director of Economic Research Department of Central Bank; Member of Advisory Committee to Ministry of Finance; Director of Exchange Department of Central Bank; Member of National Economic Council.
- Bernardo F. Grossling, acting chief, engineering division (Chile): Analyst, technology and geophysics, Standard Oil Co. of California; technical adviser on exploration, National Petroleum Co. of Chile; engineer, Chilean Government Development Corporation; professor of electrical technology, University of Chile.

- Rollin S. Atwood, chief, division of special operations (United States of America) (Among other functions, this division is charged with preparatory work for the Special Fund for Social Progress): Regional Director for Latin America of International Cooperation Administration; Chief, Office of South American Affairs, Department of State; professor of business administration and director of Inter-American educational program, University of Florida.
- Elting Arnold, General Counsel (United States of America): Chief, Foreign Funds Control, U.S. Treasury Department; Assistant General Counsel, U.S. Treasury Department; attorney at law.
- Robert B. Menapace, former Executive Vice President of Bank and now Consultant on Finance (United States of America): Vice President for Latin American operations, Guaranty Trust Co.; Deputy Director, Development Loan Fund; colonel, U.S. Military Government in Italy and Codirector, Finance Subcommittee of Allied Commission; assistant vice president for foreign loans, Guaranty Co.
- Jorge Hazera, Chief, Division of Administration (Costa Rica): Minister Counselor and Commercial Attaché, Costa Rican Embassy, Washington; Alternate Executive Director, International Monetary Fund; Costa Rican Ambassador-Representative to Inter-American Economic and Social Council.
- Lambert E. Jones, Acting Treasurer (United States of America): Chief Accountant, Loan Officer and Deputy Chief, Division of Private Capital Participation, Export-Import Bank; auditor, Social Security Board; accountant.
- Pedro Irañeta, Secretary of the Bank (Chile): Chief, Division of Economic Research, Pan American Union; professor of economic theory, economic development and planning, Inter-American Statistical and Financial Center, Santaigo, Chile; professor of economics, University of Chile.
- Michael Lever, Acting Chief, Office of Information (United States of America): Public relations director, Guggenheim Bros., Santiago, Chile; professor of public relations, University of Chile; Public Information Director, Organization of American States; writer and editor, Coordinator of Inter-American Affairs; public relations consultant to Latin American governments and U.S. firms operating in Latin America.
- Eduardo McCullough, Internal Auditor (Panama): Deputy Comptroller General, Government of Panama; Chief Administrator and Director of Accounting, General Audit Department, Government of Panama.

Mr. GARY. By whom are the officers of the Bank elected?

Secretary DILLON. The President is elected and approved by the Board of Governors. The Executive Vice President is appointed by the Board of Executive Directors on the recommendation of the president.

Mr. GARY. They select the employees?

Secretary DILLON. That is right.

Mr. GARY. Are there any Communist countries or Communist-controlled countries connected with this Bank in any way whatever?

Secretary DILLON. In no way whatever.

Mr. RHODES. I wonder if you would also ask for the background of the members of the Board of Directors.

Secretary DILLON. We have that available and that will be given in the list.

BASIS FOR SELECTION OF BANK TO ADMINISTER THE LATIN AMERICAN FUND

Mr. GARY. What relation does this \$500 million you are requesting now have to the Bank?

Secretary DILLON. The relation with the Bank is this: In talking with the Latin American countries as to how this Fund for Social Progress could be best handled, we and the Latin American countries felt that the best way to handle this would be through the Inter-American Bank for the major part of it, at least for that part of it which could be given on the basis of loans. So we have drawn up,

and I am not well enough informed to testify on the details of this but Mr. Gordon is inasmuch as he has been negotiating it for the United States, a very complete memorandum of understanding between the United States and the Bank under which this would be utilized.

What we are proposing here is that if this \$500 million should be appropriated \$394 million of it would be transferred to the Bank for it to utilize.

Mr. TABER. Over what period?

Secretary DILLON. That is what I was coming to.

Mr. TABER. Do they have a right to do it during this fiscal year, the coming fiscal year, or 7 or 8 more years?

Secretary DILLON. That is what I was coming to, Mr. Chairman. The way we plan to utilize that is that we would, by signing the agreement here with the Bank concerning how this would be utilized, obligate these funds. They would, however, be held in the U.S. Treasury in a special account and would be disbursed only as there was actual need for the expenditure for a particular project that has been entered into by the Bank.

It would be spent over a period of time. It is not specified but it would depend on the speed with which the Bank could find useful projects and which countries in Latin America complied with necessary prerequisites of obtaining the funds, that is moving in some area of reform.

We would hope and expect that if the Latin American countries moved rapidly it would take perhaps 2 years to expend these funds.

Mr. GARY. This would not become part of the funds of the Bank itself?

Secretary DILLON. Not at all.

Mr. GARY. It would not become part of the \$400 million for hard loans?

Secretary DILLON. That is right.

Mr. GARY. Or of the \$150 million for soft loans?

Secretary DILLON. No. It would be a separate fund entirely.

Mr. GARY. And it would be a fund owned by the U.S. Government?

Secretary DILLON. That is correct, and administered for it by the bank.

Mr. GARY. The bank would make the loans from this fund as an agent of the U.S. Government?

Secretary DILLON. I think that is correct.

PLACING OF REPAYMENTS INTO REVOLVING FUND

Mr. GARY. When the money is paid back to the Bank then that money would remain the funds of the United States rather than the Bank?

Mr. GORDON. On this point it is proposed, with respect to repayments, that the repayments would go back into the trust fund and be available for further use in accordance with the same agreement. They would not come back to the United States as long as the trust agreement lasted. It would not come back to the United States for general purposes.

Mr. GARY. I understand that.

Mr. GARY. It would be a revolving fund but a revolving fund belonging to the United States. Could we not withdraw from that fund anytime we wanted?

Mr. GORDON. We can terminate the trust agreement.

Mr. GARY. If we terminate the trust agreement, then the trust funds do belong to the United States?

Mr. GORDON. That would be my understanding.

Mr. FORD. Is that a unilateral right?

Mr. PASSMAN. No; there is a misunderstanding. This contradicts prior testimony.

Mr. GARY. Let us get it straight. I am trying to get the facts.

Mr. RHODES. If the gentleman yields, I have been reading ahead on Secretary Ball's statement and on page 3 it definitely states that—
The United States, in advancing funds to the Inter-American Development Bank, will not expect repayment of funds to the United States.

Mr. GARY. That is true, but they expect repayment into this trust fund. That is a revolving fund and would be reloaned.

Mr. RHODES. There is nothing here about that and there is nothing that I see which gives the United States any legal right to terminate the agreement and recover its money.

Mr. GARY. That is the point.

Mr. GORDON. May I point out the relevant position? This is on page C-8, section 6.02.

* * * If at any time it appears to the Administrator or to the United States that the fund is no longer necessary or that the purposes of the fund can no longer be appropriately or effectively carried out, the parties hereto shall forthwith consult with one another. If a decision to terminate the agreement is reached, or if no decision is reached within 30 days, or pursuant to article 10, the Bank suspends and terminates the operation.

Then it goes on to say that the operations of the fund shall cease. That includes if no decision is reached within 30 days, and then the operations of the fund shall cease and its liquidation shall be commenced unless both parties agree on another course of action.

I think it is quite clear that if we decide to liquidate within 30 days after that decision, a liquidation would take place and the funds would become our property.

Mr. PASSMAN. Would the gentleman yield?

Mr. GARY. Yes.

Mr. PASSMAN. I wonder what the Members of Congress and the American people reading Mr. Ball's statement, at page 3, would think.

Mr. GARY. Whose statement?

Mr. PASSMAN. This is from Mr. Ball's statement.

Mr. BOWLES. We have not yet given it.

Mr. PASSMAN. I know, but this is a quotation from it:

The United States in advancing funds to the Inter-American Development Bank will not expect repayment of funds to the United States. Our hope and expectation is for repayment in the increased strength and growth of democratic institutions in the free societies of our Latin American neighbors.

That is certainly an indication that there will not be any repayment of funds.

Mr. GARY. That is true. They have stated that unless the fund is abandoned—

Mr. PASSMAN. Perhaps I am too much of a realist.

Mr. TABER. We ought to have a copy of the statute and the agreement to look at.

Mr. GARY. The agreement is in the record, Mr. Taber.

Mr. TABER. Yes.

Mr. GARY. The money will be loaned from this fund by the Bank. It will be collected by the Bank and paid back into this fund and remain in that fund to be reloaned unless the U.S. Government at some time decides to abandon the trust, but if the United States abandons the trust then the money is the property of the United States.

That is all.

Mr. PASSMAN. If there is any left.

Mr. BOWLES. We do not expect that to happen.

Mr. GARY. That is not the purpose of it, but I simply want to get the facts in the record. The committee can then draw its own conclusions but I do want to point out what the facts are.

That is all I am after.

That accounts for \$394 million and that leaves 100—

Secretary DILLON. The additional part is—

Mr. GARY. \$106 million?

Secretary DILLON. The \$106 million is an affair purely of the Department of State. I can tell you what it is for.

They plan to assign \$100 million of that to the ICA for either grants or loans, probably primarily grants, which are not appropriate for lending. That will be primarily in the public health and educational fields. Then \$6 million of that they plan to utilize to strengthen the secretariat of the Inter-American Economic and Social Council so they can utilize this to help the Latin American countries prepare basic economic development plans for each country, so they can feel sure they are going on the right path rather than wasting funds.

Mr. GARY. Do I understand the contributions to the Bank of \$400 million and \$150 million, which you have outlined, were agreed upon at the Conference at Bogota?

Secretary DILLON. No, sir; the Inter-American Bank was set up in 1959 and it was agreed upon then. First, it was ratified by all of the various member countries during the course of 1959. The first meeting after ratification took place in February 1960 at San Salvador, which I attended as the alternate Governor for the United States, and Secretary Anderson was the Governor. At that time arrangements for electing the Executive Directors, and things of that nature, were adopted. The time was set for paying in the various funds, and last year all of the countries through their own legislative action appropriated the necessary funds and made payments to take care of the 20-percent payment of the regular funds that were due on September 30, and the 50-percent payment of the Special Fund that was due on September 30. They also set the dates for further appropriations to fill up these two funds, of which 40 percent of the regular funds and the second half of the Special Fund is due this year in October.

The final 40 percent of the regular fund is due in October 1962.

BOGOTÁ CONFERENCE

Mr. GARY. With respect to any of these funds, what was agreed on at the Bogotá Conference?

Secretary DILLON. At the Conference in Bogotá, what was agreed on was that we in the United States told the Conference that it was our intention, based on authorizing legislation, to establish an Inter-American Fund for Social Development. It was in the Act of Bogotá, article II, which reads:

The delegations of the governments of the Latin American Republics welcome the decision of the Government of the United States to establish a special Inter-American Fund for Social Development with the Inter-American Development Bank to become the primary mechanism for the administration of the funds.

Then it went on to say:

It is understood that the purpose of the Special Fund would be to contribute capital resources and technical assistance on flexible terms and conditions, including repayment in local currency and the relending of repaid funds. Also, in accordance with appropriate selective criteria and in the light of resources available to support the efforts of Latin American countries that are prepared to initiate or expand effective institutional improvements, and to adopt measures to employ efficiently their own resources with a view to achieving greater social progress and more balanced economic growth.

You will note that there are no figures.

They were well aware that what amount of money actually went into this Fund was something which the U.S. Congress would have to look at further in the light of what happened at Bogotá and in the light of the programs that were developed and that such appropriations would come at a later date.

They were well aware they would have to perform——

Mr. GARY. The \$394 million is the fund you propose to set up now in compliance with that statement; is that correct?

Secretary DILLON. No, sir; the whole \$500 million would be in compliance with that statement, but the \$394 million would be in compliance with the part of it that says the Inter-American Development Bank would be the primary mechanism for the administration of the Fund. It is our feeling that with approximately 80 percent of it going through the Inter-American Bank that satisfies the words "primary mechanism."

When I testified last year on the authorizing legislation, I indicated that probably it would be 80 to 85 percent through the Inter-American Bank and the rest would probably go through ICA where the grant programs were.

Mr. GARY. The \$500 million Fund you are now requesting is to carry out this agreement that was reached in Bogotá?

Secretary DILLON. Of course, the countries at Bogotá were aware of the figure of \$500 million because they were all very much aware of the passage of the authorizing legislation.

Mr. PASSMAN. Advance notice?

Mr. ANDREWS. Will the gentleman yield?

Mr. GARY. Certainly, Mr. Andrews.

Mr. ANDREWS. Mr. Secretary, that is what I wanted to ask you. You said no figures were mentioned at the Conference at Bogotá, but you did have an authorization of \$500 million?

Secretary DILLON. That is correct, and they were all aware of that.

Mr. ANDREWS. The \$500 million would put our country into this program through the capital of the Bank and those other figures you mentioned—the \$1.5 billion; would they not?

Secretary DILLON. It is \$950 million which would be the total.

Mr. GARY. Including the \$200 million you do not expect to use but which is a guarantee?

Secretary DILLON. That is right.

Mr. ANDREWS. That is a total of \$950 million?

Secretary DILLON. Including the \$200 million we do not expect to use.

Mr. GARY. \$750 million of which would be actual appropriations and money to be paid out?

Secretary DILLON. That is correct.

Mr. GARY. Thank you.

NO EXPECTATION FOR RETURN OF FUNDS TO U.S. TREASURY

Mr. PASSMAN. It still follows, as we are considering this \$500 million for this Inter-American Development Bank, and other aid programs, that it is not expected that any of this money will ever be returned to the U.S. Treasury; is that a statement of fact?

Mr. GORDON. I think that is so.

Mr. PASSMAN. Regardless of how much we dress it up, it is \$500 million?

Mr. GARY. Would the gentleman yield?

Mr. PASSMAN. Certainly.

Mr. GARY. This \$394 million that is going to be used for loans, is it contemplated that these will be hard loans or soft loans?

Mr. GORDON. In general, Congressman, it is contemplated that they will be soft loans. There may be some cases in which dollar repayment seems possible on the part of the recipient countries and seems a sensible way to use the funds, but in that case the Bank would make dollar loans just as in a part of this Bolivian thing.

Mr. GARY. This would correspond then with our Development Loan Fund here?

Mr. GORDON. That is right.

Mr. GARY. Why cannot it be handled through the Development Loan Fund?

Secretary DILLON. The reason for that was simply that we felt—and I think we were right—that what we were out to accomplish here was a collective effort whereby the Latin American countries would agree to undertake a whole series of domestic measures, which would not be very popular because it would be difficult to get enacted tax increases and things of that type. It was felt that this could best be handled through negotiations with an Inter-American agency rather than with the Development Loan Fund.

In other words, for the Development Loan Fund to go to a country and say, "We will give you this only if you pass this and that law," is rather difficult. On the other hand, we think it is much easier for a Latin American institution to go and say the same thing, or to have some Latin American officers speaking to other, fellow Latin Americans and saying, "This is the way you should handle your affairs."

Mr. BOWLES. Would you like to have the following testimony?

Mr. PASSMAN. What is that?

Mr. BOWLES. Mr. Ball's testimony.

Mr. PASSMAN. I have a couple of questions, and then we shall get to Mr. Ball's testimony.

I believe you did answer in the affirmative that, as it stands today, you do not expect any of the \$500 million to be returned to the U.S. Treasury?

Mr. GORDON. I would say no substantial amount.

Mr. ALEXANDER. Mr. Chairman, would you yield?

What effect would that have on our gold situation and balance of payments?

Mr. PASSMAN. I am going to ask that question next, if it is satisfactory with the gentleman from North Carolina.

In your statement—and I am not quarreling, but I am trying to understand—you say specifically that you are not expecting repayment of funds to the United States. Now you say that my statement was “substantially correct.”

What part of it is not correct?

Mr. GORDON. I mean, sir, if one of these, over a very considerable period of time, one would hope that this process might ultimately come to an end. This is a revolving Fund and when it does come to an end, I would hope it would be by agreement among the parties and then the liquidation arrangements that Congressman Gary called our attention to would apply and at that point the United States might well get something back.

I think that could be quite a long time off.

Mr. PASSMAN. Under the present plan, it could very well be all in local currency, of which we already have more than we need?

Mr. GORDON. It could be.

Mr. PASSMAN. Is that correct?

Mr. GORDON. Yes.

Mr. PASSMAN. We hope it serves a useful purpose. We are all working toward that end.

GOLD PURCHASES BY LATIN AMERICAN COUNTRIES

With respect to the gold purchases by these expected recipient countries of this Fund, do you have a list of the countries who may participate in this \$500 million Fund, and then a list of their most recent gold purchases from the United States?

Mr. GORDON. The list of countries, sir, would be the 18 Latin American countries. That is, all those other than Cuba and the Dominican Republic, plus, in very small measure, through the ICA, the West Indies Federation and, possibly, some of the other non-self-governing territories. I do not have here a list of recent gold purchasers. I am sure that we can get that.

Mr. PASSMAN. I believe that I can help you out a bit.

If this statement is not correct, then you correct the record.

This is U.S. monetary gold transactions with foreign countries and international institutions. As far as net purchases are concerned, it includes: Argentina, \$50 million; Chile \$2 million; Colombia, \$15 million; Mexico, \$20 million; Peru, \$15 million.

That is a partial list, but does it sound about correct?

Secretary DILLON. It may be a complete list.

Mr. PASSMAN. Will you get us a complete list, and give us the total?

Mr. GORDON. Yes, sir.

(The information follows:)

U.S. net monetary gold transactions with Latin America, 1956-60

[In millions of dollars at \$35 per fine troy ounce]

[Negative figures represent net sales by the United States; positive figures, net purchases]

Country	1960	1959	1958	1957	1956	Total
Argentina.....	-50.0		67.2	75.4	115.3	207.9
Chile.....	-2.0	-1.3	3.0	2.8		2.5
Colombia.....	-6.3				28.1	21.8
El Salvador.....				-3.5		-3.5
Honduras.....	-.8	(¹)	(¹)	-.1		.9
Mexico.....	-20.0	-30.0				-50.0
Peru.....	-15.0			3.5		-11.5
Uruguay.....	-3.8			3.1	29.1	28.4
Venezuela.....		65.0			-200.0	-135.0
Total.....						61.5

¹ Represents less than \$50,000.

Mr. PASSMAN. If they are putting up their part in gold, by the time we pass this legislation and if they all at once decide they want to buy gold, it would place them in a rather favorable position to meet their part of the contract, would it not?

Mr. GORDON. My impression is that the balance of payment position of most of these countries over the last 5 or 10 years has been very poor indeed, and if any particular year some of them happen to improve enough to gain a little bit of gold, this is a temporary improvement.

Mr. PASSMAN. Would these Treasury purchases just recently not sound somewhat alarming?

Secretary DILLON. I think the only one that is really substantial is Argentina. The Argentine Republic did have a new program and an austerity program as well as a reevaluation of currency, and so forth. They have substantially reestablished their international balance of payments and their international credit. As a result they did buy last year a substantial sum of gold, \$50 million, which I am sure is right. That is probably from the Treasury Department release that you have there.

Mr. PASSMAN. Yes.

Mr. GARY. Would the gentleman yield?

Mr. PASSMAN. Yes.

Mr. GARY. Would you give us those figures for the 5-year period?

Mr. GORDON. Yes, sir.

U.S. TRADE WITH LATIN AMERICA

Mr. PASSMAN. Is it also true that the Latin American countries as a whole had a favorable trade balance last year, while we had a deficit in exports against imports with Latin America?

Mr. GORDON. Mr. Congressman, I would like to check the facts. That would not be particularly surprising but taking the balance of payments as a whole, the Latin American countries have also very large payments to us on account of shipping and other services and remittance of dividends and the like. My impression is that the balance of payments of Latin America as a whole with the United States last year was not favorable. In the trade account alone, it may have been so.

Mr. PASSMAN. I do not know what you refer to, "on the whole."

Mr. GORDON. I would distinguish between imports and exports of goods.

Mr. PASSMAN. That is the situation to which I had reference. Mr. Rubottom last year said:

I think there is a light deficit of exports of approximately \$3.5 billion and imports of approximately \$3.6 billion.

That is a rather modest figure but it follows nevertheless that we had a trade deficit of approximately \$100 million.

If we keep on having those trade deficits with recipient nations throughout the world, we are going to get into serious trouble, are we not?

Mr. GORDON. As long as the trade deficit is more than made up for by payment of various services, I would not be too concerned about the trade deficit alone.

Mr. PASSMAN. We would have a dollar deficit worldwide, and, is it not true, for Latin America as a whole?

Mr. GORDON. In general, our balance of payments with Latin America has not shown a deficit position.

Mr. PASSMAN. I am speaking of 1960.

Mr. GORDON. I would want to look at the 1960 figures before giving a definite answer, but our large deficits with the world as a whole, as you know, have been primarily with Europe and not Latin America.

Mr. PASSMAN. Of course, and I shall not prolong this discussion; but it certainly is food for thought and something to which we should all give consideration—the fact that dollars held, and gold purchases, and last year our exports amounted in the neighborhood of \$20 billion while our imports amounted to \$15 billion. If we remove from our exports the subsidy, and surplus agricultural commodities, and agricultural commodities which we gave away, we probably had a worldwide deficit?

Secretary DILLON. Not last year, no.

Mr. PASSMAN. That was the year—

Secretary DILLON. It was a year earlier. I think that was true in 1959 but last year, Mr. Chairman, the gross figures were roughly as you stated. If you remove those items I mentioned, our surplus, instead of \$5 billion would be about \$2.5 billion.

Mr. PASSMAN. Taking out the surplus agricultural commodities for which we have local currency?

Secretary DILLON. That is right. Taking those out and all other disbursements in the United States under our economic aid programs.

The year we had the deficit was the preceding year, 1959, where the figures as reported, which are comparable to the \$5 billion, showed a surplus of about \$900 million or about \$1 billion. You had to take out of that almost \$2 billion, so that translated into straight commercial terms is a deficit of about \$1 billion on trade in 1959.

(The information follows:)

U.S. trade with Latin American Republics, excluding military transfers

[Millions of dollars]

	1956	1957	1958	1959	1960
Argentina:					
U.S. exports.....	211.6	284.4	249.1	231.0	349.0
U.S. imports.....	132.8	129.3	132.9	125.8	98.7
Trade balance.....	+78.8	+155.1	+116.2	+105.2	+250.3
Bolivia:					
U.S. exports.....	49.0	34.4	29.0	23.5	24.5
U.S. imports.....	41.8	16.9	8.9	7.6	8.7
Trade balance.....	+7.2	+17.5	+20.1	+15.9	+15.8
Brazil:					
U.S. exports.....	308.6	484.4	534.1	412.5	426.2
U.S. imports.....	745.7	699.7	666.9	628.5	570.2
Trade balance.....	-437.1	-215.3	-32.8	-216.0	-144.0
Chile:					
U.S. exports.....	158.1	194.9	149.0	137.2	194.9
U.S. imports.....	236.6	195.8	155.7	201.9	192.7
Trade balance.....	-78.5	-.9	-6.7	-64.7	+2.2
Colombia:					
U.S. exports.....	323.2	241.8	186.3	205.8	245.6
U.S. imports.....	409.6	383.7	332.9	340.0	299.6
Trade balance.....	-86.4	-141.9	-146.6	-134.2	-54.0
Costa Rica:					
U.S. exports.....	42.9	48.2	41.8	40.9	44.0
U.S. imports.....	19.1	27.5	36.0	32.8	34.8
Trade balance.....	+23.8	+20.7	+5.8	+8.1	+9.2
Ecuador:					
U.S. exports.....	45.8	50.7	46.8	48.6	54.9
U.S. imports.....	53.4	58.0	56.2	60.5	65.5
Trade balance.....	-7.6	-7.3	-9.4	-11.9	-10.6
El Salvador:					
U.S. exports.....	50.1	50.1	44.9	36.9	42.4
U.S. imports.....	48.5	55.6	48.5	37.4	32.2
Trade balance.....	+1.6	-5.5	-3.6	-.5	+10.2
Guatemala:					
U.S. exports.....	82.6	81.2	78.9	64.4	62.8
U.S. imports.....	78.9	73.7	66.1	65.1	58.8
Trade balance.....	+3.7	+7.5	+12.8	-.7	+4.0
Haiti:					
U.S. exports.....	36.7	24.3	24.9	23.8	25.1
U.S. imports.....	14.9	18.3	22.7	16.2	18.2
Trade balance.....	+21.8	+6.0	+2.2	+7.6	+6.9
Honduras:					
U.S. exports.....	39.0	41.9	35.7	32.4	34.4
U.S. imports.....	29.9	26.1	27.8	24.6	33.6
Trade balance.....	+9.1	+15.8	+7.9	+7.8	+8
Nicaragua:					
U.S. exports.....	33.5	39.1	36.8	27.7	29.6
U.S. imports.....	19.5	22.3	21.1	15.4	20.8
Trade balance.....	+14.0	+16.8	+15.7	+12.3	+8.8

U.S. trade with Latin American Republics, excluding military transfers—Con.

[Millions of dollars]

	1956	1957	1958	1959	1960
Mexico:					
U.S. exports.....	850.7	903.7	888.4	740.3	806.8
U.S. imports.....	400.9	430.1	456.8	435.4	443.0
Trade balance.....	+449.8	+473.6	+431.6	+304.9	+363.8
Panama:					
U.S. exports.....	69.3	84.5	96.2	90.3	88.8
U.S. imports.....	20.1	24.3	24.1	24.9	24.1
Trade balance.....	+49.2	+60.2	+72.1	+65.4	+64.7
Paraguay:					
U.S. exports.....	7.8	11.2	10.2	8.0	8.8
U.S. imports.....	5.8	6.6	7.5	8.5	8.5
Trade balance.....	+2.0	+4.6	+2.7	-.5	+3
Peru:					
U.S. exports.....	162.6	198.7	167.0	121.9	141.1
U.S. imports.....	134.6	138.0	124.0	118.9	182.2
Trade balance.....	+28.0	+60.7	+43.0	+3.0	-41.1
Uruguay:					
U.S. exports.....	33.7	48.7	21.6	33.3	61.8
U.S. imports.....	25.3	17.9	8.7	18.4	20.7
Trade balance.....	+8.4	+30.8	+12.9	+14.9	+41.1
Venezuela:					
U.S. exports.....	674.3	1,053.1	809.8	738.7	550.2
U.S. imports.....	704.8	900.0	892.3	889.9	948.3
Trade balance.....	-30.5	+153.1	-82.5	-151.2	-398.1
Total, 18 Republics:					
U.S. exports.....	3,179.5	3,875.2	3,450.5	3,017.0	3,191.0
U.S. imports.....	3,122.1	3,223.9	2,989.1	3,051.6	3,060.5
Trade balance.....	+57.4	+651.3	+461.4	-34.6	+130.5
Cuba:					
U.S. exports.....	519.1	618.0	546.2	437.9	222.5
U.S. imports.....	457.1	481.9	527.8	474.7	357.2
Trade balance.....	+62.0	+136.1	+18.4	-36.8	-134.7
Dominican Republic:					
U.S. exports.....	69.7	74.1	76.5	59.8	41.3
U.S. imports.....	60.1	63.1	72.1	75.2	110.9
Trade balance.....	+9.6	+11.0	+4.4	-15.4	-69.6
Total, 20 Republics:					
U.S. exports.....	3,768.3	4,567.3	4,073.2	3,514.7	3,454.8
U.S. imports.....	3,639.3	3,768.9	3,589.0	3,601.5	3,528.6
Trade balance.....	+129.0	+798.4	+484.2	-86.8	-73.8

U.S. balance of payments with 20 Latin American republics excluding military transfers under grants

[Millions of dollars. Calendar years]

	1956	1957	1958	1959	January-September 1960 (9 months)
U.S. exports of goods and services:					
Merchandise, adjusted, excluding military.....	3,835	4,642	4,156	3,551	2,632
Income on private U.S. investment.....	844	975	720	663	553
Other services.....	921	1,005	984	915	729
Total export of goods and services....	5,600	6,622	5,860	5,129	3,914
U.S. imports of goods and services:					
Merchandise, adjusted, excluding military.....	3,782	3,930	3,748	3,723	2,787
Services.....	1,010	1,102	1,145	1,003	772
Total imports of goods and services....	4,792	5,032	4,893	4,726	3,559
Balance on goods and services, excluding military.....	+808	+1,590	+967	+403	+355
Private remittances and pensions.....	-42	-55	-53	-52	-53
U.S. Government grants.....	-83	-112	-118	-112	-76
U.S. Government capital, net.....	-96	-146	-469	-258	-127
U.S. private capital, net.....	-815	¹ -1,395	-488	-401	-198
Long-term Latin American capital (line 42).....	+33	+19	-1	+28	+15
"Net balance".....	+352	+139	-180	-151	+44
Unrecorded transactions (errors and omissions and transfers of funds between foreign areas).....	-157	-40	+342	+543	+40

¹ Includes about \$700 million for purchase of oil leases at auction in Venezuela in 1957.

NOTE.—Plus (+) signs on "net balance" indicate an increase in U.S. short-term liabilities to Latin America.

Mr. PASSMAN. Mr. Taber mentioned a moment ago that we could not finance this fund out of the Development Loan Fund. Many nations will be recipients of this fund, or else will be getting loans from the Development Loan Fund; is that true?

Mr. GORDON. Yes, sir.

Mr. PASSMAN. Mr. Taber?

LOANS MADE BY THE DEVELOPMENT LOAN FUND

Mr. TABER. Have you got a table anywhere in the material brought up here showing the operations of the Development Loan Fund down through the years?

Mr. GORDON. With respect to Latin America?

Mr. TABER. No; all together.

Mr. GORDON. We do not have them here with us but we can certainly supply them.

(The information follows:)

Status of DLF loans by region

[In thousands]

Region and fiscal year	Number of loans		Amount		Disbursed	Repaid	Interest and fees collected
	Approved	Obligated	Approved ¹	Obligated			
Africa:							
Fiscal year 1958	2		9,300				
Fiscal year 1959	8	7	31,540	28,840	50		
Fiscal year 1960	3	4	46,700	24,550	7,780	36	2
Fiscal year 1961 ²	5	1	43,800	18,350	4,447	63	147
Total	18	12	131,340	71,740	12,277	99	149
Europe:							
Fiscal year 1958	1		3,000				
Fiscal year 1959	7	4	75,300	53,100	561		
Fiscal year 1960	3	5	40,850	43,050	12,556	370	111
Fiscal year 1961 ²	3	1	25,640	20,940	14,037	395	342
Total	14	10	144,790	117,090	27,154	765	453
Far East:							
Fiscal year 1958	8		38,236				
Fiscal year 1959	18	19	139,990	118,626	2,513		40
Fiscal year 1960	11	12	52,300	48,650	13,045	125	233
Fiscal year 1961 ²	5	3	57,200	47,700	13,582	475	379
Total	42	34	287,726	214,976	29,140	600	652
Latin America:							
Fiscal year 1958	3	1	8,500	5,000			
Fiscal year 1959	15	12	57,290	44,190	3,073		9
Fiscal year 1960	7	6	28,600	23,400	25,430	274	450
Fiscal year 1961 ²	3	5	72,300	23,100	5,387	211	698
Total	28	24	166,690	95,690	33,890	485	1,157
Near East:							
Fiscal year 1958	5	1	89,000	15,000	1,500		
Fiscal year 1959	13	7	83,400	91,100	35,098	50	210
Fiscal year 1960	10	10	74,050	95,900	37,672	291	1,555
Fiscal year 1961 ²	5	8	172,250	54,000	15,964	687	1,573
Total	33	26	418,700	256,000	90,234	1,028	3,338
South Asia:							
Fiscal year 1958	12	4	119,350	82,100			
Fiscal year 1959	12	14	180,650	185,350	24,269	25	33
Fiscal year 1960	15	13	278,500	141,750	106,374	6,373	1,490
Fiscal year 1961 ²	9	8	114,050	203,100	68,111	3,561	2,189
Total	48	39	692,550	612,300	198,754	9,959	3,712
All regions:							
Fiscal year 1958	31	6	267,386	102,100	1,500		
Fiscal year 1959	73	63	568,170	521,206	65,564	75	202
Fiscal year 1960	49	50	521,000	377,300	202,857	7,469	3,841
Fiscal year 1961 ²	30	26	485,240	367,190	121,528	5,392	5,328
Total	² 183	² 145	1,841,796	1,367,796	391,449	12,936	9,461

¹ Includes allocations.² Approvals and obligations through Dec. 31, 1960.³ Includes 2 guaranties.

Status of loans by country

[In thousands]

Region and country	Project	Approvals and obligations				Financial data as of Dec. 31, 1960				
		Approvals by year				Obligations as of Dec. 30, 1960	Disbursements	Repayments	Interest collected	Currency of repayment
		Fiscal 1958	Fiscal 1959	Fiscal 1960	Fiscal 1961					
Africa:										
Ethiopia	SAIDE cotton textile mill.....		\$500		\$2,000	\$500	\$269		\$2	Ethiopian dollars.
	Development Bank.....				3,100					Do.
	Jet airtail facilities.....				19,500					Do.
	Airport facilities.....		100			190	158	\$8	2	U.S. dollars.
Liberia	Telecommunications.....		3,000	\$250		3,000	150	60	1	Do.
	Bank of Monrovia.....					5,000	2,532	13	31	Do.
Libya	Tripoli power.....			23,000		23,000	664			Libyan pounds.
Morocco	Tripoli irrigation.....					2,000				Do.
Nigeria	Apapa warehouse.....		800		3,000					U.S. dollars.
	Track relaying.....					2,000	81			Somalia.
	Development Bank.....		2,000			10,000	5,094		107	U.S. dollars.
Somalia	Sudan-American textile mill.....		10,000		1,900					Do.
Sudan	Mwanza-Musoma highway.....		2,400	350		2,750	775	20	8	Tunisian dinars.
Tanganyika	Railways.....		1,950			6,250	2,594			Tunisian dinars.
Tunisia	Pulp factory.....	4,300								French francs or United Kingdom pounds.
Other approvals	Oued Nebama Irrigation.....			18,000		18,000				Tunisian dinars.
	El Aouina airport.....			5,100						Do.
	National agricultural development bank.....		10,700		5,000					Do.
					9,300					
Subtotal, Africa		9,300	31,540	46,700	43,800	71,740	12,277	99	149	
Europe:										
Netherlands	Resettlement of emigrants.....	3,000				3,000	3,000		64	U.S. dollars.
	Irrigation (earthmoving equipment).....		7,700			7,700				Pesetas.
Spain	Spanish national railways.....		14,900			14,900	4,829	625	19	Do.
	Union Electrica Madrileña.....		3,900		-2,080	1,840	903			Do.
	General Electrica Espanola.....		1,200	-1,200						Do.
	Electric switchgear.....			350		350				Do.

See footnotes at end of table, p. 45.

Status of loans by country—Continued

[In thousands]

Region and country	Project	Approvals and obligations				Financial data as of Dec. 31, 1960				
		Approvals by year				Disbursements	Repayments	Interest collected	Currency of repayment	
		Fiscal 1958	Fiscal 1959	Fiscal 1960	Fiscal 1961					
Europe—Continued Yugoslavia.....	Pancevo fertilizer plant.....		\$22,500			\$8,957	\$90	\$245	½ dinars; ¼ U.S. dollars.	
	1st diesel locomotives.....		5,000			4,879	100	120	Dinars.	
	1st Kosovo thermal power.....		9,000			1,925	50	4	Do.	
	Trebinjica hydroelectric power.....		15,000						Do.	
	24 diesel locomotives.....			\$14,800			2,661			¼ dinars; ¼ U.S. dollars.
	Zagreb plastics.....			23,000						Do.
Subtotal, Europe.....	Sisak iron works.....				\$8,500				Do.	
	34 diesel locomotives.....				5,200				Dinars.	
	24 Kosovo thermal power.....				14,000				Do.	
		\$8,000	75,300	40,850	28,640	117,090	765	453	Do.	
Far East:										
Indonesia.....	Port and harbor development.....		6,000			6,000		566	Rupiahs.	
	Railway development.....		3,000			3,000		67	Do.	
Korea.....	N.V. Indonesian Service Co.....			2,600		2,600			Do.	
	Tong Yang cement plant.....	2,100	40			2,140			Do.	
	Domestic telecommunications.....	3,500				3,500		147	Do.	
	Hydroelectric power project.....		1,500			1,500		86	Do.	
	Soda ash plant.....		5,600			5,600		9	Do.	
	Small industry loan fund.....		5,000			5,000		20	Do.	
Malaya.....	Yee Pan Industrial Corp.....			1,100		1,100			Do.	
	Nylon plant.....			3,200		3,200			Do.	
	Wet Siam chemical plant.....			3,300		3,300			Do.	
	Wharfe accommodations.....		10,000			10,000			Do.	
Philippines.....	Roads and bridges.....		10,000			10,000			U.S. dollars.	
	Small industry loan fund.....		5,000			5,000		100	Do.	
	Roads, bridges, and rehabilitation of equipment.....		18,750			18,750		10	Do.	
	Bataam pulp and paper (Bataan).....		5,300			5,300			Do.	
	Portland cement project.....		3,700			3,700		2	Do.	
	Batanga pulp and paper (Bagu).....				(5,300)			5	Do.	
	Industrial explosives plant.....				(2,100)			5	Do.	

China.....	Balance of \$50,000,000 project commitment.....	17,250	250	250	2,500	2,500	2,500	3,000	2,952	15	80	New Taiwan dollars.
	Shih Cement Corp.....	250			2,500			21,500	9,006	75	167	Do.
	Shih Dam.....				21,500			3,200	1,884	183	29	Do.
	Railway administration.....				3,200			686	598	40	6	Do.
	Improvement of fishing industry.....				686			5,150	74		1125	U.S. dollars.
	Inghalls-Taiwan shipbuilding.....	6,500		-1,350	1,000			1,000	989	10	72	New Taiwan dollars.
	Byproduct coke oven.....	1,000			1,000			1,350	500		3	Do.
	Aluminum Corp.....	1,350			1,350			10,000				Do.
	24 railroads.....		5,900					10,000				Do.
	China Development Corp.....		2,000					2,000				Do.
	Telecommunications.....		2,000					20,500				Do.
	Nanpu thermal powerplant.....		1,600				40,000					Do.
	Hsinchu glass factory.....		2,500					2,500				Do.
	Tachien Reservoir project.....	2,500						20,000	4,617	10	67	Baht.
	Small industry loan fund.....	20,000						1,750	1,232			Do.
	Bangkok power distribution.....		1,750					750	414			U.S. dollars.
	Dredge facilities.....				1,750			17,500				Piastres.
	Meat processing plant.....	750		-2,000				9,700				Do.
	Saigon-Cholon water system.....	19,500		9,700								Do.
	Vietnam railway system.....						12,700					Do.
	Electric power.....	3,000		-3,000								Do.
Other approvals.....					38,236			214,976	29,140	600	652	
Subtotal, Far East.....		139,990	52,300	57,200								
Latin America:												
Argentina.....	Banco Central.....	24,750						24,750	17,167	200	702	U.S. dollars.
Bolivia.....	La Balcica sugar mill.....	2,500						2,500	2,463	10	44	Bolivianos.
	El Alto Airport.....	1,500						1,500				Do.
Brazil.....	Carambel/Castrolanda resettlement project.....	240						240	193	1		Cruzeiros.
	Anhumas/Pedrinhas resettlement.....	300		-300								Pesos.
	Airport engineering design.....	300						300				Do.
	Airport construction.....	300						10,500				
	Housing, resettlement, and penetration roads.....		10,500	\$ 25,000								
Chile.....	SICA resettlement.....	300						300	278	2	12	U.S. dollars.
	Par-American Highway.....	4,700						4,700	1,531	50	9	1/2 sucres; 1/4 U.S. dollars.
Colombia.....	National highways-IBRD program.....		5,300					5,300	2,806		27	Sucres.
	Banco de Guatemala (rubber).....	5,000						5,000				U.S. dollars.
	Kenaf bag factory.....	400						400	399		20	Do.
	Highway construction.....			2,100								Do.
	do.....			5,400								Quetzals.
Haiti.....	Artibonite Valley project.....	4,300						4,300	641	2	10	Gourdes.
	Centrale Sucriere sugar mill.....		3,000	-3,000				300				Do.
	Highway design engineering.....		300					5,000	1,639	75	32	Lempiras.
Honduras.....	Highway development.....				5,000							Do.
	Cauverval hydroelectric plant.....			2,800				2,800				Do.

See footnotes at end of table, p. 45.

Status of loans by country—Continued
[In thousands]

Region and country	Project	Approvals and obligations				Financial data as of Dec. 31, 1960				
		Approvals by year				Obligations as of Dec. 30, 1960	Disbursements	Repayments	Interest collected	Currency of repayment
		Fiscal 1958	Fiscal 1959	Fiscal 1960	Fiscal 1961					
Latin America—Con.										
Nicaragua	Matagalpa public utilities		\$600	\$2,500			\$251	\$15	(?)	U.S. dollars.
Panama	Rio Tuima hydroelectric plant					2,600				Do.
	Feeder roads					5,800				Do.
Paraguay	Caja de Ahorros housing	\$1,000			\$2,500					
	Asuncion waterworks	2,500				1,000	1,929	30	\$46	Guaranies.
	Brazilian road					2,500	2,574	25	19	Guaranies and U.S. dollars.
Peru	International Products Corp.		2,600			2,600		75	144	U.S. dollars.
	Telecommunications		1,000							1/4 guaranies; 1/2 U.S. dollars.
	Aguaytia-Pucallpa Highway			3,500		3,500				Soles.
	Mutual savings and loan association			1,000		1,000				U.S. dollars.
	Housing resettlement, and penetration roads				\$25,000					1/4 guaranies; 1/2 U.S. dollars.
Uruguay	UTE telephone expansion		8,800							U.S. dollars.
Venezuela						8,800	1,019			1st 13 installments in Uruguayan pesos; last 26 in U.S. dollars.
Central American Bank for Economic Inter-American Development Bank)	Mendoza housing project									U.S. dollars.
Subtotal, Latin America		8,500	57,290	25,000	72,300	95,090	33,890	485	1,157	
Near East:										
Greece	Fertilizer plant	12,000								Drachmas.
	Acheloos hydroelectric plant			31,000				90	450	Do.
Iran	Plan for irrigation project	40,000								U.S. dollars.
	Industrial & Mining Development Bank of Iran		7,500					200	1,335	Do.
	Highway construction		5,200							
	Port and port facilities		25,000							Do.
						28,200	8,364			Do.
						12,000				
						31,000				
						47,500				
						5,200				

Israel.....	15,000	{	5,000	.....	15,000	14,981	535	1,374	Pounds.
Industrial Development Bank of Israel, Ltd.	5,000	.....	5,000	.....	.....	2,838	.....	29	Do.
Irrigation and agriculture.....	15,000	.....	15,000	6,000	.....	5,175	.....	.....	Do.
Telephone development.....	1,200	.....	1,200	.....	.....	121	.....	.....	Do.
Trans-Jordan electric power.....	2,500	.....	2,500	-1,000	.....	571	.....	1	United Kingdom pounds.
Jordan Phosphate Mines Co.	.....	.....	.....	.....	.....	.....	.....	.....	Do.
Arab land bank.....	5,000	.....	5,000	1,000	.....	.....	.....	.....	U.S. dollars.
Development Bank.....	500	.....	500	.....	.....	127	.....	.....	Do.
El Bared powerplant.....	400	.....	400	.....	.....	.....	.....	.....	Do.
Aluminum plant.....	10,000	.....	10,000	.....	.....	1,223	112	43	Lira.
Industrial development bank.....	900	.....	900	.....	.....	355	91	.....	Do.
Aerial mineral survey.....	14,500	.....	14,500	.....	.....	.....	.....	.....	Do.
Turkish coal enterprises, Zonguldak mining.....	6,100	.....	6,100	(-6,100)	.....	.....	.....	.....	Do.
Vinytex Plastics, Inc.....	2,800	.....	2,800	.....	.....	.....	.....	.....	Do.
Kourna insecticide plant.....	7,000	.....	7,000	.....	.....	.....	.....	.....	Do.
ETIBANK electric power.....	6,000	.....	6,000	.....	.....	.....	.....	.....	Do.
Railway construction.....	(12,300)	.....	(12,300)	117,800	.....	.....	.....	.....	Do.
Eregli steel mill.....	6,200	.....	6,200	.....	.....	.....	.....	.....	Do.
Balance of \$37,500,000 project commitment.....	.....	.....	.....	.....	.....	.....	.....	.....	Do.
United Arab Republic:	.....	.....	.....	.....	.....	.....	.....	.....	Pounds.
Egypt.....	.....	.....	.....	450	-250	.....	.....	.....	Do.
Edfina canning plant.....	.....	.....	.....	7,000	.....	.....	.....	.....	Do.
Development Bank.....	.....	.....	.....	6,700	.....	.....	.....	.....	Do.
Bagasse Pulpmill.....	.....	.....	.....	1,300	.....	.....	.....	.....	Do.
Telecommunications.....	.....	.....	.....	1,000	.....	668	.....	3	U.S. dollars.
Worsted textile plant.....	.....	.....	.....	5,000	.....	.....	.....	.....	Pounds.
Development Bank.....	.....	.....	.....	2,500	.....	.....	.....	.....	Do.
Telecommunications.....	12,000	-12,000	.....	10,000	.....	.....	.....	.....	Do.
Other approvals.....	89,000	83,400	74,050	172,250	256,000	90,234	1,028	3,238	.....
Subtotal, Near East.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
South Asia:	.....	.....	.....	.....	.....	.....	.....	.....	Ceylonese rupees.
Ceylon.....	1,600	.....	1,600	1,393	.....	421	100	53	Do.
Irrigation and land development.....	900	.....	900	.....	.....	.....	.....	8	Do.
Highland development.....	750	.....	750	.....	.....	.....	.....	.....	Do.
Rehabilitation of railways.....	.....	.....	.....	.....	.....	.....	.....	.....	Do.
Construction of railways.....	.....	.....	.....	.....	.....	.....	.....	.....	Do.
Ceylon Cement Corp.....	.....	.....	.....	4,500	.....	.....	.....	.....	Do.
Airport construction.....	.....	.....	.....	3,200	.....	.....	.....	.....	Do.
Albert acquisition.....	700	.....	700	.....	.....	.....	.....	.....	Do.
Railways.....	40,000	.....	40,000	.....	.....	.....	.....	.....	Afghanis.
Roads, cement, jute, and refractories.....	35,000	.....	35,000	-10,000	.....	.....	.....	.....	Indian rupees.
2d railways.....	.....	.....	.....	.....	.....	.....	.....	.....	Do.
Steel imports:	.....	.....	.....	.....	.....	.....	.....	.....	Do.
Public.....	18,000	.....	18,000	.....	.....	.....	.....	.....	Do.
Private.....	22,000	.....	22,000	.....	.....	.....	.....	.....	Do.
Public power development.....	10,000	.....	10,000	.....	.....	.....	.....	.....	Do.
Capital equipment for private industries.....	15,000	.....	15,000	.....	.....	.....	.....	.....	Do.

See footnotes at end of table p. 45

Mr. TABER. Can you tell us to what extent there have been transfers from the Development Loan Fund or from other funds, into the Treasury?

Mr. GORDON. We would have to supply that. I am not especially qualified to say.

Secretary DILLON. Even though that is not my subject, Mr. Chairman, I can answer that from my past knowledge.

The law provides we cannot transfer to, or from, the Development Loan Fund for other funds. There have not been—

Mr. TABER. I was also told there have been substantial transfers from the military.

Secretary DILLON. Not to the Development Loan Fund. You can transfer to all other funds—

Mr. TABER. Where did that go?

Secretary DILLON. I could not answer that because I understand the State Department is working on some such thing now.

The law provides that you can transfer funds between the military and economic assistance in either direction, with the exception of the Development Loan Fund, which is set apart, and cannot receive extra funds.

Mr. BOWLES. There is a limit of 10 or 20 percent.

Mr. FORD. In and out?

Secretary DILLON. Ten percent is the maximum that can be transferred out, and it cannot be larger than 20 percent of the amount appropriated of the fund receiving the transfer. You cannot increase a Fund by more than 20 percent, and you cannot decrease a Fund by more than 10 percent in the transfer balance.

Mr. PASSMAN. Would the gentleman yield?

Mr. TABER. Yes.

Mr. PASSMAN. Could you transfer out of, let us say, the defense support category into the Development Loan Fund?

Secretary DILLON. No. Nothing can go into or out of the Development Loan Fund.

Mr. PASSMAN. Thank you.

Mr. TABER. Do you have a table that shows what has happened to the money that was provided for the Development Loan Fund?

Mr. GORDON. There is a table, Congressman, which shows Development Loan Fund loans in Latin America by countries. Our presentation here is concerned only with Latin America.

Mr. TABER. Loans other than those expected to be made out of this particular operation?

Mr. GORDON. Yes, sir.

Mr. TABER. Where would that table be?

Mr. GORDON. The table showing the assistance that has come from the Development Loan Fund by countries is at the very end of the book on pages E-2, E-3, and E-4.

Mr. BOWLES. Your total is \$94 million in the Development Loan Fund in the last 9 years.

Mr. GORDON. That is all 3 years, since the Development Loan Fund was set up, of which \$24.8 million went to Argentina; \$4 million to Bolivia; \$200,000 to Brazil; \$10.8 million to Chile; and \$300,000 to

Costa Rica. Then \$10 million went to Ecuador and \$5.4 to Guatemala; and so on.

Mr. TABER. I think those figures ought to be put in the record.

Mr. GORDON. All right.

(The information follows:)

Development Loan Fund: Loans approved for Latin American countries through June 30, 1960

[In millions of dollars]

Argentina.....	\$24.8	Honduras.....	\$7.8
Bolivia.....	4.0	Nicaragua.....	3.1
Brazil.....	.2	Paraguay.....	7.1
Chile.....	10.8	Peru.....	4.5
Costa Rica.....	.3	Uruguay.....	8.8
Ecuador.....	10.0		
Guatemala.....	5.4	Total Latin America.....	94.4
Haiti.....	7.6		

DLF LOANS TO LATIN AMERICA SINCE JUNE 30, 1960

Mr. GORDON. There have been some additional loans since fiscal 1960. The significant ones I recall are Peru and—

Mr. TABER. They run from \$90 to \$100 million?

Mr. GORDON. The Development Loan Fund portion of those I think is a bit smaller. I have something here on that.

In each case they were combined Development Loan Fund and Export-Import Bank loans. In the case of Peru, the Development Loan Fund was \$25 million. In the case of Columbia, the Development Loan Fund was \$25 million. That is \$50 million for those two countries together.

There were also Export-Import Bank loans to those two countries at the same time.

Mr. TABER. What were they?

Mr. GORDON. The Export-Import Bank loan to Peru was \$28.2 million and to Colombia was \$45 million.

Mr. TABER. That means about \$125 million or \$130 million?

Mr. GORDON. \$123 million.

Mr. TABER. On page 658 of the hearings on the third supplemental, there is a table which shows \$72,300,000 going to Latin America.

Mr. GORDON. That is right.

Mr. TABER. That is in fiscal year 1961?

Mr. GORDON. Right.

In addition to the large items for Colombia and Peru, I mentioned there are a number of smaller items, as that table shows.

Mr. TABER. Are there any items that could be added to that to bring it up to date?

Mr. GORDON. Loans made since their hearings?

Mr. TABER. Yes.

Mr. GORDON. I would have to inquire. I do not know.

Mr. TABER. Supply it, please.

Mr. GORDON. Yes, indeed; we will supply that for the record, Congressman. I am sorry I do not have it.

(The information follows:)

Loans approved for Latin American countries from July 1 through Mar. 28, 1961

Country	Loan	Amount
Bolivia.....	La Esperanza sugar mill.....	\$1,750,000
Colombia.....	Housing resettlement and penetration roads.....	¹ 25,000,000
Guatemala.....	Highway construction.....	{ 2,100,000
Haiti.....	Sisal Plantation.....	{ 5,400,000
Panama.....	Feeder roads.....	250,000
Peru.....	Caja de Ahorros Housing.....	5,300,000
Venezuela.....	Housing, resettlement and penetration roads.....	¹ 2,500,000
Central American Bank for Economic Integration (Development Bank).....	Mendoza housing project.....	¹ 25,000,000
		5,000,000
		¹ 5,000,000
Total Latin America.....		11,300,000

¹ Allocation pursuant to sec. 202(c) of Mutual Security Act, as amended.

Mr. TABER. Somebody said something a little while back about somebody having authority to pledge the credit of the United States for some of these projects beyond what money is provided in these appropriations.

Mr. GORDON. No, sir. The pledging of the credit of the United States is for the \$200 million worth of callable capital, so-called, of the Inter-American Development Bank. There was no question of authority here to pledge our credit beyond appropriated funds.

Mr. TABER. There is no authority to go into a project where you do not have money enough available to finance it?

Mr. GORDON. No.

Mr. TABER. To pledge the credit of the United States?

Mr. GORDON. No.

Mr. TABER. What are the projects that you embark on?

Maybe this question ought not to be asked at this point.

What are the projects that you embark upon in South America, or Latin America with Development Loan funds, or with other activities of the ICA?

Mr. GORDON. If we could come to that later I think it might be helpful in view of Mr. Dillon's timetable. This is an area we are prepared to testify to if you would like us to do so at this point. It is entirely at your pleasure.

Mr. TABER. As far as I am concerned, I am perfectly willing to see Secretary Dillon excused.

Mr. PASSMAN. Off the record.

(Off the record.)

Mr. NATCHER. Off the record.

(Off the record.)

APPROPRIATIONS TO INTER-AMERICAN DEVELOPMENT BANK

Mr. FORD. Mr. Secretary, I was concerned about where this \$100 million came from and where the remainder of this \$200 million is generated. I find at least some of its came in the supplemental Appropriation Act for 1960; is that correct?

Secretary DILLON. As I understand—I was not intimately connected with it last year—that all the funds for our contributions to the Inter-American Development Bank last year came in the supplemental appropriation because the Bank itself had not been actually started in time to have it come in the other way.

Mr. FORD. I have before me the Supplemental Appropriation Act

for 1960, adopted September 1, 1959, under the heading "Treasury Department, Office of the Secretary".

INVESTMENT IN INTER-AMERICAN DEVELOPMENT BANK

To finance the participation of the United States in the Inter-American Development Bank, to remain available until expended, \$280 million, of which \$230 million is for the purchase of capital stock in said Bank (including \$200 million for callable capital stock and \$30 million for the first installment on the paid-in capital stock) and \$50 million is for payment of the first installment of the subscription of the United States to the fund for special operations of said Bank.

Secretary DILLON. That is exactly what I described as the funds paid in last fall to the Bank.

Mr. FORD. \$50 million has been paid in?

Secretary DILLON. A total of \$80 million has been paid in; the \$50 million and the \$30 million, and the \$200 million is callable stock which is not paid.

Mr. FORD. And this \$80 million which has been paid in is in the hard loan, or the other portion?

Secretary DILLON. \$30 million is in the hard loan and represents 20 percent of our subscription to that; \$50 million was in the special fund, and represents half our subscription to that.

Mr. FORD. And this request for \$500 million is to go in the third category?

Secretary DILLON. That is right.

This is for a U.S. Government fund for social progress for which we are intending to ask the Inter-American Bank to be the agent for \$394 million.

Mr. FORD. I notice on page 6 of your prepared text you indicate that the Bank has received nearly 250 applications for loans. The Bank has selected 180 of those for active consideration.

There are 19 applications representing potential loans in excess of \$60 million.

These are all in reference to this \$500 million request, or are they outside of that?

Secretary DILLON. None are in reference to the \$500 million request. They are all in reference to the capital funds of the bank that were subscribed last year, of which the U.S. share was \$80 million and the other countries put up the rest.

Mr. FORD. This part we are discussing here is not in relation to the \$500 million; it is just a résumé of what the facts are.

Secretary DILLON. It is meant to show the Bank is operating and a qualified operation.

INDIVIDUAL PROJECTS TO BE JUSTIFIED IN DETAIL

Mr. PASSMAN. Chairman Morgan of the Foreign Affairs Committee stated on the floor that these requests were to be justified.

There have been no projects justified as such, specifically, with respect to the \$500 million. Is that a statement of fact?

Secretary DILLON. That is what Mr. Gordon will speak to when I get finished.

Mr. PASSMAN. So far, none of the projects have been justified. We are dealing with the future, and not the past; is that correct?

Secretary DILLON. That is correct.

Mr. FORD. I think it might be well, since apparently the 250 applications have been refined to 19. If we could have a listing of the projects involved in the 19 it would be helpful.

Secretary DILLON. There is a question there, Mr. Ford, because the Bank is an international organization and whether we should list for publication here items which they have not yet decided on is doubtful. I think they would not wish that.

Mr. TABER. When they ask for the money, how are we going to do anything in the line of justifying it unless we know?

Secretary DILLON. We certainly have to justify this program.

What Mr. Ford was referring to is not this program, it is the funds the Bank already has, and the proposals they now have under consideration.

I know the World Bank, and Mr. Gary drew the parallel, have felt they cannot make available to any of their member countries details of things that are under consideration in advance of consideration. That is what this has to do with. This does not have to do with the funds we are requesting here today. The program we are requesting today will be justified later on and Mr. Gordon is prepared to do that.

REFORMS TO BE MADE PRIOR TO APPROVAL OF PROJECTS

Mr. FORD. I am a little concerned about the sequence. How are these reforms going to be carried out if we ever get the actual projects underway.

On page 4, Mr. Secretary, you indicate the Harvard Law School is to hold some conferences, or studies, involving Latin American tax systems. I gathered the impression overall that none of this \$394 million out of the \$500 million would be made available and paid out until some of these reforms, including tax reforms, would materialize.

How long are these studies going to take?

How do they tie in?

Secretary DILLON. I think that is a very good question.

What I was referring to was an overall study in the Department of tax policy and tax administration in which the OAS is interested, but the countries are not all going to wait for that. Many have already started in these various fields, and on page 11 of the presentation there begins a whole long list of self-help measures, some of which are already underway.

In the field of taxation, for instance, Uruguay enacted an income tax law for the first time last year. Colombia enacted new legislation after this "Act of Bogotá." Guatemala is now considering it. In São Paulo, Brazil, they adopted new legislation in both tax and land reform in accordance with this in 1960. This is happening already in many areas in these different fields.

We obviously would not expect that a country had to reach perfection before they got any money in these areas, but if they were making progress and were moving in these fields we would help them.

This is all listed for three or four pages, things they have already done. And under this incentive program, we think they will move rapidly to do other things.

Mr. FORD. Those illustrations you have given make much more sense than the illustration used in the statement.

I really do not think this study is going to materialize very quickly into some action.

Secretary DILLON. For speed, the illustrations I have given are much better. This is a thing that has been agreed to by everybody, and that is why I used it.

Mr. FORD. I know Mr. Gary asked for a list of the names of the Board of Governors, their background, and so forth. It seems to me, without seeking to discount your participation as a member of the Board of Governors, the Executive Directors are the ones we want to know about, and we are going to have information on them.

Secretary DILLON. Yes. They are the people who sit in Washington and operate the Bank every day. The Governors sit in their capitals and meet once a year for a meeting.

Mr. FORD. Let's have all the Executive Directors listed, their background.

Secretary DILLON. We will do that.

(The information requested appears on p. 24.)

PROCEDURES FOR LOAN APPROVAL

Mr. ALEXANDER. Mr. Secretary, in regard to the Inter-American Bank which is to act as agent for us should we pass this \$500 million, I understand they are to get \$394 million which will be handled by the Bank.

Would you explain to the committee what limitations and what procedures a person or a corporation or a country would have to go through in order to get a loan?

Secretary DILLON. Mr. Alexander, that is something I said earlier Mr. Gordon is prepared to testify to.

There has been a 10-page agreement worked out between the Inter-American Bank and the United States which specifies that, and it is part of the record, and he will testify in detail about it. I am personally not familiar with that in detail.

Mr. ALEXANDER. Is there any limitation on how much one country is entitled to get?

Secretary DILLON. There is no limitation by country.

I think the feeling was they would rely on the fact the executive directors represent the whole so no one would get too much, but also there was a wish to avoid just cutting this up as a piece of pie and dividing it among the 19 countries evenly, or according to population, or some other way. They felt it should be according to the need and the speed with which the country did the self-help measures themselves.

Mr. ALEXANDER. Actually, this program is a supplement to all the other programs we are doing there?

Secretary DILLON. That is correct.

Mr. ALEXANDER. And in addition, you are asking for \$100 million to go into the ICA which will be doing a similar type of thing with that amount of money?

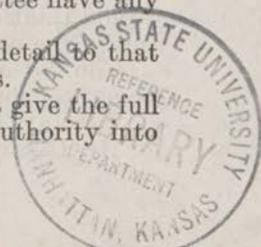
Secretary DILLON. That is part of the request.

The ICA funds will certainly be similar, but they will be utilized for things which require grants rather than the loans. It will be more in the education and public health fields particularly.

Mr. ALEXANDER. Will this committee have any general idea as to what the loans would be based on? Would this committee have any control at all over the loans?

Secretary DILLON. Yes. Mr. Gordon will testify in detail to that because that is what he has been working on for months.

Mr. FORD. Assume for a minute the Congress did not give the full \$500 million, do you have under existing law transfer authority into the fund from other mutual security funds?



Secretary DILLON. No.

Mr. FORD. This stands on its own as DLF?

Secretary DILLON. Yes.

STATED NEED FOR FULL APPROPRIATION

Mr. PASSMAN. On that score, it was stated that there was no dollar amount cited at the Bogotá conference until the Latin American countries realized the dollar amount would be contingent upon the action of the Congress. This is similar to all other legislation, in that even though you have an authorization for \$500 million, it could be expected, unless it is justified, we could appropriate a lesser amount, and if a lesser amount fitted the need, that would be acceptable; is that a correct statement?

Secretary DILLON. I think the Latin American countries believe the need is for \$500 million and they rely on the people who will be up here in front of you to justify that. I think they certainly do not expect any funds that cannot be justified.

Mr. PASSMAN. It is unlikely that the world will come to an end if you do not get the entire \$500 million at this time, as Chairman Morgan said:

I can assure you the \$500 million will not be spent for several years.

Secretary DILLON. The actual expenditures will not take place for a period of time, but I think there is a feeling on the part of the administration, certainly the President so indicated, it would be very important to have the entire amount available and obligated as it would be for expenditure.

Mr. PASSMAN. I would expect every President would feel that way about the items in the budget. He would not ask for the amounts unless he believed they could be justified. It follows, nevertheless, that substantial reductions are frequently made, and we are still going. Could this not be handled in the same manner? You want adjustments made if there are reasons to make adjustments.

Mr. GORDON. If I may make a comment.

It is true the "act of Bogotá," it does not mention a dollar figure. The figure of \$500 million was not only in the minds of everyone at Bogotá, but was actually discussed, and I think it is fair to say if the appropriation was for any lesser amount there would be an exceedingly bad reaction in Latin America.

It is, of course, recognized that this is subject to an appropriation, but the needs are felt considerably to exceed this sum of money, and I think it would be most unfortunate if the appropriation were for a smaller amount.

Mr. PASSMAN. It is going to be very unfortunate on your part, and every other witness, if you come before this committee expecting this committee to appropriate \$500 million unless there is sufficient justification. You have not detailed the information as you told the Foreign Affairs Committee you would last year. I am not going to respond to the "rush act," not necessarily from your side. You would think the world would come to an end if this were not reported out in the next few hours.

I do not believe the President desires to have this committee rush this through; is that not right, Mr. Dillon?

Secretary DILLON. I think you would know, Mr. Chairman.

Mr. PASSMAN. We do not intend to yield to pressure and rush this

through without adequate hearings. I want to thank the gentleman for yielding.

Mr. TABER. Would the gentleman yield to me for a question?

ANTICIPATED OBLIGATIONS BY JUNE 30, 1961

I have turned over to a page labeled "D-1." There it appears what you are asking for is not \$500 million, but \$450 million. It appears there very clearly that \$50 million is just velvet.

Secretary DILLON. Let me explain this \$450 million.

The request is for the appropriation now of the entire \$500 million. It is anticipated if appropriated that the \$394 million, which is intended for Bank administration, would be obligated right away.

With respect to the \$100 million, which is planned for ICA administration, it is anticipated that \$50 million would be obligated during this fiscal year and the other \$50 million during the next fiscal year.

Mr. PASSMAN. That means we are going to ignore completely the assurance Mr. Morgan gave the House of Representatives last year. Is there an urgency that we are going to have to ignore the assurance set forth in his own statements? I would like to have very good reasons why we are going to have to do this.

OBJECTIVE OF SOCIAL DEVELOPMENT PROGRAM

Mr. RHODES. Mr. Secretary Dillon, on page 4 of your statement you have these words:

Economic development can take place without adequate social progress, but sustained social progress cannot take place without economic development.

I submit to you the proposition that in the usual sense of "economic development," meaning the investment of capital which will be income-producing, this is not economic development.

Secretary DILLON. These funds were not looked upon as economic development in the ordinary sense of the word, although we have found they are vitally necessary to move ahead with economic development.

That was part of the debate at Bogotá. Economic development is looked upon by many as merely the building of dams and the building of cement plants, steel plants, and things of that nature.

This program is directed more toward redistribution of land, simpler things, to make agricultural production better, better education, some work in the health field, taxation and things of that nature. We feel this is a necessary adjunct for sound economic development.

You can build, as we said before, cement plants and dams and steel mills without doing this sort of work and the result may be there will be a higher economic production, but the general state of well being in the country will not be good and you may have trouble. That is why I say you can have economic development without social progress, but you cannot have social progress unless the general wealth of the country is rising.

Mr. RHODES. You really redefine economic development then?

Secretary DILLON. Yes.

Mr. RHODES. You did not mean it in the usual sense of income-producing property when you used it in this statement?

Secretary DILLON. That is correct.

Mr. RHODES. You do not have any income-producing features in this program?

Secretary DILLON. This is the social development.

Mr. RHODES. I just wanted to get this in proper context.

This is not an economic development proposal?

Secretary DILLON. It is social.

Mr. RHODES. May I suggest we strike out this sentence about economic development, "but sustained social progress cannot take place without economic development"?

I think that is irrelevant as far as this case is concerned.

Secretary DILLON. It may be as far as this case is concerned. It could be removed as far as the case for this \$500 million is concerned. This was addressed primarily to the Latin Americans who felt very deeply this had to move in parallel with economic development programs. But the funds for this, you are quite correct, are for the social development program.

(Discussion off the record.)

Mr. BOWLES. May I say something on this point?

I think we have learned a good deal in the last 15 years. There have been high costs and mistakes have been made over the years. I think we have learned an awful lot about the programs and how they will work and will not work.

This effort we are making here is a product of that kind of study and analysis. For a long time we went on the theory that all you had to do was raise the gross national product of a country, expand its industry, and everybody would be happy—and they would all vote against communism and they would live happily ever after, as we do in the United States.

It has been pretty well demonstrated this is not the case. When you get very rapid industrial development in a very backward country, the effect usually is to create more insecurity, greater differences between rich and poor, greater sources often of political dissatisfaction. This is very fundamental. It is important, I feel, and I think we all feel—and I think this program is a product of this awareness—that we be concerned not only with economic development and growth in terms of more steel mills and more irrigation and the rest, but with what happens to people in the process.

If you are not concerned with what happens to people, you can get more economic growth and you can have a blowup on your hands as have occurred in a number of countries.

Mr. RHODES. I am very much concerned about what happens to people.

Mr. BOWLES. That is what this program is all about.

Mr. RHODES. I understand that. It bothered me somewhat that we are apparently putting emphasis here on community-type water supplies, sanitation facilities, and so forth, to the exclusion of providing jobs for these people.

I happen to agree with what Secretary Dillon said in his statement. I do not think you can have one without the other.

This bothers me. Are we going completely on the social progress route without concern for economic progress? You said that we can provide jobs for people, and industrialization for nations, but they still go Communist.

I think that is probably true. But isn't it equally true that if these people are sitting in a nice, new low-income housing project apartment without a job and without food, they might still be anxious to upset the established order—go Communist?

Mr. BOWLES. There has to be both. We have to have both.

Mr. RHODES. What are we going to do on the economic side?

Mr. BOWLES. The President is sending up his general economic program day after tomorrow. It was coming up tomorrow, but there are certain things still under discussion. It will be sent in to the Congress on Wednesday.

And this will be the overall development program for next year, proposals for the usual—it is reorganization of the agencies and the rest. This really has to be read with what we are saying here today.

Mr. RHODES. All we are considering here is the social progress side of this thing.

Mr. BOWLES. That is right.

Mr. RHODES. And any allusions made to the economy of the area are completely irrelevant.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

EFFECT OF PROGRAM ON LATIN AMERICAN COUNTRIES

Mr. RHODES. In establishing a tax system for a country, don't you have to discover and define the type of economy that the country has, the type of economy the country should have, and tailor-make the tax system to encourage that type of economy?

Secretary DILLON. Absolutely, I would say.

Mr. RHODES. The study which will be made won't really be a study of tax systems. It will really be an economic study, will it not?

Secretary DILLON. The study being made has to do not only with tax policy, but also with tax administration and I think that through the help of our experience and that which the Harvard Law School can bring to bear, they probably can be helpful to the Latin American countries, many of whom have great difficulty with tax administration and laws. Actually, their tax structure is not always correct.

Mr. RHODES. It occurs to me the administrators of the Inter-American Development Bank are going to be in the position of writing a blueprint for the renovation and rehabilitation of all of Latin America, not only economically but socially. Would you agree to that?

Secretary DILLON. I think that the program is that a broad-scale development program for each country, which is that about which you have talked, would be evolved in each country primarily working with the OAS and ECLA. That is what \$6 million of these funds is supposed to help finance, and then the Inter-American Bank will also join with that in promoting particular items that are listed here.

The country itself will have to develop its own program maybe by getting outside experts to help them which they can get from ECLA and OAS.

Mr. RHODES. That is all, Mr. Chairman.

Mr. PASSMAN. Governor Montoya?

Mr. MONTOYA. Secretary Dillon, don't you think that since the program is premised on the idea of institutional innovations in Latin America, that, if and when any new tax structure is promoted in the countries as a result of this incentive, the demagogues will blame the United States for the additional tax burden on the people and, in the end, it might hurt our country more than the help we will derive momentarily?

Secretary DILLON. I do not think so, Mr. Montoya, because this will be worked out through the Inter-American Bank with Latin American experts and what will be done will be the adoption of programs that are believed in and promoted by eminent Latin American economists and experts, say, in the field of taxation so it will be the Inter-American Bank that will be looked to.

Mr. MONTOYA. On the other hand, Mr. Secretary, if you will permit me to interrupt you right there, the image has already been created by President Kennedy's statement that this is what he wants, although he did not spell it out in detail.

Secretary DILLON. That is correct. What I was going to say to finish is that this changing of tax systems does not necessarily involve a greater burden on the masses of these countries.

In fact, it probably involves a better situation for them through greater collections of taxes and a more equitable distribution within those countries. What will be the case will be that the small proportion of the population shown here in some of these charts, which has by far the greater portion of the wealth, will be asked to pay a more equitable share of the burden than they have in the past.

EFFECT OF PROGRAM ON U.S. BUDGET

Mr. MONTOYA. I do not think there is any problem or disagreement with that philosophy, but the \$500 million which you are asking that we appropriate here will do what to the budget this year?

Secretary DILLON. To the U.S. budget?

Mr. MONTOYA. Yes.

Secretary DILLON. It will have no effect on the fiscal year 1961 budget because I think very little of it will be expended. On the fiscal year 1962 budget I think we are looking to expenditures in the funds that will be utilized by the Bank of somewhere upward of \$50 million—between \$50 and \$100 million.

Mr. MONTOYA. Is it my understanding, then, that only \$50 million will be disbursed out of this appropriation during this fiscal year?

Secretary DILLON. During fiscal year 1962—

Mr. MONTOYA. No; this fiscal year.

Secretary DILLON. Fiscal year 1961?

Mr. MONTOYA. Yes.

Secretary DILLON. I think it will be possibly even less than that.

Mr. MONTOYA. How much would you say?

Secretary DILLON. From the point of view of the Bank, it would be a very small amount. They would probably disburse hardly any. The \$6 million for the OAS could all be obligated and turned over to the Pan American Union and I do not know what ICA's plans are for their \$100 million. I doubt if they will be able to disburse that.

Mr. MONTOYA. Why is the \$106 million being requested in this package since it is going to be disbursed by ICA? Why don't you ask for a supplemental for ICA, in view of the fact, as Mr. Gordon testified, that \$100 million of this will be expended by ICA for grants or loans as they might desire in fields of public health and education?

Secretary DILLON. I think the only reason was, Mr. Montoya, that this program is looked upon by the Latin Americans as the first time since the war when the United States has looked toward her brothers in Latin America and felt we were giving them an importance similar

to what we have given over the past few years to other parts of the world. This program is a whole and we feel it would be far better to treat it as a whole rather than to fragment it and put \$394 million in one request and \$100 million in another request.

Actually, the whole \$500 million is being requested by the President to utilize for this purpose, and we are informing Congress that it is the President's intention to put \$394 million in the Inter-American Bank and \$100 million in ICA and \$6 million in for the use of this planning by the Inter-American ECOSOC.

ALLOCATION OF \$100 MILLION TO ICA

Mr. MONTROYA. Couldn't you use \$100 million out of available ICA funds and still accomplish the same purpose?

Secretary DILLON. No; I do not think that is possible at this time. I do not think those funds exist.

Mr. FORD. Would the gentleman yield?

Secretary DILLON. Yes.

Mr. FORD. This \$106 million would be of no-year funds, I gather, which are quite different from the funds that are in the economic assistance and point 4 programs on a worldwide basis?

Secretary DILLON. That is right.

Mr. FORD. How would you commingle these funds? If you get the money and it is put into a joint fund, how do you commingle and how do you handle the situation?

Secretary DILLON. This is a matter for the ICA to handle. All I can talk about is the Inter-American Bank.

Mr. BOWLES. We haven't heard the testimony of ICA yet. They have separate testimony.

Mr. PASSMAN. At the time of the Bogotá agreement, of course, you did not know the amount of capital required to carry out the agreement. At a subsequent date you arrived at a figure of \$394 million.

Secretary DILLON. \$500 million.

Mr. PASSMAN. I am speaking of the Bank.

That allocation is \$394 million. If you were going to use the entire \$500 million authorization, you did not need all of the money for the Bank, and you had to request it under an ICA item to make up the total of \$500 million. It will go to ICA, will it not?

Mr. BOWLES. Yes, sir.

Mr. GORDON. Yes, sir.

The program from the very start, as Secretary Dillon's testimony before the authorizing committees last August and September made quite clear, envisaged that of the \$500 million the bulk would be administered by the Bank but a smaller part would be administered by the ICA bilaterally.

Mr. PASSMAN. But the urgent request today, if there is an urgency, would be as it applies to the Inter-American Development Bank?

Mr. GORDON. It is equally urgent on both fronts.

Mr. PASSMAN. With the tremendous amount of money available in ICA, under sundry accounts, from which you could have allocated funds, you tell us that you are making your case, nevertheless, that this is an emergency?

Mr. GORDON. The ICA, sir, would have to speak to that. As I understand, ICA does not have funds to be used for this purpose.

Mr. PASSMAN. But the committee might help them find the funds.

Mr. GORDON. I do not know what the situation is with respect to ICA funds in general.

Mr. PASSMAN. If we can find the funds under the present ICA unexpended and unobligated appropriation, then would ICA have need for it?

Mr. GORDON. I do not understand that the ICA has any funds which could be available for putting into this sort of program.

Mr. PASSMAN. That could be your understanding, but mine is different.

Mr. BOWLES. I think a lot has happened in Latin America in the last year that is of the most crucial importance and danger. This is what gives it the urgency. We are now up against a situation such as the Soviet Union trying to go into Bolivia, and offering \$150 million. They have provided over \$250 million in Cuba. We are up against tough competition.

Mr. PASSMAN. I agree with you. If you should read the testimony from last year you would not find, figuratively, as much as three periods different from this year. You are trying to establish here the need for your Bank. Then, you had left over \$106 million. You had to find some way to disburse this. You are going to let ICA handle \$106 million. It is still going to be under ICA for loans, grants, or anything they want to use it for. Is that a statement of fact?

Mr. BOWLES. There is a difference here, that the ICA is going to grants largely for those projects which are not self-liquidating. The others are self-liquidating. It isn't a matter of looking for places for the funds. There are places for those. We could use a billion dollars here reasonably. There is a difference here in purpose, you see, loans on the one hand for self-liquidating and grants on the other.

Mr. PASSMAN. I did not expect you to agree with me. But, you are letting ICA disburse \$100 million as they see fit, loans or grants, similar to other loans and projects in the ICA. Is that a statement of fact?

Mr. BOWLES. We are asking \$100 million for ICA to use for the ways set out in the presentation book.

Mr. TABER. But they haven't told us yet what they propose to use it for in either the grants or the loans.

Mr. PASSMAN. That we will develop later, I hope.

Mr. BOWLES. That is right.

AVAILABILITY OF LOCAL CURRENCY FOR PROGRAM

Mr. MONTOYA. I would like to ask Mr. Gordon this question: In view of the fact that it is your intention to use \$100 million through ICA for public health and educational purposes in these countries, why do you have to use dollars and why do you require that we appropriate dollars for your use in these particular fields when as I remember correctly you have the authority under the law to use currencies now on deposit to the United States in these respective countries.

Mr. GORDON. We looked into the local currency situation, Congressman, and there are no significant amounts of uncommitted local currencies. The only source of local currencies here, or the only substantial source is title I of Public Law 480. There were all together \$547 million worth of such sales. Of that amount, \$119 million of the

results are reserved for American use—that is, our own expenditures of one type or another—\$2 million have been earmarked for defense uses, \$45 million for loans for private enterprises under the Cooley amendment and \$385 million are earmarked for economic development loans.

They are already earmarked for purposes agreed with the recipient countries in each case.

Mr. MONTROYA. But you also have in those agreements, do you not, that the agreements may be altered by mutual consent?

Mr. GORDON. Yes, Congressman, I believe that is so, but if the funds are withdrawn for those purposes then those other purposes would presumably have to be financed in some other way.

Mr. MONTROYA. Then the sales that we made under Public Law 480 are actually not sales because they are going to remain in that country and we cannot use them for any purpose.

Mr. GORDON. The sales under 480 were made, I think, precisely in accordance with the terms of Public Law 480, under which a substantial part of the proceeds are reserved for direct American uses and the other parts are made available—

Mr. MONTROYA. A very small part, is that correct?

Mr. GORDON. In the Latin American case, \$119 million out of \$547 million, a fairly sizable proportion.

Mr. MONTROYA. Can you not use these counterpart funds for the particular purposes for which you are requesting this \$100 million, though?

Mr. GORDON. The counterpart funds or the local currency proceeds—

Mr. MONTROYA. I do not have the table of available counterpart funds but it seemed to me we had more than \$100 million available for discretionary use for this particular type of program in any country in Latin America, provided we used the local currencies of the country wherein we desired to expend the money.

Mr. GORDON. My understanding, Congressman, is that there is not any significant amount of unearmarked local currency funds available that could be used for these purposes.

Mr. CONTE. Will the gentleman yield?

Mr. MONTROYA. Yes.

Mr. CONTE. Don't we have some local currency generated through the Development Loan Fund?

Mr. GORDON. The repayment of the Development Loan Fund loans when they come due would, of course, become available for the use—these loans have only been made recently and the repayment schedules are such that they stretch out some distance in the future. There won't be anything in the near future.

Mr. CONTE. We have nothing in the kitty right now from DLF repayments?

Mr. GORDON. I do not know precisely, but it would certainly be small, indeed. The DLF has only been going for about 2 years so that normally there is a grace period on those loans at the beginning so repayments would be at the moment small or zero.

Mr. CONTE. When that money becomes available through repayment we could use it for the Inter-American Bank, could we not?

Mr. GARY. You could not. It could only be used for relending.

Secretary DILLON. You cannot transfer it out of the loan fund. It could be used for similar purposes out of the loan fund.

Mr. GARY. That is what I was trying to bring out.

Mr. MONTOYA. Mr. Gordon, will you furnish us a country-by-country listing of counterpart funds that fall into the category under which the President may, at his discretion, lay out those funds to the country for public health or educational purposes?

Mr. GORDON. Yes, sir.

Mr. MONTOYA. That will complete the record in that respect. (The information follows:)

AVAILABILITY OF FOREIGN CURRENCIES IN LATIN AMERICA

The only significant source of foreign currency in Latin America is from the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). This act authorizes the President to negotiate and carry out agreements with friendly nations to provide for the sales of surplus agricultural commodities for foreign currencies. These sales transactions are often largely concessional. In these transactions the purchasing country seeks to minimize the real cost of the sales to itself in terms of export of its resources. This practice comes about in part because the sales are generally over and above the amount of exports the United States could sell in the international market on commercial terms, and, in part, because U.S. foreign policy usually has the objective of aiding the economic development of the country involved. As a result, a substantial portion of the currencies acquired by the United States from the sale of surplus commodities are restricted by the sales agreement so they can only be loaned or granted back to the buying country for its economic development. The remainder of the currencies are held for U.S. use and are purchased by Federal agencies from the Treasury Department as required to carry out activities within the country concerned.

All local currencies deposited or to be deposited for country use from sales agreements negotiated prior to fiscal year 1961 were programed as of June 30, 1960, and only \$6.7 million equivalent remained unobligated as of January 31, 1961, from deposits made. The following table reflects unobligated deposits programed for country use, as of January 31, 1961:

Unobligated deposits, Public Law 480, title I, country use

Country	[In millions of U.S. dollar equivalents]	Amount
Brazil.....		\$5. 2
Chile.....		. 3
Ecuador.....		. 2
Peru.....		1. 0
Total.....		6. 7

With respect to funds which were not obligated, Public Law 480, the final proviso of section 104, prohibits the allocation of any foreign currency for health and education purposes after June 30, 1960, except as specified from time to time in appropriation acts. Therefore, the President, at his discretion, is unable to use any of the funds for health and education purposes even if they were unobligated and the countries involved would agree to their reprograming.

In order to carry out the Inter-American program for social progress, additional external resources are required by the Latin American countries. Local currency does not provide labor, capital equipment, and materials which the country did not have before. Additional economic resources from outside a country's borders can only be furnished in the form of goods or dollars or other convertible currencies. A country's own currencies cannot be used as a substitute for dollars in this program or any other program of a similar nature.

ANTICIPATED DURATION OF NEW PROGRAM

Another question I want to ask you: This prospectus here appears to be in support of a justification for \$500 million, with no explanation that it might continue. I would like to ascertain from you or from Secretary Bowles whether there is any expectation or desire or think-

ing on the part of the administration that this is only a start of a new approach for expenditure of public funds in other countries.

Mr. GORDON. Yes, sir.

At the authorization hearings last year, it was made clear by Secretary Dillon that this, if successful, might well be followed by further requests for funds for similar uses.

Secretary DILLON. In Latin America.

Mr. GORDON. In Latin America. This also was made clear at the Bogotá Conference, itself.

Mr. MONTOYA. When will you be able to determine the evidence of the type of success that would justify its continuance?

Mr. GORDON. If the program works successfully, I would expect that sometime during the course of fiscal 1963 that the administration would be here with a demonstrated record of success and would be asking for a further installment of such funds for Latin America.

Mr. MONTOYA. In 1963, then, you anticipate coming back next year for another package.

Mr. BOWLES. Two years from now, 1963.

Mr. GORDON. Two years from now, that is right.

Mr. TABER. It would not be 2 years from now. It would be for the fiscal year which begins July 1, 1962.

Secretary DILLON. I think they mean, Mr. Chairman, for the year beginning July 1, 1963, for the fiscal year 1964.

Mr. BOWLES. That is right.

Mr. GORDON. I meant we would be coming back in the course of fiscal 1963.

Secretary DILLON. Asking for funds for the coming year after that.

Mr. MONTOYA. Do I understand you to say that this \$500 million is only the start and that there is another \$500 million request coming?

Mr. GORDON. I cannot speak as to the size of the further request. If the program is successful, I would certainly expect that there would be a further request; yes, sir.

Mr. BOWLES. It depends a lot on what is happening in Latin America.

Mr. MONTOYA. That is all.

Mr. PASSMAN. If it is similar to the original 4-year Marshall plan, it will be continuous.

Mr. Conte?

Mr. CONTE. I do not have any questions.

Mr. RHODES. Will you yield?

Mr. CONTE. Yes.

LOW-RENT HOUSING PROGRAM

Mr. RHODES. One of the objects is for housing for low-income groups through assistance to self-help housing and to institutions providing long-term housing financing.

This sounds like the low-rent housing program which we have in the United States, which, of course, contains a subsidy from the Federal Government in debt service and also in debt repayment.

Under the indenture to the trust, is it possible for the Inter-American Development Bank to enter into any type of agreement which would obligate this Government or even the Special Trust Fund for a long period of time for such a subsidy?

Mr. GORDON. The provisions of the trust agreement with respect to housing are as follows:

Housing for low-income groups through assistance to self-help housing and institutions providing long-term housing finance and engaged in mobilization of domestic resources for this purpose—what we have in mind there is two kinds of things. There have been some extraordinarily effective aided—self-help housing programs. I have some documentation on this which I think you will find of great interest. It provided suitable housing at exceedingly low cost, because labor and even part of the materials are made by the expected owners themselves.

Mr. RHODES. Is there anything under this agreement which would allow that type of subsidy to be undertaken by the Special Trust Fund or the United States?

Mr. GORDON. The Trust Fund would not itself be engaged in subsidy operation. A foreign government, a Latin American government might, of course, be doing that.

Mr. RHODES. This is their business. I wanted to make sure the Trust Fund would not be.

Mr. GORDON. It would not.

Mr. CONTE. Mr. Chairman, Mr. Gary's questioning was in line with what I was to ask.

I would like to clarify one point here, Secretary Dillon: The purpose of the Fund shall be to provide capital resources and technical assistance on flexible terms and conditions.

Is this a new type of technical assistance than we have been providing in Latin America?

Secretary DILLON. I think it is new only in the sense that it may be directed. There may be greater emphasis on certain things that will be done.

In other words, when you are moving toward a land program, what they mean here is that this Fund can provide the technical assistance that goes with that particular program. I do not think it will be different in quality or different in type but instead of—say there is a land program in Colombia—instead of asking ICA to use their present technical assistance funds or to increase them to make possible a particular land program, we can use the funds that are in this program for that purpose.

COOPERATIVE LABOR UNION PROGRAM

Mr. CONTE. We are not going to run into a conflict of programs, are we, as we have in the past?

Secretary DILLON. No. It won't be two separate programs for the same people.

Mr. CONTE. I notice in section 4.04 that some of the loans shall be for cooperatives and organizations affiliated with or sponsored by labor unions. Would you elaborate on that?

Secretary DILLON. The only place that I know of—maybe Mr. Bowles can elaborate further—the only place I know of is in some countries, in Colombia and maybe in Chile, those countries where some of the laborers have been working on self-help housing. Some of the self-help housing projects have been sponsored by the unions, who have put funds into it themselves. This would allow help to those organizations as a specific thing. That would be all.

Mr. CONTE. In the Special Trust Fund set up under the \$394 million will we have a 40-percent vote as we do in the other fund?

Secretary DILLON. Yes.

Mr. CONTE. No further questions.

Mr. PASSMAN. To get the 40-percent vote all you have to do is satisfy one individual. He casts the entire 40 percent?

Secretary DILLON. The representative of the United States.

Mr. PASSMAN. They are going to have an excellent representative.

Secretary DILLON. We have a good representative, an excellent one.

Mr. PASSMAN. Mr. Secretary, I looked directly at you when I made that statement.

Secretary DILLON. Not me. I am the Governor, not the Executive Director.

Mr. PASSMAN. Thank you very much, Mr. Secretary, and each one of you. We shall resume hearings tomorrow morning at 10 o'clock.

TUESDAY, MARCH 21, 1961.

Mr. PASSMAN. The committee will come to order.

I should like to say to the new witnesses who appear before this committee that we certainly want to extend to you every courtesy. We recognize that you are making the same type of effort that we are making to serve our Government; and if the questions should appear to be a bit heated at times it means simply that we are endeavoring to get information which the committee needs, and I trust that you shall never feel any part of it is personal.

This is one court in which there is only one group of witnesses, all from the same side, and unless we do some developing of facts from this side of the table the hearing would become a one-sided affair.

ALLOCATION TO INTER-AMERICAN DEVELOPMENT BANK

Is it accurate for me to state that subsequent to the Bogotá meeting the Congress authorized a ceiling of \$500 million on the item to carry out our commitments. But, at a later date, when all of the material had been received, it was decided by the administration that \$394 million would meet our commitments for this particular item?

Mr. GORDON. No, sir. I'm afraid not.

Mr. PASSMAN. I am speaking now of this particular agency.

Mr. GORDON. Sir, the Bogotá commitment covered projects or proposals for social development in a number of fields, in four broad fields, one of which is agricultural development, improvement of rural living standards, one is education, one is health and one is housing. Those are the four areas for work which are specified in the Act of Bogotá.

In developing the program—and this is in accordance with what was stated to the authorizing committees last year—we have subdivided these functions between two administrative agencies, one of which is most able to deal with certain of these fields and the other of which is best able to deal with others.

Broadly speaking, as the statement of Mr. Ball, which I hope to read in due course, will indicate, the Bank is to be responsible for the

agricultural and rural living projects, housing projects and that part of the public health which is water and sanitation. The ICA is to be responsible for education and training and other aspects of public health.

All of these fields were included in the Bogotá program from the very start so that the fact that the \$394 million is assigned for administration to the Bank does not mean in the slightest that that is the whole of the Bogotá commitment or understanding.

Mr. PASSMAN. But so far as the Inter-American Development Bank is involved, \$394 million is the required capital to carry out that phase of the program?

Mr. GORDON. To deal in this first installment with those responsibilities proposed to be assigned to the Bank, yes, but that is only one portion of the total.

Mr. PASSMAN. I understand that; and that is what confounds me.

I am going to prove, by Cabinet rank if I have to, that you do not need the \$106 million. If you insist on trying to put the two together, then it will just have to be that way; however, I happen to think it is my responsibility to help develop this information. My question was simply, so far as the Inter-American Development Bank goes, the \$394 million is all that you require in funds, before you get into ICA.

Mr. GORDON. Yes, sir.

Mr. PASSMAN. I am speaking concerning the Bank.

Mr. GORDON. Yes, sir.

Mr. GARY. Will the gentleman yield?

Mr. PASSMAN. Yes, sir.

Mr. GARY. That is not for the Bank. That is in a trust fund we are creating for loans that are going to be made by the Bank. It will not become a part of the capital of the Bank, but the Bank will make the loans, as I understand it, as the agent of the U.S. Government.

Mr. GORDON. That is right, Mr. Gary. The funds are to be put in trust. They are American funds to be handled by the Bank as trustee, separate, entirely, from its ordinary capital.

Mr. GARY. No part of the fund becomes a part of the capital of the Bank?

Mr. GORDON. That is right.

Mr. PASSMAN. I understand that perfectly. It is being administered by the Bank.

Mr. GORDON. That is right.

Mr. PASSMAN. The \$394 million is a one hundred percent U.S. grant, with no matching funds from any other nation.

Mr. GORDON. Yes.

Mr. PASSMAN. But of the other \$106 million, \$100 million goes to ICA.

Mr. GORDON. That is right.

Mr. PASSMAN. And for where they already have similar projects going in Latin America.

Mr. GORDON. When we come to the right time, Mr. Chairman, we will try to demonstrate to you that this \$100 million is needed in addition to the present funds.

Mr. PASSMAN. I understand that. You have transferred it over to ICA.

Mr. GORDON. We propose to.

Mr. PASSMAN. That is exactly what I am endeavoring to establish.

Mr. ANDREWS. May I ask one question, Mr. Chairman?

Mr. PASSMAN. Yes.

ICA ALLOCATION TO BE USED FOR CAPITAL GRANTS

Mr. ANDREWS. This \$106 million could be considered as a supplemental for ICA appropriations for 1961, could it not?

Mr. GORDON. Not under ICA's present authority, Mr. Congressman, because the purposes for which these funds are proposed to be used, although they do include technical assistance of the kind that ICA is now authorized to carry on, also they include what we call social capital; for example, assistance in the construction of aided self-help schools or hospitals, things of this kind which the ICA is not now able to do.

Mr. ANDREWS. But for all practical purposes it could be considered as an addition or supplemental to the 1961 appropriation for ICA as far as this particular area is concerned?

Mr. GORDON. Under broader authority and of course clearly earmarked for these purposes in this region.

Mr. PASSMAN. We should let the record show that ICA does have self-help schools. They have had programs in the past in that field.

Mr. GORDON. I would like, sir, if I may, to ask the ICA to testify to the differences between what they are doing or have done.

AUTHORITY OF BANK TO MAKE GRANTS FOR TECHNICAL ASSISTANCE

Mr. PASSMAN. Does the Bank have authority to make grants out of this \$394 million?

Mr. GORDON. The Bank has the authority to make grants in connection with technical assistance. If you will permit me, I would like to read the precise terms of the Bank's authority to make grants because this has been drawn very carefully. This is also from the trust agreement in annex C.

Mr. TABER. What page?

Mr. GORDON. It is annex C and it is page C-3, sections 104 and 105, the administrator, which is the Bank, is to make loans for projects or programs as indicated and then in addition in section 105, he shall utilize the resources of the Fund to provide technical assistance related to projects in the field set forth above and also technical assistance relating to the mobilizing of domestic financial resources and the strengthening of financial institutions.

That technical assistance may be provided by the Bank.

Mr. PASSMAN. If you will check, there is not one single item for which you propose to use the \$100 million that you do not have authority for in ICA. I shall endeavor to place in the record a list of those projects, covering three or four pages. If there are any left out, you may supplement the list.

Mr. RHODES. Would you yield, Mr. Chairman?

Mr. PASSMAN. Yes.

Mr. RHODES. Mr. Gordon, if the expenditures can be made from the trust fund for technical assistance, what is the difference between this type of expenditure and the type of expenditure ICA would make with its \$106 million.

Mr. GORDON. These technical assistance grants are related to specific projects which the Bank would be financing by loans and also as the last clause indicates, some assistance in helping the governments generally in the strengthening of their financial institutions.

There is a clear division of function between the two.

Mr. RHODES. Not to me, sir. If you will read this language again, it is to provide technical assistance related to projects in the field, set forth in section 1.04, and section 1.04 covers land settlement, improved land use, low-cost housing, community water supply, and facilities, supplementary financing of facilities for advanced education, and training. To me this is rather broad.

Mr. GORDON. Sir, the expectation is that on such things as technical assistance, in connection with agricultural credit institutions or low-cost housing institutions that the ICA will go out of that business when its present projects are wound up and the Bank will have sole responsibility for it.

Mr. RHODES. Would there be any objection on your part if we were to place a statement in the committee report on this bill paraphrasing the statement you have made?

Mr. GORDON. Not at all. I think we have a clear statement on this in the presentation book itself. If you will give me a moment, I will try to find the language which deals with it.

Mr. RHODES. Before you do that, and you can do that for the record later, if you wish—

Mr. GORDON. I have it now.

Mr. RHODES. Go right ahead.

Mr. GORDON. At the bottom of page 33, we say:

In certain of the fields assigned to IDB administration under this program, projects are now being carried on by the ICA. When, in the judgment of the host country and the Bank, such projects should be continued or expanded, it is essential to avoid the loss of momentum by providing a transition period for an orderly transfer of the activity.

What is intended there, and perhaps it is not as clearly stated as I thought it was, is that those activities will be transferred and new activities of that type will be done only by the Bank. That is, ICA will not initiate new projects in those technical assistance fields for which the Bank now is being given responsibility.

Mr. RHODES. In other words, we are taking ICA out of certain unilateral fields and transferring those fields into multilateral aid in the Inter-American Development Bank.

Mr. GORDON. To multilateral.

Mr. RHODES. If the chairman will yield for one more question.

Mr. PASSMAN. I yield.

Mr. RHODES. How much of the \$394 million do you anticipate would be used for technical assistance grants under section 1.05?

Mr. GORDON. I don't have the figure but I would expect it to be quite small. I would certainly expect the great bulk of those funds to be used for loans.

Incidentally, if I may add one point, the Inter-American Bank under its regular charter also has parallel authority. In its Bolivian

loan for example, which Mr. Dillon mentioned yesterday, it is providing a small technical assistance grant. The total loan is for \$10 million. As I recall, the technical assistance grant is for a few hundred thousand dollars in connection with that. That is the kind of ratio that I would anticipate in general.

Mr. PASSMAN. I want to restate that there is some difference of opinion among officials in Government at a very high level as to the need for the \$106 million. I invite you to discuss with top echelon people in the executive branch the question of need for the \$106 million; and if they indicate that there is no real need for it, you would not press the point, would you?

Mr. GORDON. You mean, sir—

Mr. PASSMAN. I mean just exactly what I said, Mr. Gordon. If you go to the very top echelon, even the Cabinet level, and they indicate that there is no real need for the \$106 million, will you then press it or will you rest your case under the regular ICA bill?

Mr. GORDON. Sir, I am working temporarily for the Secretary of State.

If the Secretary of State were to tell me that this is not needed—

Mr. PASSMAN. The Secretary of State is not the only Cabinet member. You might discuss this matter with more than one of them. I can assure you that if you go to the top level you will find out that they are willing to defer it, it is not actually needed. I am resting my case on that statement, and it shall remain in the record. If you talk this over with some of the people in the top echelon you may possibly withdraw your request for the \$106 million.

PURCHASE OF GOLD FROM UNITED STATES BY ARGENTINA

Is Argentina one of the participating nations in this program?

Mr. GORDON. Yes, sir.

Mr. PASSMAN. Argentina purchased last year \$50 million in gold.

Mr. GORDON. Yes.

Mr. PASSMAN. They purchased \$50 million in gold. That gold now is dormant. It is not doing Argentina any good. Had they left the \$50 million in short-term dollar assets they could have drawn a substantial rate of interest, could they not, amounting to about \$1½ million a year?

Mr. GORDON. I suppose this is so.

Mr. PASSMAN. And it could only follow that a loss of faith, maybe in the American dollar, at least temporarily, or in our inability to manage our monetary system, prompted them to convert their dollars into gold and carry it without any interest?

Mr. GORDON. I would doubt that, Mr. Chairman. The Argentines had suffered exceedingly heavy losses in their gold reserves in previous years. They sold to us, in 1959, some gold; in 1958 I have \$67 million; 1957, \$75 million; 1956, \$15 million; all together over the 5 years, although it is true that last year they did buy \$50 million, all together over the 5 years they have lost \$207 million.

Some modest reconstitution of their gold reserve and thereby their international credit worthiness—

Mr. PASSMAN. Is your thinking on that score in accord with the views of those in the positions of responsibility who raise the revenue?

Mr. GORDON. I haven't consulted the Treasury, sir.

Mr. PASSMAN. It is true that for the \$50 million in gold Argentina bought in 1960—\$30 million in the third quarter, \$20 million in the fourth quarter—they are not drawing any interest. It is a question of transferring from dollars over to gold.

Mr. GORDON. That is right.

Mr. PASSMAN. Had the Argentine permitted this sum to remain in dollars, they would have drawn interest on the dollars.

Mr. GORDON. That is right.

Mr. PASSMAN. They still would have had the opportunity to convert it any time they wanted to do so?

Mr. GORDON. That is right.

Mr. PASSMAN. By their processes they are losing some million and a half dollars in interest.

Mr. GORDON. Yes, sir; but if you take the years as a whole—

Mr. PASSMAN. I am speaking about 1960 because the recent trend throughout the world has been for nations with excess dollars to purchase gold. We are now entering into an agreement or proposing to help the very country which would have been recipient of substantial dollar holdings had they left their credits in dollars. But, instead, they have deprived themselves of a million and a half dollars in annual interest.

Mr. GORDON. For the 1 year, that is true.

Mr. PASSMAN. I am speaking of the 1 year.

Mr. GORDON. I think it is difficult to look at this situation in terms of 1 year only. I think any sensible banker in the situation of international finance as it is would like to have some modest portion of his foreign exchange holdings in gold.

Mr. PASSMAN. He could have converted at any time. Presently, by your action here, it would indicate that these nations are badly in need of dollar credits, would it not?

Mr. GORDON. Yes.

Mr. PASSMAN. By the action of Argentina, if we may single out the one nation, they are depriving themselves of some million and a half dollars in earnings on that money.

Mr. GORDON. Virtually all central bankers in the world feel it prudent to have a small amount.

Mr. PASSMAN. I am speaking only of the recent purchase. I can assure you that it may be, upon investigation, your views are not in accord with those who are charged with the responsibility of raising the revenue.

Mr. GORDON. Can I make one remark about the Argentine gold holdings?

Mr. PASSMAN. Certainly.

Mr. GORDON. Argentine gold holdings back in 1955 were \$372 million, and at the beginning of 1960 they were down to \$56 million, so these purchases that we speak of bring them back to around \$100 million. That does not, Mr. Chairman, seem to me an excessive amount of gold holding for a nation of that size.

DECLINE IN U.S. GOLD HOLDINGS

Mr. PASSMAN. It may not be, but let me say this: At the end of 1952 U.S. gold holdings amounted to \$23,252 million; by the end of calendar 1960, these holdings had dropped to \$17,766 million—to a dangerous level, according to those in authority, for a net reduction in that 8-year period of \$5,486 million. Covering the same period, at the end of 1952 the rest of the free world had gold holdings of \$13,028 million. However, those countries increased their gold holdings through the 8 years to \$19,400 million, for an increase of \$6,372 million. So, at the end of 1960 they actually held almost \$2 billion more gold than the United States. If we may pursue this situation just a bit further, in 1952 a then all-time high of foreign-held short-term dollar assets, in the amount of \$10,546,100,000, had been reached. But, by the end of 1960 this total had jumped to the unprecedented sum of \$21,430,600,000, or an increase of \$10,884,500,000. Therefore, while other free world countries more than doubled their dollar assets they also increased by 50 percent their gold holdings. I think you will admit that with such a trend as that it is time to take a long and hard look at every dollar we appropriate.

Mr. GORDON. Mr. Chairman, I certainly agree with that and I am certainly just as unhappy as you are about what has happened to the balance of payments of the United States in recent years. Let me say, however, that Latin America has had virtually nothing to do with this.

DECLINE IN GOLD HOLDINGS OF LATIN AMERICAN COUNTRIES

The Latin American gold holdings at the beginning of 1952 were \$1,955 million; on September 30 last, which is the last figure I have here, they were \$1,370 million, which is to say a loss of almost \$600 million; similarly with respect to the holdings of dollar assets—I haven't got the figures immediately handy, but there was no significant accumulation of short-term dollar holdings by the Latin American countries.

Mr. PASSMAN. I think that in 1960 they purchased \$105 million in gold. I can only say this, Mr. Gordon: We jointly are the spenders. Another department is charged with responsibility for raising the revenue. They are alarmed over it. You may wish to discuss it with them.

Mr. GORDON. Yes.

This program, of course, has been thoroughly discussed with the Treasury.

Mr. PASSMAN. I am not talking about the program. I am speaking of the fact that some of the proposed recipients of money that we are now considering have bought in excess of their needs of gold. They have converted dollars that should have remained in dollars into gold. Had this not been done, they could have earned money and lessened the burden on the United States to make these grants to them.

Mr. ANDREWS. May I ask a question about the table on page E-6, Mr. Chairman?

Mr. PASSMAN. Certainly.

GOLD AND FOREIGN EXCHANGE HOLDINGS OF ARGENTINA

Mr. ANDREWS. It shows there that gold in foreign exchange holdings at the end of the year for Argentina, 1959, were \$349 million.

Mr. GORDON. That is right, sir.

Mr. ANDREWS. With a note "Central Bank only." Would you tell us about any other gold or foreign exchange that any people outside of the Central Bank have?

Mr. GORDON. I do not know precisely the significance of that note. Could I ask one of the gentlemen from ICA who prepared this table to tell me about it?

This is footnote "A." In general, I do know the situation with respect to gold and foreign exchange holdings of other countries. Normally, some amount of foreign exchange specially is held by commercial banks. Now some, in reporting to the International Monetary Fund, give the Central Bank only and some give the Central and the commercial banks and I assume that in the Argentine case it is the Central Bank only.

Mr. ANDREWS. This note says Central Bank only.

Mr. GORDON. There are undoubtedly estimates of what the remaining Argentine holdings are.

I will be glad to get those for you.

(The information follows:)

Gold and foreign exchange holding of Central Bank of Argentina

[In millions of dollars]

As of—	Gold	Foreign exchange	Total
Dec. 31, 1959.....	56	293	349
Nov. 30, 1960 ¹	84	563	647

¹ Latest available. Data from IMF bulletin of March 1961; data for other banks unavailable.

Mr. ANDREWS. Would this be the equivalent of gold and foreign exchange?

Mr. GORDON. I doubt very much whether any gold is held outside the Central Bank.

Mr. ANDREWS. I am talking about the figure of \$349 million.

Mr. GORDON. That is gold and other foreign exchange.

Mr. ANDREWS. That foreign exchange in dollars could be converted into gold, couldn't it?

Mr. GORDON. The dollars could. Actually, all other currencies could nowadays, too. It could be gold, sterling, German marks, any foreign exchange holdings of the Central Bank. They could be converted into gold as long as the currencies are convertible as they are at the present time.

Mr. ANDREWS. I see Brazil for the same period had \$457 million.

Mr. GORDON. I am told here, Mr. Congressman, that the commercial banks in the case of Argentina hold no gold so that anything beyond this \$349 million would simply be dollar or other foreign currency holdings by the commercial banks.

Mr. PASSMAN. What is the total of Argentina's gold and foreign exchange holdings, as of your last report?

Mr. GORDON. This was at the end of 1959. I will give you the gold and foreign exchange. Total of gold—

Mr. PASSMAN. Both gold and foreign exchange holdings, because they could convert their dollars into gold.

Mr. GORDON. I do not know what currencies all of these are and therefore, I do not know how many of them are convertible.

I would prefer to supply that for the record, if I could.

Mr. PASSMAN. Are we supposed to discount these justifications?

The clerk just pointed out that you show \$349 million.

Mr. GORDON. That was as of the end of 1959. I was trying to get them up to date.

Mr. PASSMAN. You have a book there. What do you show at the end of 1960?

Mr. GORDON. I have only the third quarter of 1960, here. This is the International Monetary Fund report and it shows foreign exchange of \$573 million as of September 30 and it shows gold of \$84 million as of September 30.

Mr. PASSMAN. That is a very substantial increase over the previous year, is it not?

Mr. GORDON. That is right.

Argentina, as you know, as a result of this remarkable stabilization effort that President Frondizi instituted had a remarkable raise in its foreign exchange holdings. Foreign exchange alone was \$293 million at the end of 1959 so from December 1959 to October 1960 they had an increase of \$280 million in their foreign exchange holdings.

GOLD AND FOREIGN EXCHANGE HOLDINGS OF LATIN AMERICAN COUNTRIES

Mr. PASSMAN. How about Colombia?

Mr. GORDON. For September 30 of last year, gold, \$75 million.

Mr. PASSMAN. The total?

Mr. GORDON. And foreign exchange, \$87 million, so the total would be \$162 million.

Mr. PASSMAN. Mexico?

Mr. GORDON. But in the case of Colombia the foreign exchange holdings fell from 141 at the end of 1959, to 87 at the end of September 1960. In the Mexican case there was also a fall in foreign exchange from 271 to 231 and the gold holding also went down in that same period from 142 to 120. The total as of September 30, was 351.

Mr. PASSMAN. Could you provide for the record at this point a table listing the gold and foreign exchange holdings for each country in Latin America at the end of calendar year 1960 or for fiscal year 1960.

Mr. GORDON. We can certainly do fiscal year 1960. I don't know whether we have had December 31 figures for all the countries as yet.

Mr. PASSMAN. Fiscal is all right.

Mr. GORDON. All right.

(The information follows.)

Gold and foreign exchange holdings of Latin American countries, monetary authorities and other officials, June 30, 1960

[In millions of U.S. dollars]

	Total holdings	Gold	Foreign exchange
Latin America.....	3,200	1,425	1,775
Argentina.....	559	55	504
Bolivia.....	9	1	8
Brazil.....	416	286	130
Chile.....	141	42	100
Colombia.....	196	73	123
Costa Rica.....	11	2	8
Cuba.....	352	19	333
Dominican Republic.....	45	10	34
Ecuador.....	41	20	21
El Salvador.....	41	30	10
Guatemala.....	50	24	27
Honduras.....	14	-----	14
Mexico.....	390	141	249
Nicaragua.....	13	-----	12
Panama.....	38	-----	38
Peru.....	48	28	20
Uruguay.....	228	180	49
Venezuela.....	604	512	93

Source: International Monetary Fund. Total holdings rounded to nearest million.

Mr. PASSMAN. When you actually study these tables, and see the tremendous dollar credits held by these nations, you wonder why this thing should not be working the other way. While we are helping them, they are reducing their public debts while we increase ours.

Would you like to make your statement at this time for Mr. Ball?

Mr. GORDON. I would like, Mr. Chairman, to read the statement that Mr. Ball would have given you.

Mr. PASSMAN. Will you be prepared to answer questions on the statement?

Mr. GORDON. Yes, indeed. I would like to supplement it by a brief statement of my own at the end, if I may.

Mr. PASSMAN. Certainly.

Mr. GORDON. This is the statement of the Honorable George W. Ball, who, as you know, is in Europe working with our allies there in discussions of how they may be persuaded to contribute more to assistance to underdeveloped countries.

Mr. TABER. Will the gentleman yield?

Mr. PASSMAN. Yes; I yield.

Mr. TABER. Is it possible that the setting up of a target here in this country of enormous proportions will make those folks across the water feel as if they were being led into something where their contribution need not be so large? I would like to have some of you who are passing on tactics mull those things over.

Mr. GORDON. I will pass those observations on. My own responsibility is concerned only with this Latin American program, but I believe that this point has been very carefully considered.

Mr. TABER. When you are dealing with somebody and you go out and set up a target indicating a very large supply of this or of that, you make him feel that his contribution does not need to be so big.

Mr. GORDON. I think it is the hope of the administration that it will work the other way. In fact, I think I can say I know that.

Mr. TABER. Did you ever know of such a situation as that? We have been watching these things for quite a while and that has been the conclusion that I have been forced to.

I just wanted to see if there was any explanation of that situation.

Mr. GORDON. Mr. Ball will be before you after he returns from Europe and I think at that time it would be best to discuss it with him, if that is agreeable.

REQUIREMENT FOR SELF-HELP PRIOR TO LOAN APPROVAL

Mr. RHODES. Along these same lines, I wanted to draw your attention to paragraph 2.01, subparagraph (c) thereof, which states that loan requests shall be granted only for projects or programs in which the applicant bears an appropriate share of the total cost.

I wondered what an appropriate share might be.

I think that is what Mr. Taber had in mind.

Mr. GORDON. I thought Mr. Taber was talking about our negotiations with the Europeans.

Mr. TABER. I was, primarily.

Mr. RHODES. Pardon me.

Mr. TABER. I think the other is very material.

Mr. RHODES. Have you an answer to that?

Mr. GORDON. Yes, indeed. The answer is that the appropriate share depends on the circumstances of the particular country and the nature of the project. In some cases it ought to be 50-50. In other cases 75 theirs and 25 ours. In other cases, when you look at Haiti, it might be ours would have to be the largest shares. In every case we would expect a real contribution on the part of the recipient countries.

Mr. RHODES. The word "appropriate" means what it says and the special trust fund and the officials who administer it will in each case determine what proportion might be appropriate in accordance with the resources of the country.

Mr. GORDON. That is exactly right.

Shall I proceed, Mr. Chairman?

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

POSSIBLE NEED FOR FUTURE APPROPRIATIONS

Mr. PASSMAN. Mr. Gordon, before you proceed with your statement, I should like to ask one question with respect to the \$394 million contribution to the Inter-American Development Bank, acting as trustees in handling these funds. Is this just a one-time proposition or is it recurring?

Mr. GORDON. I was asked this question yesterday, Mr. Chairman. As I indicated then, if the program is successful, the administration expects there will be a further installment or installments asked for when the time comes.

We had some discussion yesterday as to when that time might be. I said I thought that the administration would probably be coming back during the course of fiscal 1963 with respect to fiscal 1964. That is the situation.

If the program is unsuccessful we will not be back.

Mr. PASSMAN. Have you ever known of any of these foreign-aid agencies to be unsuccessful? Have you ever known any of them to be abolished?

Mr. GORDON. Yes, sir. I spent about 8 years—

Mr. PASSMAN. Speaking of an agency now, a separate agency set up as the Development Loan Fund, or the point 4 program. Have you ever known of one to be abandoned?

Mr. GORDON. The Marshall plan was successful. It cost less than it was originally expected to cost. It worked more rapidly than it was expected to work, and it was brought to an end on the indicated date.

Mr. PASSMAN. It gets worse every day, though. For the Marshall plan we started out on a program with a total cost of \$15 billion to be completed in 5 years. The Marshall plan led into other plans, and now we have passed the \$100 billion mark, and we are going on and on.

Mr. GARY. You are talking of other plans. The Marshall plan was closed within 5 years and it did not cost the amount of money they originally said it would cost.

Mr. PASSMAN. I said that the Marshall plan led into other and different plans.

Mr. GARY. There is no way of telling what we will get into these days, but the Marshall plan itself, and that statement has been made time and time again, the Marshall plan itself was closed within time. Every promise that was made with respect to it was kept. We saved Europe from communism, and then trouble arose in Asia and we went into the war in Korea and started an aid program in Asia.

Mr. PASSMAN. Mr. Gordon made the reply that if it did not prove successful the plan would be abandoned.

Mr. GORDON. That is right.

Mr. PASSMAN. You are not saying that the Marshall plan was not a success?

Mr. GORDON. On the contrary. The Marshall plan accomplished—

Mr. PASSMAN. That was the only point. I have never known of a plan to be abandoned on the basis that the plan was not a success.

Mr. ANDREWS. On page 1 of the other book, Mr. Gordon, you state that—

included in this volume are selected proposals to be considered for financing under the inter-American program for social progress. These individual projects, total approximately \$800 million—

Mr. GORDON. That is right.

Mr. ANDREWS. Your request before us is for \$500 million?

Mr. GORDON. That is right.

Mr. ANDREWS. To carry out this \$800 million program?

Mr. GORDON. No, sir. I will be covering that point in my statement, sir.

Mr. ANDREWS. Very well.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Let me read from a news clipping:

A House Appropriations Subcommittee is scheduled to start hearings on J.F.K.'s \$500 million social reform development and other programs in Latin American nations that eventually may cost us and them and private interests \$13 billion.

Is that amount the estimated cost of this program?

Mr. GORDON. No, sir. There is no estimate of the ultimate cost of this program. I am sure it will be very, very much under \$13 billion.

Mr. PASSMAN. Where does all this information come from that gets into the papers? The Secretary said yesterday there was a "leak" from the White House.

Mr. BERLE. Perhaps I can answer that. It is pure accident. Someone asked what the cost might be. I said, incautiously, "The total cost of the Marshall plan was \$13 billion approximately, and I would expect it would be less than that."

From there out the \$13 billion got fixed in the press and no one has been able to take it out.

Mr. PASSMAN. You can understand why we would be concerned if we are embarking upon a \$13 billion program. We should know about it.

Mr. BERLE. Certainly.

Mr. RHODES. On page C-5, section 3.02, it states:

The Administrator shall be entitled to make commitments in behalf on the Fund in an amount of blank dollars which may be increased by mutual agreement.

Do you know the amount which would be inserted in that blank?

Mr. GORDON. If Congress makes the appropriation we requested the amount to be put in there would be \$394 million.

Mr. RHODES. Thank you.

Mr. GORDON. It is in blank pending action by the Congress.

Mr. PASSMAN. Mr. Gordon, you may present Secretary Ball's statement.

STATEMENT OF HON. GEORGE W. BALL AS READ BY MR. GORDON

Mr. GORDON. Mr. Chairman, members of the committee, Secretary Bowles has discussed with you the great importance of this proposal to our relations with Latin America and Secretary Dillon has outlined what took place at Bogotá and has discussed the Inter-American Development Bank. I should like to turn now to the principal developments in this program since the Conference of Bogotá.

First, we have worked out with the management of the Inter-American Development Bank the operating machinery and governing criteria for the handling of their part of the program.

Second, Latin American governments have been moving in the directions chartered by the Bogotá Conference. Several of them have undertaken new measures of institutional improvement, as indicated in our presentation book. Preliminary proposals for projects meeting the most pressing social needs have been developed, so that we can now recommend to you a reasonable division of the funds between the operating agencies.

THE ALLOCATION OF FUNCTIONS AND PLANS FOR ADMINISTRATION OF THE FUNDS

The basic criterion for division of operating responsibility is to assign to the IDB the functional areas where projects are generally suitable for financing through loans (whether repayable in dollars or in local currencies), and to assign to the ICA the areas where most projects should be on a grant basis or are otherwise unsuited for IDB administration.

A small fraction, referring to the \$6 million, is to be reserved for studies, action-oriented conferences, and related technical assistance, to be organized by the economic and social arm of the Organization of American States, in planning for the mobilization of domestic resources and in developing institutional improvements.

In practice this means IDB administration of projects for land use and related improvements in rural living conditions, housing, water supply and sanitation, and technical assistance related to such projects.

ICA administration of this program would include projects in education and training, general public health, and other activities.

The evidence indicates the needs for assistance from the fund are divided in a ratio of about 4 to 1 between the respective areas of responsibility of the Bank and the ICA. The proposed allocations of funds, therefore, are \$394 million for the Bank, \$100 million for the ICA, and \$6 million for the OAS.

ARRANGEMENTS FOR IDB ADMINISTRATION

The terms and conditions under which funds are to be administered by the IDB will be specified in a trust agreement. The Bank's management and Board of Executive Directors have indicated their agreement with the draft as contained in annex C of the presentation book and summarized at pages 32 and 33, subject to final consideration by the Board of Governors. It is anticipated that, immediately after the Congress has acted upon the appropriation, a definitive agreement will be concluded with the Bank. The principal features of the draft agreement are as follows:

(a) The Bank shall provide loans on flexible terms and conditions, including repayment in local currency, and may provide technical assistance on a grant, loan, or reimbursable basis.

(b) The Bank shall give continuous consideration to the institutional improvements and other self-help measures which a country is making, and assistance shall be made available to projects related to self-help measures in countries which demonstrate progress in this area.

The United States in advancing funds to the Inter-American Development Bank will not expect repayment of funds to the United States. Our hope and expectation is for repayment in the increased strength and growth of democratic institutions in the free societies of our Latin American neighbors. From the standpoint of the borrowing nations, however, the greatest portion of the aid extended to them will be in the form of loans and they must marshal their resources to service and repay such loans to the IDB. Our funds placed in trust may then serve a second purpose by being reused by the Bank either

in the same country or elsewhere in the hemisphere for further assistance to social progress.

ARRANGEMENTS FOR ICA ADMINISTRATION

In the fields assigned for administration by the ICA, that agency has had extensive experience with technical assistance activities directly in line with the types of assistance contemplated under the new program. These activities, however, have generally been confined to technical advice and limited demonstrations. Under the new program, assistance is also contemplated for such purposes as support for self-help school construction and public health activities and provision of technical equipment and instructional materials. It is not intended to make further requests for financing ICA technical assistance activities in Latin America in the fields covered by the present program.

The ICA, like the Bank, will make its assistance available only where the recipient country takes appropriate measures of self-help. It is essential to the development of sound projects and adequate self-help measures that the nations of Latin America know the \$100 million intended for the ICA will be in fact available to it. It is equally important to the efficient and economical use of these funds that they not be obligated under the pressure of a fiscal year deadline. We urge you most strongly that the funds for this program be available on a no-year basis.

INITIAL PROJECT PROPOSALS

Since the Conference at Bogotá our embassies and operations missions have consulted with the Latin American governments to identify projects which are urgently needed to speed social progress. About 200 such proposals have been reported, with total outside resource requirements of about \$1,225 million.

First examination of these initial reports indicates that proposals needing some \$800 million in outside help warrant early consideration. A breakdown of these by major classes is contained in the President's message, and a detailed listing has been submitted to you on a classified basis. The total in the fields proposed for Bank operation amounts to \$611 million and the total in ICA fields amounts to \$187 million. You will see that the proposals are squarely directed to the objectives set forth in the Act of Bogotá.

Let me stress that these are not refined projects negotiated in detail with the governments concerned. When the funds are available, it will be the immediate responsibility of the operating agencies to undertake such negotiations. It is nonetheless plain that the total of proposals deserving early consideration far exceeds the full appropriation requested and the total of projects properly allocable to the Bank and to the ICA respectively exceed the funds now requested for each operating agency.

Until the Bank and the ICA can negotiate case-by-case the details of the related self-help measures, however, it is impossible to predict the individual projects for which the funds now requested will be used, the amounts which will be used in each country, or the rate at which commitments will be made.

RELATED PROGRAMS OF ASSISTANCE FOR LATIN AMERICA

A number of international and national agencies are now providing assistance to Latin America to promote the economic growth of that region. They include the World Bank, the Inter-American Bank, various United Nations agencies, the Export-Import Bank, the Development Loan Fund, and the ICA. As already indicated by Secretary Dillon, the new program is intended to fill a need not adequately met by these programs, and continuing or expanded assistance by all these agencies will be required for accelerated economic development. It is also our hope that bilateral assistance activities in Latin America by other industrialized nations of the free world will be expanded.

Coordination of the bilateral activities under this program with other aspects of U.S. assistance is presently a responsibility of my office. Under proposals now being developed in the executive branch for improved organization of foreign-aid activities, provision will be made for effective coordination of work on this program, as well as on other aspects of the broader alliance for progress in this hemisphere proposed by the President.

ADMINISTRATIVE EXPENSES

We are not seeking for fiscal year 1961 administrative funds for either the ICA or the State Department to cover initial expenses in administering the program. These costs will be absorbed within available administrative expense appropriations. However, in fiscal year 1962 and subsequent years the new foreign assistance legislation will make provision for such expenses. The administrative expenses of the IDB will be covered by the sum to be made available to the Bank under the terms of annex A of the draft trust agreement. (See p. C-9 of the presentation book.)

SOVIET ECONOMIC ACTIVITIES

To supplement the broad political background outlined by Acting Secretary Bowles, I would like to say one word on Soviet economic activities in Latin America. The international Communist movement at the conclusion of the Moscow Conference last December stated that "a front of active struggle with imperialism has opened in Latin America," pointing to the Cuban example as a model to be followed by all. The Congress is familiar with the massive expansion of Communist-inspired diplomatic and propaganda activity in Latin America in recent months. Only 2 weeks ago the signal for an all-out Communist drive in Latin America was given at a meeting in Mexico City of fellow-travelers from throughout the hemisphere. One of the principal instructions from the conference to the delegations was to stump for the rejection of all U.S. aid and cooperation and to oppose the OAS as an "instrument of American imperialism."

On the economic side, while Latin American trade with the Soviet bloc (except for Cuba) is still relatively small, the Soviets have been advancing superficially attractive trade and aid offers to various countries, and such activity will doubtless become intensified. Long-term economic credits include \$104 million to Argentina and \$3.5 million to Brazil. In addition, the Soviets have tentatively offered

\$150 million to Bolivia, and the Czechs have dangled the possibility of credits before the Government of Ecuador.

The Soviet pattern is to probe for strategic opportunities to increase their economic role, offering barter trade as the answer to primary commodity marketing problems and economic aid on a long-term basis with low interest rates and apparently easy repayment terms.

This, Mr. Chairman, completes our formal presentation with respect to the appropriation of \$500 million. Messrs. Mann and Labouisse will speak to the separate \$100 million request for Chilean rehabilitation and reconstruction. I cannot emphasize too strongly the urgency of favorable action by the Congress on these requests so that real resources may be in hand to maintain the momentum created at Bogotá and to support the progressive forces in Latin America eager to move forward in their economic and social development by democratic means.

If I may say a word on my own behalf, Mr. Chairman.

Mr. PASSMAN. Yes, sir.

STATEMENT CONCERNING LACK OF DETAILED JUSTIFICATIONS

Mr. GORDON. Mr. Chairman, you raised yesterday the question whether the justification now being presented to your committee is consistent with what was envisaged last summer when the authorization was approved.

The Foreign Affairs Committee in its report on the authorizing bill (report No. 2163 of August 25) stated:

The committee has been assured that no request for the appropriation of any of the funds authorized will be made by the Executive until comprehensive programs for their use have been worked out. The committee has been further assured that assistance from these funds will not be provided until the governments which are to be beneficiaries have given evidence of their determination and ability to carry through the necessary institutional and legislative changes.

We believe it is fair to say that the Executive has worked out "comprehensive programs for their use" to the degree that the realities in Latin America make possible. We have worked out a clear allocation of responsibilities for the administration of the funds. We have negotiated with the Bank a trust agreement which, when signed, will state very plainly the terms under which our U.S. funds are to be used and will provide as stringent provisions for their use as can sensibly be employed to achieve the objectives we have envisaged. We have worked out in the ICA plans to put to use the funds to be allocated to it as soon as can wisely be done. Moreover, as indicated by the examples submitted to you in our presentation, we now know that specific needs exist and detailed projects can be promptly worked out in all the fields covered by the Act of Bogotá, requiring outside resources substantially exceeding those now requested.

Two factors make it unwise and impracticable to go further in refining specific projects without funds in hand. The first is that the ICA cannot commit funds for specific projects until those funds are appropriated—and we do not believe you would wish it to. Similarly, we cannot permit the Bank to commit funds nor would it be willing to do so until funds are available to it. The second factor is that we do not want to and do not intend to commit funds for these social

development projects until, as the Foreign Affairs Committee stated in its report, the governments which are to be beneficiaries have given evidence of their determination and ability to carry through the necessary institutional and legislative changes. We are not talking here about isolated projects. We are talking about projects as parts of programs for social development. Unless the necessary outside resources are clearly going to be available in adequate amounts and for long enough time periods, these programs will not be gotten underway and we will be back in the position of assisting isolated endeavors which, however good each one is itself, do not add up to a coherent and cumulative result in durable social improvement.

If the Marshall plan had waited for detailed item-by-item advance approval of individual projects, there would simply never have been European economic recovery.

A number of the countries of Latin America have in fact taken very commendable forward steps in the past 6 months. I can cite many instances of this. But we cannot expect them to take further steps for institutional changes related to specific projects until there is assurance to them that the funds for these projects will be forthcoming. These are democratic nations and their Presidents and legislators have problems with their constituents just as we do. While we hope and believe that it will be possible for them to bring about important and urgently needed changes of many kinds, we know that it will be very difficult to do so unless at the same time they can have the assurance of outside resources needed to make these social development efforts succeed.

This is the whole purpose of the proposal before you. To put it simply, there is something of the chicken and the egg here—or, to change the metaphor, a kind of “vicious circle.” It must be broken somewhere. President Eisenhower proposed and President Kennedy has strongly affirmed that the United States take the initiative in breaking this circle by appropriating the funds now which will be made available to the Bank and the ICA in order that the incentive and the encouragement may be available to the countries which are willing to take self-improvement measures.

If we fail to do this, if we do not break into this vicious circle, it will continue until it is broken by some other means. I think I should say plainly that we have seen in Cuba one possible way of breaking this vicious circle. There is all too great a danger that unless social progress is made rapidly in many Latin American countries, the Cuban pattern may be repeated.

If I may add a few words off the record on the political side.
(Discussion held off the record.)

IMMEDIATE NEED FOR APPROPRIATION

Mr. GORDON. There is a cold war going on in this hemisphere. I hope you will give Mr. Berle, who is a very knowledgeable man on this problem, an opportunity to speak on this. He is Chairman of the President's Task Force on Latin America. As you know, he was recently on a visit to Colombia, Venezuela, and Brazil.

This is not a child's game. Our enemies are working very hard and very fast. I have seen something of this myself in the southern part of the hemisphere. You have to look only at recent events, the

kinds of pressures that President Romulo Betancourt in Venezuela is feeling from both sides, areas of continuing violence in Colombia, the organization in northeast Brazil, which I have seen firsthand, of a combined Communist-Castro type movement of peasant leagues and unemployed slum dwellers, unrest in Panama, and so on.

All of us are unhappy about the situation in Cuba. None of us want to see more situations like that.

This program we put before you is not just a set of do-good ideas. This approach has been endorsed by very hardheaded businessmen, and I cite Peter Grace of the W. R. Grace Co. and the Committee for Economic Development.

The urgency on this is real. You asked yesterday about the urgency. It is not urgency in the sense of days, but every week does count. We have awakened new hopes by launching this program.

I do not think time is on our side. Most of the present governments are friendly to us and they are prepared to move in the directions of the Act of Bogotá.

Whatever the faults of this program, and I would not argue it is entirely free from faults, it is directed squarely at the central sources of social and political unrest in this hemisphere.

On the problem of timing, there is coming up in Brazil, April 10-14, the first annual meeting of the Board of Governors of the Inter-American Development Bank. Secretary Dillon will head our delegation.

We believe that it would be extremely helpful to our position in Latin America if there is by then some public indication of favorable progress in this appropriation.

I hope, Mr. Chairman, you would be willing to let Mr. Berle say some words about the political aspects of this situation.

Mr. PASSMAN. Mr. Berle, you may proceed in your own way.

STATEMENT OF ADOLPH A. BERLE, CHAIRMAN, PRESIDENT'S
TASK FORCE ON LATIN AMERICA

Mr. BERLE. At the close of the hearing yesterday it was thought it might be well to introduce the political element at this point. If you will permit me, I will do it briefly here and answer any questions.

Mr. PASSMAN. We are pleased to have you as a witness before this subcommittee. You just proceed in your own way. If you do not have a prepared statement we will try to follow you very closely.

Mr. BERLE. It is kind of you to permit me to come here. As you say, this is a committee in which only the plaintiff presents the case and, if you choose, you serve as the public defender, and I understand that perfectly.

I am the Chairman of the President's Task Force on Latin America. By my choice we have located the task force in the Department of State because it is foreign affairs and I do not wish to be any party to the fragmentation of the authority of the Secretary of State.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Will you give us at this point, for the record, a brief résumé of your background?

Mr. BERLE. Certainly. I was first in Latin America in 1918 and 1919 in special work connected with World War I, particularly in the

Caribbean. This was in Puerto Rico, Cuba, the Dominican Republic, and Haiti.

Thereafter I was in France, and at the close of the war I was assigned to the Conference To Negotiate Peace With Germany at Versailles. I was there during the Russian and Eastern European affairs, and there I came into somewhat violent contact with the Communist machine then just getting underway.

For the following 12 years I practiced law in New York, and likewise was and still am professor of law at the Columbia University Law School.

A considerable part of my practice was in Latin America.

In 1933 I was connected with plans in getting the United States out of the bank holiday. I was secretary of the informal committee.

Immediately after that the Latin American work began again and I was one of the American delegates of the Inter-American Conference in Buenos Aires in 1936, and subsequently at the Inter-American Conference in Lima in 1938.

At this time I left my job as treasurer of New York City to become Assistant Secretary of State and handled Latin American affairs through the war until about December of 1944. I was then Ambassador to Brazil for a year and a half and at that point I considered the time had come for me to tend to my own affairs and I went back to New York.

I did not, however, abandon my interest in nor my friendship to Latin America. I visited Latin America at least three times in every year since then, with possibly one or two exceptions.

I am a member of the council which is the equivalent of the board of trustees of the University of Puerto Rico, and I am honorary professor at the University of Brazil and have some other academic connections in Latin America. That interest included, may I say, a close friendship with men then in exile who are now running great parts of South America. This includes Mr. Romulo Betancourt, who had few friends during the last dictatorship and who always was welcome at my house.

The same thing is true of Lleras Camargo of Colombia, again an exile in difficulty. A number of other men all up and down the hemisphere are included.

When the dictatorships began to fall, as they did beginning with the end of the Brazilian dictatorship in 1945 and the fall of Perón somewhat later, these men who are the pro-American democratic forces came into their own and, when I took this job a few weeks ago, I had personal invitations not as an official but as a friend from the Foreign Minister of Mexico, the President of Peru, the President of Venezuela, the President of Colombia, the present head of the Foreign Office in Brazil, and elsewhere, because of the old days. These are my personal friends as well as my official friends.

I cannot say that I know Latin America, because anyone who says he knows Latin America you can discount. It would take more than a lifetime to get to know Latin America very well. I have had only one life.

I have had a long and deep experience which is perhaps sufficiently indicated by the fact I dropped my son when he was 15 at the head of the Amazon, told him to meet me in Rio in 2 weeks, with the hope

he could find friends all the way, and he did. This indicates it is not a casual acquaintance.

I speak the three languages spoken there—French, Spanish, and Portuguese—though I claim no prizes in grammar.

I have had a good deal of experience, therefore, diplomatic, legal, and academic, and not any commercially. I have declined to have any commercial interest in Latin America because I wish to be free to act as a friend.

I acted as adviser gratis to the Government of Costa Rica when Nicaragua invaded her in 1956, and I was there when the Nicaraguan planes strafed the city of San José, staying with another friend of mine, Don Jose Figueres, who was President of Costa Rica at that time.

There is more to it but perhaps that is enough.

Mr. PASSMAN. Thank you very much.

Will you comment for us concerning your meeting with the President of Brazil?

Mr. BERLE. I would, indeed. A great deal of false reporting has been brought on here to a point which convinces me that someone in Brazil, perhaps, or here, is anxious to endeavor to create a false impression and create difficulties between the two Governments.

The facts were that Mrs. Berle and I, after stopping at the President's house in Venezuela, to renew again our old friendship, and with President Camargo in Colombia, went to Brazil. We were promptly received there by the Foreign Office. Their State Department there is called the Itamaraty, and they gave a lunch for both of us which could not have been more friendly.

The following day we spent a day with the Secretary of Foreign Affairs, the Secretary of Finance, and the ranking officials to the State Department going over economic problems, not omitting Cuba one bit.

The following day I had an appointment with President Janio Quadros for 2 o'clock in the afternoon. The Governor of Rio de Janeiro died, and he canceled that and put it over until 9 o'clock the next morning so he could attend the funeral of the Governor. This was not a runaround. I thought, on the contrary, that is what any responsible executive would have done.

He might perhaps have received me in Rio, instead of in Brasilia. He did not. He put in the afternoon at his own Foreign Office being briefed by his own Foreign Office.

The following day I met him, a little late because the plane got there late, in his executive office in Brasilia.

We had 2 hours of a very free, frank, and friendly discussion.

I cannot imagine anything that was more cordial, more frank, or more direct.

My own idea of diplomacy is that you tell the truth, and he did the same. He therefore stated his own feeling, which was that the defense of the hemisphere was the ultimate task of any executive of Brazil, as he assumed it was of the United States.

He pointed out that President Kennedy had assumed the burdens of half the world. He had only the burdens of Brazil and attendant territories but that was difficult enough. We discussed the whole situation.

We left in the friendliest of terms and he indicated a hope some time he might visit us here, and we had indicated our hope we would meet him again.

He did not shake hands with me when he left. He gave what is called an abrazo, which is to put your arm around the shoulder, a perfectly familiar Brazilian gesture of farewell.

Subsequently I saw a story printed.

I should say, leaving there I did not issue a statement. I said, and the UP carried it, we had a free, frank, and cordial conversation, but in our country when somebody visits the President it is customary to leave the statement to the President, so I will leave it for him.

The press a little later carried the story we had not thrown bricks at each other. This was true. Neither did we beat our wives, each other, or anything else. This is one of these things that you can say with truth but the truth is almost more devastating than if you told a direct lie.

Subsequently this was built up to a wholly inexcusable story in Time Magazine.

There were present at that conference the President of Brazil; the Ambassador of the United States, John Cabot; the Counsellor of the American Embassy, and I believe no one else. For some reason the President did not invite his Foreign Minister to be present at that conference.

If I may go off the record a moment.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. BERLE. I am glad that Professor Gordon referred to the fact that there is a cold war going on. I have had this kind of a job once before in my life. It was in 1938. At that time, the attack on the hemisphere was made by the Nazi-Italian propaganda, and it was all out then as it is now. They followed so much the same method. It had, if anything, a less popularly attractive product to sell.

The same thing is true today. As Mr. Bowles noted, in 1959, at the Communist Conference in Moscow, a decision was taken to open an all-out front in the cold war based on the fact they had induced Castro to betray an otherwise legitimate Cuban revolution and put it in Communist hands.

A little later, at a quiet meeting of Communists in Brazil, they set a target date to take over the hemisphere in 1963, believing they could duplicate the Cuban incident everywhere.

Regretfully, since the first meetings of the Russians in Paris in 1918, they principally mean what they say. That means they will try, and if you do not meet the situation, you are likely to be in trouble.

What we are doing here I think we would do, and would have to do whether there were no cold war and no Communist threat. I mean by that, I believe our responsibilities, economic and otherwise, are so great we do not have to blame what we are doing here on the Communist threat. But I do say with that in the offing we must be as well equipped and as mobile as we can.

In a sense, the situation is very like that which prevailed in Europe in 1947 when the Communists first tried to seize Greece and President Truman intervened. Thereafter the Marshall plan was announced and the Communist machine went all out. The analogy is somewhat

striking because we have the Cuban situation which we must deal with sooner or later, and at the same time the President in his speech of a week ago announced a program which is a platform equivalent in political effect to the proposal of a program analogous to the Marshall plan.

I do not mean by that what is proposed in the current appropriation can be compared to the Marshall plan in any sense other than its political effect, but I do say this is the platform on which the United States is going to have to fight for its position, diplomatically and politically, in Latin America as we did in Europe in 1947, though the two are somewhat different, the problems are somewhat different.

If we do not get that perfectly clear, I am no use in this situation, and I might as well go home.

The situation, briefly, is this—for the last 15 years we have given priority to European and Asian problems. I am not quarreling with that. They were pressing. During that time, a country like Yugoslavia would bulk more largely in the conception of American aid, economic and military than a country the size of Brazil, although Brazil is a larger country than the United States. If you left out Alaska, Brazil is as big as the United States, plus another Texas.

What is the actual situation?

Politically, we have Cuba which is already a prisoner of the Communist regime and is claiming to have solved its problem. The claim is not true, but we are going to have to meet all over Latin America the assumption that by seizing all interests, by eliminating private property and by establishing a dictatorship of the firing squad, the economic and social problems are solved.

When people are poor enough—that is only one element, but especially when they have no hope—that kind of propaganda is very attractive.

In Latin America the population has been growing faster than the food supply. Unlike the United States, Canada, and Western Europe, the average income of every Latin American is, if anything, lower now than it was 10 years ago. Even the food supply per capita is dropping. There obviously is a lack of organization in the hemisphere itself. It has the natural resources. It has a substantial, though insufficient, supply of trained men and it has obviously the population and manpower capable of organizing these resources and making them as vivid and viable as they have been made in Puerto Rico, where the United States-Latin American cooperation has produced one of the most brilliant increases in economic and social strength in the world.

I say parenthetically that the increase in the national income of Puerto Rico last year was 9.4 percent, which I believe to be the highest increase in the world. This is what you can do when you try. This has not been true elsewhere in Latin America.

Now, this is not one region unhappily. This ranges all the way from the most primitive kind of situation which you have in ——— and ——— and to some extent in the Andes uplands and elsewhere, to the very highly developed, highly industrialized splendid capitals which you will find in Buenos Aires, Rio de Janeiro, and some small countries like the tiny Central America country of Costa Rica.

You have all these variations. You will have to meet each situation differently.

We have been trying to estimate what was the greatest single need and the greatest single step we could take. The Bogotá group broke this down into two kinds of expenses, the economic, which is designed to raise production, and the social, which was designed to do some good to the population.

I regret to say, both as a student in the university and as a scholar of these things and studying them on the ground, I am unable to see a clear distinction. I mean by that, if you are going to increase your market you have to have a higher level of education and culture than you can get in the semiprimitive parts of some countries in Latin America.

Our first need, therefore, is education. This really contemplates two kinds of activity. This is why I am unable to dismiss the ICA which can do this kind of thing.

We are just learning how to make loans for education, but the situations down in these countries will not permit that, so we will have to do some direct work.

Mr. PASSMAN. You said we are just learning how to make loans for education. Are you speaking about the United States?

Mr. BERLE. I am speaking of the United States.

Mr. PASSMAN. Have we learned that already, or is it something that is being discussed?

Mr. BERLE. We learned it in New York. At the State levels there are these loans which seem to work very well. What the United States decided to do is out of my sphere.

Mr. PASSMAN. I am not sure that I follow you.

Mr. BERLE. My own feeling is that probably the best asset you could give to many of these countries would be to create a staff of 300 or 400 highly trained men who had been given the techniques and the resources of education which we could give them by this means. At the same time below the line we will probably need to help the Latin American countries to create cadres of teachers who can teach primary schools, not with all the frills, I regret to say, that the college of Columbia University has brought into action, but the elementary thing of teaching a little reading, writing, and arithmetic and going out. I know a great deal of that can be done. That is where one would like to begin.

However, you need the question of handling the immediate situations which make for political instability. At this point, land and a variety of housing becomes essential. They are essential because in a substantial number of situations this is true, particularly of Rio de Janeiro, Caracas, and Lima, to take three. A great number of landless men have collected around the cities looking for jobs and there are not enough jobs for them, and they really belong on the land because there are great areas of unsettled land that could be used.

Mr. PASSMAN. Off the record.

(Off the record.)

Mr. BERLE. There is one difference between the problem here and the problem there.

Here, there is a surplus of food. There, there is not. And there will not be until you are able to get the people on the land and that in turn means a moderate development of roads, water, sanitation, and so forth, so they can then get to work on their own land.

We have a political motive for doing it besides. Those are the tinder which can be exploited in mob action of the kind we have heard about in Caracas, a little in Rio, and from time to time in other parts of Latin America.

Once those people are located and cease to be a floating danger to the situation, the political situation in my judgment will stabilize a good deal.

The men who are dealing with these countries—I mean the presidents and the executives who have been in charge—understand that and know it. Most of those men have had a great deal of American experience. They have already begun in a number of cases to develop the kind of agrarian reform which I think we would consider sensible and sane since it is the kind of thing the United States has done more or less throughout its history. Except it has to be done all at one time, or in a short space of time, rather than spread over a good many centuries.

INCREASE IN COTTON PRODUCTION IN LATIN AMERICA

Mr. ANDREWS. May I ask a question?

Hasn't there been a big increase in cotton production in Mexico and other South American countries in the last 10 or 15 years?

Mr. BERLE. Both in Mexico, to some extent in Central America and to some extent in Brazil.

Mr. ANDREWS. Is that cotton used domestically, or sold on the world market?

Mr. BERLE. Peru likewise. The bulk has been used domestically. There has been some export, yes.

Mr. ANDREWS. You say there is a great food shortage down there?

Mr. BERLE. That is right.

Mr. ANDREWS. Why don't they grow food crops rather than cotton?

Mr. BERLE. One of the reasons is precisely the difficulties we have had with the land program. For a plantation owner, it is always more advantageous to cultivate a lot of cotton and sell it for what he can get. He will take the cash crop. The peon, or the little farmer on the land, is employed during the cultivating season, otherwise he does the best he can and he gets nothing out of it. The division of the land, or rather, the cutting down of the production more or less to local consumption levels, is directly conditioned on seeing these people have some place to go. This is true of cotton. It is true of sugar. Conceivably it might be true of some other crops, including coffee, of which now there is a world surplus.

Mr. GARY. May I ask you a question?

You stated these people were just starting now some of their agricultural reforms. Are they being assisted in that program by U.S. technicians?

Mr. BERLE. To some extent. It is a considerable expansion of that program that we would like to encourage.

President Quadros of Brazil—and more people in South America talk Portuguese than talk Spanish, believe it or not—is proposing a plan of supervised credit as a major part of his agrarian program. But the supervision of credit must include actual agricultural assistance. They have had very little from us. They have had some. Most of it has come, believe it or not, from private organizations.

Mr. Rockefeller has financed a set of research institutes for seed corn and that sort of thing. The Rockefeller Foundation, which is quite different from Mr. Rockefeller's private enterprises, financed technical assistance for corn in Mexico which made it approximately self-supporting in corn for a relatively small amount of money in a relatively few years.

It is my recollection they spent about \$6 million on that program, and it took about 6 years. It depended on the services of a number of very devoted men.

Mr. TABER. Why did they not go a little farther and do what they ought to have done to control hoof-and-mouth disease?

Mr. BERLE. I do not think you can expect private foundations to do more than a fragment of this task. I do think you can expect their assistance in developing personnel, in developing methods, and in developing men. I think we are not yet at the stage where we can expect on the continental scale things to be done by private money. I do not think they have enough, to be perfectly blunt about it.

Mr. GARY. I see Mr. Johnston sitting behind you. I visited Colombia some time ago when he was down there as the ICA representative, and I remember that he was doing an excellent job. We went over some of his programs. I found in several of those ICA missions in Latin America that they were doing an excellent job which was in rather striking contrast with some of the others I visited in other sections of the world.

Mr. JOHNSTON. Thank you.

Mr. BERLE. That is my personal estimate, and the Department's estimate as well. In fact, if we could multiply the kind of thing you saw in Colombia a few years ago by 40 or 50, we should be on the way to resolving one end of this difficulty, especially if we cannot only do it through the ICA and with the genius of Mr. Johnston, for whom I have very high admiration, but also develop the men in those countries who can then do it themselves. Then we will be away and off the ground. That is why I wish to support what Mr. Gordon said.

I do not think you can really separate the ICA \$100 million from the \$394 million under the trust fund for the Bank.

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

I may suggest to you respectfully, however, that you two must not have talked with some of the people at the very top level. I can assure you that they are thinking differently on this than Professor Gordon, and you, Mr. Berle.

Mr. BERLE. May I merely comment, my own discussions have been with the Secretary of the Treasury, the Secretary of State, and the two Under Secretaries of State and the President. That has been as far as I have gone.

Mr. PASSMAN. I shall not mention the name until the time is appropriate, and then I shall do so.

You may proceed.

Mr. BERLE. Perhaps now you would rather ask questions. I have talked enough.

BACKGROUND OF LINCOLN GORDON

Mr. PASSMAN. Would you, Mr. Gordon, present at this point, for the record, a brief résumé of your background?

Mr. GORDON. I am professor of international economic relations at the Harvard Business School. I am a consultant to the Department of State and a consultant member of the Latin American Task Force appointed by the President, of which Mr. Berle is the Chairman.

I have had a career, I suppose, about equally divided between public service and academic life. The academic work has been entirely in these fields of international economics, international business, and the Government and business relations. Up until 2 years ago or so, my international experience was concentrated on Europe. I was not involved in the Marshall plan until July 1947, about a month after Secretary Marshall's statement in June of that year which began the program.

I worked with the Department of State in developing the program. I then worked with Mr. Paul Hoffman and the ECA in Washington, later in Paris, and again back in Washington on Marshall plan and on North Atlantic Treaty affairs.

From 1952 to 1955, I was Minister of Economic Affairs, and head of the aid mission in the United Kingdom in London.

In 1955, I went back to Harvard teaching in this field, and my attention was immediately drawn to Latin American problems because you cannot teach about American international business without having your attention focused very squarely on Latin America, which is of course one of the major areas of the world with which we do foreign business.

Mr. BERLE. It has been equal to our trade in Europe.

Mr. GORDON. In 1957, I organized at Harvard a conference on American investment in relation to Latin American economic development on which we had panels of very distinguished Latin American leaders from five countries—Argentina, Brazil, Mexico, Colombia, and Venezuela.

In 1959, I embarked on a major research project which I still hope to complete, having to do with the relations between Government and business in the economic development of Brazil.

In 1959, I also was a member of the Ford Foundation's first exploratory mission in South America to see what kind of useful work that foundation might undertake. Until 1959, the Ford Foundation had done nothing on Latin America. We visited Brazil, all the major regions of Brazil, Argentina, and Chile during the course of my mission. I was back again in South America last summer for 2½ months. I mentioned before in my statement that I had seen some of the problems northeast of Brazil at firsthand and I can assure you they are very difficult problems, but I believe not unsolvable.

Mr. PASSMAN. Thank you very much.

Mr. GARY. Off the record.

(Off the record.)

Mr. PASSMAN. Thank you, Mr. Gordon.

I have never hesitated to indicate for the record that I am not an economist, though I would very much like to be one. I am a small businessman.

Mr. GORDON. I have been of the impression you have become a very good amateur economist, if not a professional.

Mr. PASSMAN. I would not rate any other classification than that of an amateur. Therefore, before I use any statistics, I always have them verified. I am delighted that we do have an economist with us today, because I believe we can get some answers at this time to some puzzling questions.

U.S. BALANCE-OF-PAYMENTS POSITION

I am sure that we have a very serious problem. We certainly recognize the cold war, but the testimony today is no different from the testimony I listened to the first year I became a member of this committee, 9 years ago. If anything, it is possibly not quite as alarming. But the threat to peace is surely ever present. Realizing that this may be a very long program, as indicated thus far, it would appear to me that we should give some thought to operating with a minimum amount, rather than a maximum.

I think that if you should confiscate all the wealth in America, you still would not have sufficient funds to do all the things labeled "desirable." So, it seems to me, it is a matter of a commonsense approach, and dealing with this realistically.

Our people who are charged with the responsibility of managing our public debt have been much more alarmed by the constant drain of our gold than the President has indicated. There is some indication that the present letup in the gold outflow is possibly, in part, because of the successful pleading on the part of our President and Secretary of State prevailing upon some of the other countries to ease up. We do not know, actually, whether they have reestablished confidence in the American dollar or whether it is more or less an accommodation, from a certain amount of pleading in many places, to let up until we can get our house in better order.

It follows, nevertheless, that our gold holdings have been reduced from \$23 billion plus down to \$17 billion plus during the past 8 years. It would have been worse than that if it had not been for the return of the purchase of \$300 million from the International Monetary Fund. While others purchased the tremendous amount of gold, they still managed to more than double foreign-held short-term dollar assets, which have reached the unprecedented high of \$23½ billion.

Then, considering another matter, which to me is very significant: During the first 164 years of our Nation, that is, from the day General Washington was sworn in as President, April 30, 1789, until the day that Mr. Truman left office, we had collected in Federal revenues a total of \$570,786 million. Since then, in a brief 8-year period, we collected \$624,848 million. We have collected in the past 8 years \$53 billion more than in the preceding 164 years, but we did not operate the Government on that. To meet our commitments, domestic and foreign, we have had to go out and borrow an additional \$23 billion and spend that.

Gentlemen, that is the record. That is one reason why I wonder whether we have not permitted this thing to get out of control. Each year the evidence is more persistent—do not make us justify, just trust us. We have the machinery, the witnesses say, so just give us the money, and leave it to us to work it out so that the funds will not be wasted.

I would like for you to look the statistics over, especially gold and dollars, and see if they are in accordance with your record. If my figures are accurate, I think that you, as an economist, will admit that the time has come to check every dollar very carefully and operate on that basis, before we finally destroy the economy of our country.

Do you recognize justification for my concern?

Mr. GORDON. Yes. I am also concerned about the balance-of-payments position.

Mr. PASSMAN. I am not talking necessarily about the balance. I am talking about the gold drain and about the balance dollarwise as well as tradewise. We are apparently about ready to enter again an unfavorable condition for exports versus imports. I, myself, do not have the answer.

Mr. ANDREWS. Will you let Mr. Gordon comment on the effect this program will have on our gold situation?

Mr. GORDON. I will be happy to comment on that.

Mr. ANDREWS. Assuming the whole \$500 million is appropriated.

Mr. GORDON. We have tried to make an estimate of what proportion of this \$500 million would be spent on goods purchased outside the Latin American countries themselves, the recipient countries, and our best estimate is that from 60 to 65 percent of the total would be spent on imports of goods, or services. Services include payment for technicians. Those funds, in accordance with the general policy at the present time, will be spent in the United States, and therefore, to that extent, they will not result in any dollar loss.

Mr. ANDREWS. That is about \$300 million of the \$500 million?

Mr. GORDON. That is right—or somewhat more.

The trust agreement with respect to the Bank's portion of this does have an explicit provision with respect to the places where foreign purchases can be made in order to insure the purchases will not be made in Europe, but will be made only in this country, or in the country concerned.

In section 4060, page C-6, there is this language:

The U.S. dollar funds made available under the agreement shall be used for purchase of goods or services from the United States, or for acquisition of goods or services of local origin in the country where the assistance is received.

There is also a provision that permits the Administrator, which is the Bank, to authorize the use of funds for the acquisition of goods and services in other countries which are members of the Bank if this would be advantageous. That means, of course, in neighboring Latin American countries, but no external purchases are to be made in Europe, or Japan, or other areas outside the hemisphere.

Mr. TABER. Will the gentleman yield for a moment?

Is this not your picture and the picture this committee faces, the more we beat around the bush, the worse off we are going to be?

We have had submitted to us a number of new programs, the total of which, on top of what would normally be provided in the budget, totals something in the neighborhood of \$15 or \$18 billion.

We have got to go before the Congress with an honest statement on this picture and we cannot go beyond that unless the country is ready to take it. I do not see how we can do this in a helter-skelter way. I do not propose to be a party to it.

Mr. GORDON. I would be very surprised if the figures were as you suggested, Mr. Taber, but I understand the President is sending a budget message to the Congress by the end of this week.

Mr. TABER. I do not make statements unless I know what I am talking about.

STATEMENTS MADE DURING CONSIDERATION OF AUTHORIZATION BILL

Mr. PASSMAN. I am not discussing the merits or the demerits of the project. I am not discussing whether it is a difficult task, or an impossible task, or an easy task. To do what?

This bill must move from this committee to the full committee, and then to the floor of the House. If you get your authorization based on one set of claims and on one set of very definite statements, and then at a subsequent date when you come in for the money you say that those conditions cannot be met, I am sure you understand the very difficult position in which you place the committee, unless we are just to be a rubberstamp and approve this thing because someone wants it, without being in a position to justify what we are doing.

So let me repeat the assurance from Mr. Morgan, the chairman of the Foreign Affairs Committee, as stated on the floor of the House, in response to questions:

Any request submitted to the next Congress will be based on a carefully worked out program and will only be for such amounts as may be fully justified.

Again:

Both the authorizing committee and the Appropriations Committee will have a look at the program next year, and as I just said, every project must be justified.

Further:

These programs of social development have not yet been worked out. Before the United States appropriates funds to assist in these programs, our representatives have told the Latin American governments it will be necessary to have specific programs worked out and justified in detail, and even more important, that these programs will have to be accompanied by basic legislative and institutional reforms in such matters as tax structure, land tenure, and legal procedure in order that new facilities provided under these programs may produce the benefits which are intended.

Still quoting Chairman Morgan:

I have already said that each and every project will have to be justified.

And more:

I can assure the gentleman that next year, if the Democrats are in the majority, and I head the Committee on Foreign Affairs, a detailed program for Latin America will have to be justified.

Again quoting:

I can assure the gentleman that the \$500 million will not be spent for several years.

Quoting now from page 17362 of the Congressional Record:

There are no big projects in this authorization. We might not use anywhere near the \$500 million we are asking here. This is a statement of congressional intent.

Now you give us the answers to get around the specific, to the point, commitments to the membership that these things would be accomplished.

I am afraid it is going to be most difficult to rush this thing through, because these questions are going to have to be answered on the floor of the House.

Will you try to help us come up with some kind of an answer?

We shall stand adjourned until 1:30 o'clock.

AFTERNOON SESSION

Mr. PASSMAN. The committee will come to order.

PROMISE OF JUSTIFICATION OF PROJECTS IN DETAIL

Mr. Gordon, during the lunch hour I talked with two members of the Foreign Affairs Committee who gave me information to this effect:

That last year it was the wish of the administration to equip Mr. Dillon with the proper authorization so that when he went to Bogotá for the conference he would have something to support our views. The same members of the Foreign Affairs Committee would testify, and stated forthrightly that there was a complete meeting of the minds and agreement that before the Secretary would request an appropriation to carry out the authorization that the administration, whether it be a continuation of the same party or whether of another party, would justify in detail every project.

You are new in the program. I am wondering if you have access to the counsel of the witnesses who gave this positive assurance to the Foreign Affairs Committee, and at a subsequent date to the House, that you would justify this program in detail?

Mr. GORDON. Mr. Chairman, I have read the record of the testimony. The only two witnesses who appeared were Mr. Dillon and Mr. T. Graydon Upton who was then Assistant Secretary of the Treasury and who is now Executive Vice President of the Inter-American Bank. I do not find in the record of the testimony before the Foreign Affairs Committee as published assurances quite of that character.

Mr. PASSMAN. State specifically, and to the point, what you do understand about it.

Mr. GORDON. My understanding was that on the basis of the authorization given, which was given, that they would discuss with the Latin American representatives at Bogotá the sort of program which has in fact developed; that following that they would then develop both effective machinery for carrying out the program and would get the process of developing projects into motion.

I find nothing in the testimony to suggest that the projects would be worked out in detail in the sense the technical assistance projects of the ICA have been in the last several years before appropriations were asked for.

Mr. PASSMAN. You do know, of course, Mr. Gordon, that there has not been any detail worked out on the technical aid, point 4 programs under ICA. The ICA, and the legislation permitted it, could take a deobligated item of, we shall say, \$100,000 and initiate 25 new projects. The ultimate cost could lead into, say, \$50 million. By the time the matter reached this committee they would have been placed over in the category of "continuing" projects, rather than "new" projects, and they would ask for an appropriation to support projects which they initiated out of deobligated funds, and which had never been justified as such before any committee.

You are familiar with that situation, are you not?

Mr. GORDON. I would like it very much if Mr. McPhail or Mr. Tennant could comment on that.

Mr. PASSMAN. They will be requested to comment later.

Do you, yourself, understand that situation?

Mr. GORDON. I am not familiar with that.

Mr. PASSMAN. That is a matter of fact. If you read the appropriation hearings as closely as you did the Foreign Affairs Committee hearings you will find it.

Have you read Mr. Morgan's assurance on the floor of the House, which I have recited?

Mr. GORDON. Yes, sir.

Mr. PASSMAN. Is that rather specific?

Mr. GORDON. It seems so.

Mr. PASSMAN. Would you agree it is specific?

Mr. GORDON. Yes.

Mr. PASSMAN. Thank you very much. I yield to the gentleman from Massachusetts.

Mr. CONTE. Mr. Gordon, I have the hearings of last year before me and on page 9, in answer to a question by Chairman Morgan, the then Under Secretary of State, Mr. Dillon, said:

It was also our idea that we did not wish to foreclose the new administration, whatever it might be, from developing details of this program further and from relying on the results of our further discussions with the Latin American countries both at Bogotá and after Bogotá, as a result of the meeting. Agreement was reached in the Senate, and it was written into the bill and it was stated on the floor in the legislative history, that the administration—whatever executive there is next year—would come back again to the authorizing committees, both with a full report of what has been done and what is proposed, to give the authorizing committees a chance to make further detailed suggestions and changes in authorizing legislation before such time as appropriations are sought next year.

Mr. GORDON. That is right, Congressman, and we have done so. We have appeared, Mr. Ball and I, before both the Foreign Relations Committee in the Senate and the Foreign Affairs Committee in the House. We have discussed with them the presentation that we were going to make to you and there was no indication that they wanted to take advantage of this opportunity to make further legislation.

Mr. CONTE. They made no suggestions at all?

Mr. GORDON. No.

Mr. TABER. We do not want to make further legislation. What we want is to have the detail of what this legislation does. That is all we are after.

Mr. PASSMAN. I am of the opinion, Mr. Gordon, that this committee is going to require specific information.

I know you are endeavoring to do your job well. We are going to do our job as well as we know how to do it.

You commented concerning the lack of support for the contention by the Foreign Affairs Committee members who spoke with me. Would you also like to comment on Mr. Morgan's assurance to the House in the several different instances which I mentioned earlier?

Mr. GORDON. Mr. Chairman, you asked me about the testimony before the House Foreign Affairs Committee.

Mr. PASSMAN. You answered that. Have you read Mr. Morgan's statement?

Mr. GORDON. Yes.

Mr. PASSMAN. Do you think you have sufficient information so that we can go on the floor and answer these questions, and state that Mr. Morgan's assurances have been complied with?

PROGRAM DOES NOT COMPLY WITH DEBATE ON AUTHORIZATION BILL

Mr. GORDON. My view on this, Mr. Chairman, is that the assurances in the degree that Mr. Morgan's statement on the floor of the House last year suggest cannot be literally complied with. I do believe that we have made very great progress in developing the basis of specific projects.

We have not tried to work these out in refined negotiations with the governments because first we thought it would be wrong to do that before there was a genuine assurance of funds and secondly, it is our belief that the right kinds of self-help measures which we want these governments to undertake cannot be negotiated unless there is assurance of funds.

Mr. PASSMAN. Respectfully, would it appear to you, then, that the chairman was giving assurances to the House in order to get an authorization bill passed? I am not suggesting that was the case, but what does the record suggest?

Mr. GORDON. Mr. Chairman, I cannot comment on that.

Mr. PASSMAN. Mr. Morgan is a very able and fair chairman. We are not going to pass over his assurances that lightly. Members of the Foreign Affairs Committee assured me, and I am sure they also assured other members of this committee, that there was such assurance from those testifying for the authorization, whether it was on the record or off the record, and Mr. Morgan was supplementing that assurance on the floor of the House. This is something of a barricade that has been set up, and the quicker it is recognized that you are going to have to do some justifying the quicker we shall be able to proceed to act.

Mr. TABER. Mr. Chairman, isn't it a fact that all of our appropriations for the use of the United States or for the use of this country in embassies or other places abroad are all spelled out in detail before this committee before we provide the funds?

Mr. PASSMAN. I do not know of appropriations for any project in America until such time as it has been established that the benefits from the project would be greater than the expenditure. In many instances an appropriation to carry out the authority may follow from 5 to 12 years, depending upon how hard you work, how much you plead to get a partial payment. I do not think there is an exception to that rule that you must justify it. I do not think it is right for us to be spending billions of dollars all over the world without justification of the expenditures when we were told last year, and passed legislation, that you would not again come before this committee or the Congress and ask for funds to spend on a project that had not been fully justified.

Mr. GORDON. I think this is built into the nature of the problem.

As I suggested this morning, you have got here kind of a vicious problem, stalemate or chicken-and-egg problem, whichever you want to call it; when public works projects are undertaken in this country there is not a problem of negotiating with authorities in this country, self-help, or approaches toward social reform.

Mr. TABER. Your solution is exactly like mine used to be when I was representing a client and I was authorized to go out and make a settlement for \$10,000.

They did not know just what I would do, but they knew that I would not go beyond what I was set up to go. That is just the same kind of thing. It can be specific just as well as it can be any other way. There is no question but that a specific approach is sounder and better for the ICA, better for the State Department, and better for everybody.

Mr. PASSMAN. I think Mr. Berle said this morning, in effect, that this program is necessary regardless of the Communist attempt at penetration.

Mr. BERLE. I did say that, yes, sir.

Mr. PASSMAN. That being so, we all recognize the need for helping our Latin American neighbors, but as our processes in this country have been, and will continue to be, that you justify the expenditure before you come in and ask for the money, why can't the countries make the changes and reforms first, and then ask for the money, so that we do not embark upon a program that could cost us \$10, \$15, maybe, ultimately, \$20 billion, especially if we recognize that the need is there even without the Communist threat? Why the rush?

Why couldn't we come in with a sound program, and make it easier in the future to get money to carry out specific programs, rather than to take a shot in the dark and turn this fund over to be administered to a large extent by the recipient nations. If it is reciprocal that is one thing, but if we are to proceed on the basis that you justify the money, that is something else.

Mr. GORDON. I think it is some of both.

Mr. PASSMAN. How much would it be on the basis of justifications? How heavily does that weigh on the considerations?

Mr. GORDON. Could I explain what I mean when I say some of both? I mean each of the projects in a sense has a political element and also a detailed technical project element about it.

I do not think that it is quite fair to characterize what we are suggesting here as a shot in the dark. We have submitted to you a substantial list of preliminary proposals, which are, as I said before, not refined projects, but are very serious proposals.

Mr. PASSMAN. I am going to try to follow you because you are trying to help this committee. What kind of project and what will the cost be? Just name one specific project for which legislation has already been passed in a recipient country and they can implement this appropriation and carry out the project to conclusion.

Mr. GORDON. Certainly. I am sure Mr. McPhail and Mr. Johnson would be glad to do that.

(The information follows:)

The stimulus of the act of Bogotá to the development of reforms is demonstrated by action, since the Bogotá Conference in a number of countries. For example:

1. Argentina and Ecuador have, by decree or legislation, created new thrift institutions to encourage local capital participation in home building for large masses of their people. Legislation in Peru on similar lines is expected shortly and is pending elsewhere.

2. Land reform legislation has been enacted by the State of São Paulo, Brazil, establishing a graduated land tax.

Mr. PASSMAN. Let us not get into ICA. Let us stay in the Bank program.

Mr. ANDREWS. Aren't they listed on page 5?

Mr. GORDON. Certainly. This book, the confidential book, consists of a listing of that kind. In some of these cases you will see that the Government has already done a good deal. I call your attention to page 7.

Mr. PASSMAN. Are these firm projects, or is this just something that you are giving to us to work from and which is to be reworked? Are these completely firm, and have you entered into the contracts, or are they social development projects?

Mr. GORDON. They are not firm in the sense contracts have been entered into, sir.

Mr. GARY. You cannot enter into contracts until you have the money appropriated, can you?

Mr. GORDON. Mr. Chairman, if we had firm contracts here this would be committing funds that the Congress of the United States has not appropriated.

Mr. GARY. I would raise Cain over a situation of that kind.

Mr. PASSMAN. We received positive assurance last year that you would come in with details. We passed legislation last year with which you are familiar, and we had assurances that you would justify these projects.

Mr. BERLE. I was for 7 years Director of the Export-Import Bank so that I am not wholly a starry-eyed enthusiast on this. We had to make commitments on a good many things and did.

The Ex-Im Bank would have been completely powerless to do anything had it not had the funds appropriated so it could make these commitments. What was done is substantially what will have to be done here.

The technical studies were made after the money came in. This cost money, and we could arrange to advance the money, at least for our own engineering work.

Then, after this was done, we could make a commitment, but we would not have had the nerve to make a commitment and report it to Congress if we committed to lend \$20 million for the famous Brazilian Steel Mill at Volta Redonda which was one of the projects if we didn't have it. I would be unhappy coming up and saying, "Please give me an appropriation, I committed the money." I think I would be thrown down the elevator shaft.

Mr. PASSMAN. The Export-Import Bank makes a complete investigation as to the ability of the people to repay a loan. But, there is no money coming back on this. This is just another phase of the overall foreign aid program, which may possibly be for a total request of \$5 billion in some 70 nations of the world.

The Export-Import Bank has a good record. There were a number of sound loans being paid back to the Export-Import Bank.

Mr. BERLE. If I may continue on the Ex-Im Bank. This has to do with the Val Do Rio Doce Railroad, connecting the big Brazilian ore mines with the sea. At that point you could not be sure. It was intended to come back. What we did there was to commit against what was in effect a profit-sharing arrangement. I am glad to say in due time it all did work out.

Let us take still a third where you were not doing any of those things. This is a case where you were trying to commit for some housing developments. There the project was not the project of

these houses, this development, and this engineering, but here is the institute which is the equivalent of a loan association, which has an excellent record of doing a good job.

The additional money which may be needed has been guaranteed by the Government of Colombia in that case, and the project was the assistance and granting of additional money to the Instituto. That was a different project in the sense it was to the institution which assumed responsibility. In still other cases we did it against the obligation of the Central Bank of the country.

If you are asking for the engineering on each project, it seems to me we have to define the word and that may be the difficulty.

Mr. PASSMAN. We would not go that far, but we want more information than has been given to us.

Are you indicating that these justifications are as sound as the justifications which supported the creation of the Export-Import Bank?

Mr. BERLE. I would think the justification, when the original appropriations were made for the Export-Import Bank, were very much like this, yes.

Mr. PASSMAN. Similar to these?

Mr. BERLE. Yes.

Mr. GORDON. I would say rather less, if my recollection is correct.

Mr. BERLE. Yes. The Ex-Im Bank has had a good record.

Mr. PASSMAN. An excellent record.

Mr. BERLE. It did do a certain amount—

Mr. PASSMAN. The Export-Import Bank is controlled strictly by Americans. It is an American institution.

Mr. BERLE. Yes.

Mr. PASSMAN. Whether we are willing to admit it or not, practically everything points to the likelihood that this will be out from under our control, even though we have one individual who has 41 percent of the vote. It is administered by representatives of the recipient nations. You could not claim the same type of control for the protection of this money as you would in the Ex-Im Bank.

Mr. GORDON. Not as much control, but I would like to point out this is not just a question of one individual. Under the terms of the Bank Ratification Act the actions of that individual, that is the U.S. Executive Director, are controlled by the National Advisory Council, which is a purely U.S. Government group, so he is not free just to go off on the whims of his own.

Mr. PASSMAN. Speaking of this one individual?

Mr. GORDON. That is right.

Mr. PASSMAN. Of course, I am sure we will have a fine representative. But I contend that the record is clear that there are very few rejects on practically any kind of application to any phase of the foreign-aid program. I say that respectfully.

AUTHORIZATION FOR ALLOCATION TO ICA

Does the ICA now have an authorization whereby it could administer and disburse the \$100 million?

Mr. GORDON. You mean if they have the funds?

Mr. PASSMAN. If they had the funds, is the present authorization broad enough so that they might handle these funds and disburse them on projects they elect to approve?

Mr. GORDON. The answer to that is "No", I believe.

Mr. PASSMAN. Then how could ICA utilize \$100 million, if the legislation is not sufficiently broad to permit it?

Mr. GORDON. The act of September 8, 1960, Public Law 86-735 authorizes this program.

Mr. PASSMAN. Speaking of the appropriation, does the ICA presently have an authorization broad enough that if they receive the \$100 million, they can program the money and approve projects?

Mr. GORDON. I may be somewhat confused by the precise use of the term "authorization."

Mr. PASSMAN. It means you first get an authorization. Later you come in for an appropriation.

Mr. GORDON. I understand this.

Mr. PASSMAN. If I may direct this question to some representative of the ICA, is your present authorization broad enough whereby you can receive this \$100 million, if the Congress approves it, and allocate the money and initiate projects?

Mr. MACPHAIL. I would say yes.

Mr. PASSMAN. Under what section of the law?

Mr. MACPHAIL. This would not be administered under the mutual security program. It would be administered as the result of a \$100 million transfer from the State Department under this program to be administered by the ICA.

Mr. GARY. Your authority was granted in the authorizing legislation for this specific \$500 million last year by the Congress, was it not?

Mr. MACPHAIL. That is right.

Mr. GARY. That is your authority to spend it?

Mr. PASSMAN. Not for ICA.

Mr. MACPHAIL. The authorization reads it will be——

Mr. PASSMAN. Let us see if it says ICA.

Mr. GORDON. It does not, Mr. Chairman. It says to the President.

Mr. MACPHAIL. Under such terms and conditions as he may specify.

In order to carry out the purposes of section 1 of this Act, there is hereby authorized to be appropriated to the President not to exceed \$500 million, which shall remain available until expended.

Mr. PASSMAN. Read the authorization again.

Mr. GORDON (reading):

In order to carry out the purposes of section 1 of this Act, there is hereby authorized to be appropriated to the President, not to exceed \$500 million, which shall remain available until expended, and which the President may use subject to such further legislative provisions as may be enacted, in addition to other funds available for such purposes on such terms and conditions as he may specify.

Then there is a proviso about not making any of it available——

Mr. PASSMAN. Let us continue.

Mr. GORDON (reading):

Provided, that none of the funds made available pursuant to this section shall be used to furnish assistance to any country in Latin America being subjected to economic or diplomatic sanctions by the Organization of American States. The Secretary of State shall keep the Committee on Foreign Relations in the Senate and the Committee on Foreign Affairs of the House currently informed about plans and programs for the utilization of such funds.

Mr. PASSMAN. Are you not in effect supplementing ICA's appropriation when you turn over the \$100 million to program projects similar to projects already in effect in Latin America?

Mr. GORDON. I would not describe this as a supplemental appropriation.

Mr. PASSMAN. I am glad you said that because they were about to place it in that category. What would you call it?

Mr. GORDON. I would call it a new appropriation of funds, supplemental in the sense—

Mr. PASSMAN. A new program?

Mr. GORDON. That is right. There are certain activities carried out under present authority which resemble, or in some cases are identical with, some which are proposed to be carried out under this program.

There are many more types of activities not covered by present authority. As I said this morning, we do not propose to ask for additional funds in the fiscal 1962 regular mutual security request for the same kinds of projects.

Mr. PASSMAN. In your statement, you said the evidence indicates that the needs for assistance are divided in a ratio of about 4 to 1, for the respective areas of responsibility, between the Bank and the ICA.

What would be the difference between projects under ICA supervision in spending this \$100 million and the regular ICA appropriation?

Mr. GORDON. What the sentence in Mr. Ball's statement means is, taking the indications of needs which have been summarized and described in some detail in the presentation made to you, if you take the fields proposed to be assigned to the Bank, land settlement and the agricultural field, the housing fields, and water supply and sanitation field, those are the Bank's field.

Mr. PASSMAN. I was talking about ICA.

Mr. GORDON. If you take fields of education and training and public health other than water supply and sanitation, and some general technical assistance, plus the other kinds of things in those areas not members of the Bank, there are some small amounts as the book indicates intended for the West Indies Federation in particular, which is not yet independent but is expected to be independent within a year or so and we hope will join the Organization of American States, taking those into account the proper division of funds seems to be 4 to 1, hence, division into \$394 million and \$100 million.

As to the difference between the kinds of things that the ICA would do with \$100 million, the additional kinds of things they would do that they are not able to do now under present authority, I would like the ICA to testify.

Mr. PASSMAN. Then could the Bank, administering the \$394 million, make similar loans and grants to similar projects in the country?

Mr. GORDON. The Bank cannot make grants for anything except technical assistance.

Mr. PASSMAN. ICA is very much in the technical assistance field. Could the Bank make certain grants or loans for projects similar to those for which the ICA allocates funds?

Mr. GORDON. Yes, in part. That is to say, there are certain types of ICA technical assistance now, for example, technical assistance in the agricultural credit field or in the housing field, which the ICA technically provides assistance for.

It is proposed that with an orderly transfer process that in the future these will be done by the Bank and the ICA will withdraw from those particular types of technical assistance activities.

LACK OF DETAILED PROJECT JUSTIFICATION FOR ICA ALLOCATION

Mr. PASSMAN. Have you a partial list in the ICA, or a complete list, detailed as to cost, in compliance with legislation passed last year as to where and how the \$100 million will be spent? To what nations will it be allocated, and to what projects; also, the present allocation and ultimate cost of the project?

Mr. MACPHAIL. Not in the detail you just mentioned.

Mr. PASSMAN. Do you have any detail as to where and how the money will be spent?

Mr. MACPHAIL. The section on the classified book on the ICA type projects sets forth, as Mr. Gordon has said, examples of projects which have been discussed—

Mr. PASSMAN. You misunderstood. We want to know specifically where the \$100 million will be spent, what projects, what country, what the original allocation would be, and the ultimate cost of the completed project.

Mr. GORDON. In response to your question, the answer is that we do not have a firm program country by country and project by project for the use of this \$100 million. The reason we do not have this is the reason I tried to explain this morning; namely, these projects are supposed to be related to self-help measures and to certain types of institutional reform and institutional improvement. We want to negotiate with the countries before we commit ourselves to firm projects.

If we were to give you now a list of \$100 million worth of projects country by country and project by project we would simply not have that kind of negotiating ability which we think we have to have.

Mr. PASSMAN. We do it with our fellow Americans. In your program, why are we so sensitive about finding out the type of project, and the cost, so that you may present it to Congress and find out whether or not the Members wish to support the program?

Mr. GORDON. We are not sensitive about that at all. What we are sensitive about—

Mr. PASSMAN. You do not even need a commitment to do what you plan to do now, do you?

Mr. GORDON. We need—in order to work out the right kinds of project agreements with the countries, which will provide for the right kinds of contributions on their part—the assurance that the funds in fact are available for our parts of these projects.

That assurance we cannot have without an appropriation.

INDIVIDUAL PROJECT JUSTIFICATION BY ICA UNDER TECHNICAL ASSISTANCE PROGRAM

Mr. PASSMAN. I think ICA told us last year they could and would in the future justify these projects.

Mr. GORDON. Not with respect to this program.

Mr. PASSMAN. We do not want to go far afield. This is with relation to technical assistance—

Provided no part of this appropriation shall be used to initiate any project or activity which has not been justified to the House of Representatives and the Senate.

Mr. GORDON. That is right.

Mr. PASSMAN. If we are working on that basis why should we depart on this \$100 million?

Mr. GORDON. It was a different kind of program. It is that I wanted ICA to explain.

Mr. PASSMAN. Are we again going to run wild? You could ask for \$1 billion then, and we can forget the ICA, and you would come in for new authority under this and you would not have to comply with the specific agreement and the specific legislation.

REPORT OF FOREIGN AFFAIRS COMMITTEE ON AUTHORIZATION BILL

Mr. TABER. Mr. Conte has a paragraph in the report of the committee regarding the authorization bill. I think we ought to have it read.

Mr. PASSMAN. We would like to have it, yes.

Mr. CONTE. This is a quote from the State Department, Foreign Affairs Committee, House Report 2163, page 4.

They said:

The committee has been assured that no request for the appropriation of any of the funds authorized will be made by the Executive until comprehensive programs for their use have been worked out.

Mr. GORDON. That is right, Mr. Conte. I read that language into the record myself this morning and explained the way in which we believe this program does meet this kind of—

Mr. TABER. We need something specific to go by, right in the record, so we will know what we are doing.

Mr. GORDON. "Comprehensive programs for their use" is the phrase which was in the committee report. We believe we have put before you a comprehensive program for the use of these funds. We have indicated the machinery to use them. We have indicated the fields in which they will be used. We have indicated in considerable detail examples of the types of projects and the types of self-help measures to accompany this.

Mr. TABER. Frankly, we do not agree on that.

Mr. GORDON. If I could, I would like to call your attention to the next sentence which states that the committee has been further assured that assistance in these funds will not be provided until the governments have given evidence of their determination and ability to carry out the necessary institutional and legislative changes.

As I understood this language, this means a step-by-step approach. The first step is authorization. The second step is the development of comprehensive programs for their use, which we believe we have accomplished.

The third step is that when the funds are in hand, specific project negotiations are undertaken to make sure the funds will not be used except in accordance with this language.

Mr. PASSMAN. If I may address one question to the ranking ICA representative present, how do you propose to get around this specific language in the Mutual Security Appropriations Act of 1961? If you should get the \$100 million proposed to be administered by ICA, how

do you intend to get around the specific language in the bill? How do you propose to allocate and expend these funds, with this language staring you in the face?

Mr. TABER. It seems to me we ought to go back to fundamentals on this. I have here a copy of Webster's New Collegiate Dictionary. I have this open to page 170:

comprehend—to grasp the meaning of, to understand; to contain, to embrace, to include.

Comprehensible means to understand. How can we understand this language which is here as being any different from that in the dictionary?

Mr. GORDON. I do not think there is any difference between the notion of comprehensible as defined and the notions we have. We do understand and we do know the kinds of projects we are talking about. We have given many examples of those.

Mr. TABER. Have you a list of them?

LACK OF DETAILED LIST OF PROJECTS

Mr. GORDON. Yes, sir. We have a list of proposals. When I say examples I do not mean examples in the sense simply of one or two.

We have here listed proposals which in fact add up to more than the amount of money we are asking for.

What we have said about these is that they are not detailed projects in the sense we could say tomorrow, without undertaking the right kind of negotiation with the governments, that these are the amounts we would spend in these listed countries for these specific purposes.

Many of these will turn out to be the right projects. Whether they will be in precisely this amount, whether the contributions made by the recipient countries are as large as they should be, is something that would have to be worked out in detailed negotiations.

Mr. PASSMAN. It could be that you may not, in effect, carry out any of the examples proposed here.

Mr. GORDON. Theoretically. It would be most extraordinary.

Mr. PASSMAN. Let us get to the point. We want to help each other.

Mr. GORDON. Certainly.

Mr. PASSMAN. You are asking, in effect, for a blank check. You have set out examples. You may or may not enter into any agreement as outlined in any of the examples. It may be that you find you would like to enter into some other type of endeavor if the country should decide; the other members of this Board, they would rather have some other projects, so the example means relatively little.

We are trying to find out projects, specifically, for which you have already started to negotiate with the country, whether it be flood control, reclamation, hydroelectric dams, or what not. You should have something firm, rather than just examples which could be completely forgotten.

AUTHORIZATION FOR ICA GRANT PROGRAM

If we do not have projects then we shall just move along, and do the best we can. If you tell us how you will get around that section of the legislation concerning ICA it would be helpful to us because we will have to answer those questions. Do you have an answer to that?

Mr. MACPHAIL. Under this new program with funds appropriated to the President and eventually made available to the ICA to carry out the spirit and provisions of the basic authorizing legislation in advance of the Act of Bogotá, we would through our missions negotiate and develop precise projects which would be prepared to enter agreements with the government.

Not being a lawyer, this provision refers to technical cooperation.

Mr. PASSMAN. That is correct, but you have already established for the record that you are entering into technical projects and technical assistance. You will get into sanitation, education, and the record is loaded with that.

Mr. MACPHAIL. These are not technical assistance projects in the way in which they have been regarded in the past.

Mr. PASSMAN. Changing the name will not change the effect. If you are going to spend this money teaching people how to be better educators or maintain better sanitation, it is still technical aid.

I yield to the gentleman from Virginia.

Mr. GARY. Is it not true that the authorizing legislation of last year authorized the appropriation of this \$500 million to be used as the President directs?

Mr. GORDON. That is right.

Mr. GARY. The President will adopt the ICA as his agent for handling \$100 million of it, and when the ICA handles that \$100 million, it will not be acting as the ICA but it will be acting as the agent of the President under last year's authorization, and therefore they will have the authority to spend the money.

Mr. MACPHAIL. That is right.

Mr. GORDON. That is exactly right.

Mr. GARY. I am sure it is right.

Mr. PASSMAN. Subject to legislative provisions.

Mr. GORDON. Excuse me, Mr. Chairman. It is not subject to existing versions of law. It is subject to such further legislative provisions.

Mr. PASSMAN. Would the ICA officials administering this be the same as those administering present programs?

Mr. LABOUISSÉ. I would say it would be.

Mr. PASSMAN. Will this include programs and projects of a type not presently being carried on in Latin America?

Mr. LABOUISSÉ. Yes; as I understand it. I would like to speak simply because I have to learn and have to get into this job sometime. I may as well start now.

Mr. PASSMAN. We are very pleased to have you here.

Mr. LABOUISSÉ. As I understand it, and they can correct me if I am wrong, part of these funds would be used for technical assistance in the normal sense in which we have done it in the past, but with a very big difference—there will be some more capital expense involved in this, building hospitals, schools, and this type of thing, which as I understand it ICA does not do it under technical assistance. It is an expanded concept of technical assistance.

The funds would be used by ICA and the same people who are dealing with Colombia would deal with any program for Colombia, for example.

Mr. PASSMAN. Then are you not duplicating the very intent of the purpose of the \$394 million? This is a supplement.

Mr. LABOUISSÉ. I talked to Mr. Gordon some time ago on this issue when I first came here. I said one thing I thought was terribly important was this: When they divided up this \$500 million, however it was divided up, I, speaking from the point of view of the ICA, wanted real clarity as to what ICA was to do. I wanted to avoid overlapping.

Mr. PASSMAN. Do you have that information yet?

Mr. GORDON. Yes, sir.

Mr. LABOUISSÉ. I think this presentation which has been prepared was intended to put education and public health in the ICA side and then into the Inter-American Bank would be agriculture, et cetera.

I believe this is also true: The type of technical assistance which ICA may have been doing in the agricultural field would be transferred in the future to the Inter-American Bank and we would go out of that business, with one exception—if it is not a project as such, not land reclamation or division, but if it is just a question of technical assistance to the ministry of agriculture and how to organize itself, that type thing, this would be a proper use of ICA funds.

Mr. GORDON. That is right.

Mr. PASSMAN. At the time we entered into the agreement, had the formula been worked out for the Inter-American Development Bank? It could not be determined at that time whether it would require the entire \$500 million or part of the \$500 million?

Mr. GORDON. No, sir.

Mr. PASSMAN. They knew in advance just what they would set up? That is my question. You could not determine in advance, working out the mechanics and needs, the amount of capital for this trust fund. That was worked out after the authorization?

Mr. GORDON. Yes, sir.

Mr. PASSMAN. And it could have been just as easily the entire \$500 million, short of a formula in advance?

Mr. GORDON. No. I think the difficulty is this: When the Bogotá agreement was developed—I thought you were referring to the trust agreement—by Secretary Dillon and his Latin American colleagues, there was agreement which is recorded in the Act of Bogotá as to the areas in which this work should be done.

Mr. PASSMAN. My apologies. I didn't ask the proper question.

Prior to the Bogotá convention, but subsequent to the authorization, it could not be determined as to the amount of funds needed to properly fund the projects that will be handled by the Inter-American Development Bank.

Mr. GORDON. No, sir.

Mr. PASSMAN. It could not be determined then?

Mr. GORDON. There was virtually no lapse of time because the authorization was passed just at the moment that the conference was beginning.

Mr. PASSMAN. It could happen the same day. It could not have been determined as to what it would be. It could have been \$500 million, but the main purpose was to establish this trust fund in the Inter-American Development Bank. Is that what the authorization intended?

Mr. GORDON. No, sir. The authorization was intended to show to our friends in Latin America that the United States would be prepared to support a serious social development program in which they would

take the right kinds of self-help measures, and it was also stated there we expected the Inter-American Bank to be what was called the primary mechanism for the administration of the funds.

It had been made clear in testimony to the authorizing committees here that the Bank would be assigned responsibility in these fields where loans were the proper way of doing most of the job and there would be reserved for ICA administration the work in those fields, especially education and training, where grants would be more appropriate, or where by the nature of the Bank it is hard to get technically qualified. That is not the kind of thing a bank ordinarily does. ICA, on the other hand, has had a lot of experience in this.

As to how the \$500 million would be divided, then what was meant by primary mechanism, how much it would be precisely, we had to wait on that until we had developed a clear enough idea of the total needs and the way those needs fall into those various categories to make a reasonable division. That work has been done over the past several months.

Mr. PASSMAN. That is exactly what I was trying to find out. You had to develop it. You didn't know the needs.

Mr. GORDON. That is right.

LIMITATION ON ICA TECHNICAL ASSISTANCE PROGRAM

Mr. ALEXANDER. What real difference would it make whether you get the \$100 million fund requested here or whether you get it in the regular appropriation for ICA?

Mr. GORDON. Two differences. First, the authority here is broad. As the ICA authority now is limited, technical assistance and limited types of demonstration are as far as they can go. We are talking, as Mr. Labouisse just said, about those things plus, and most of the money would be for the plus, assistance of a capital type, assistance to construction, instructional materials, laboratory equipment, and things of this kind on a scale which the present type of authority does not permit.

Secondly, there is the problem of time.

When the ICA has these funds in hand it will be able to sit down and work out with governments the details of some of these projects and the preliminary proposals are described here. Some of them involve such things as a 5-year program for the major expansion of teaching in a particular field. This involves working out how many teacher training organizations should go with this, how many teachers will be trained, where, the number of technical assistance people coming from the United States, and the rest of it, what sort of budgetary allocation the government concerned will make for the program.

When a long-range program of that kind is undertaken, and some outside resources are required, there must be some knowledge that the scale of outside resources to match the domestic ones can be forthcoming.

ICA under its present authority cannot do that kind of thing. It has done a lot of fine pioneering work. It has pointed the way. Many of these proposals would not exist had it not been for the preliminary technical assistance work done by ICA in past years. But these are different kinds of projects.

DIVISION OF \$100 MILLION ALLOCATION TO ICA

Mr. PASSMAN. Regarding the \$100 million, can you tell us the total amount that will be for technical aid and the part that will be for construction?

Mr. GORDON. Since the programs have not been worked out in detail I cannot tell you.

Mr. PASSMAN. You are asking for a completely blank check.

Mr. GORDON. No.

Mr. PASSMAN. If you cannot tell this committee what percentage will be for technical aid and what percentage will be for instructors, you are not entitled to it, in my opinion.

You do not want Congress to lapse into a condition whereby we just appropriate money without having any information as to whether it will be for capital improvement or technical aid, and concerning which you could not even give us a division?

Mr. GORDON. I have already said we cannot tell you what are the specific projects and the amounts.

Mr. PASSMAN. I did not refer to that. I asked what percentage of the \$100 million will be in the field of technical aid and what percentage will be for buildings and schools?

Mr. GORDON. Would you like an estimate?

Mr. PASSMAN. Who will give the estimate?

Mr. GORDON. ICA would have to develop it.

Mr. PASSMAN. Do you have any background as to how you can give this estimate?

Mr. MACPHAIL. Many of these projects have estimates of technical assistance, technicians, and participants.

Mr. PASSMAN. What is your estimate? I refer to technical aid.

Mr. MACPHAIL. Frankly I would prefer to submit it later, Mr. Chairman, go through these and extract it.

Mr. PASSMAN. You do not now have the answer?

Mr. MACPHAIL. No, sir.

Mr. PASSMAN. You do not know whether it could be 50 percent or 10 percent. After you finish it it will be speculative as to whether it is accurate because you have not entered into these contracts yet, have you?

Mr. MACPHAIL. That is right.

Mr. PASSMAN. Anything you come up with would be in the form of a guess?

Mr. MACPHAIL. We have not entered into any agreement.

Mr. PASSMAN. It would be in the nature of a guess; would it not?

Mr. MACPHAIL. An informed guess.

Mr. PASSMAN. Thank you very much. We want to thank you for being right to the point on that.

(Discussion held off the record.)

Mr. PASSMAN. The committee will come to order.

LONG-RANGE PROGRAM

We were discussing technical aid, the question of the \$100 million that would be administered by ICA, and the amount that would go into permanent capital improvements. We all agreed the amounts would be more or less a guess.

With regard to the part that will be technical aid, we have had the experience that many times they enter into an agreement which calls for a tremendous outlay of funds in subsequent years. As indicated in the hearings last year, some of the commitments would go into 1975. It would be too early to determine whether or not these technical aid programs would develop projects requiring appropriations that would go into future years.

Is that not so?

Mr. MACPHAIL. I think Under Secretary Bowles testified yesterday this is essentially a long-range program, a program of at least several years, so in any of these social development projects which have technical assistance as part of it, to appoint the length of time the technical assistance portion would be obligated would depend upon the total project, so to answer your question, there would be presumably longer range technical-assistance-type activities in connection with the "Act of Bogotá" social development projects which would be the ICA responsibility to administer.

Mr. PASSMAN. This would be very far reaching.

You could take this appropriation and initiate projects that would call for an expenditure maybe out of the Development Loan Fund, or grant aid, and in subsequent years the amount could be substantial.

Mr. MACPHAIL. Presumably on these projects on which you reach agreement with the host country, it would be for the total project. It would have a terminal date. A project might last for 3 or 4 years which would be in self-help school construction for which the United States would agree to contribute a certain amount of capital goods and equipment and technical assistance in connection with a contribution from the host government.

This would be to build, let us say, 2,000 classrooms over a period of 3 years. To this point, you have a lengthy project, but it does have a terminal point to it in terms of the numbers of units to be built.

Do I make the distinction clear?

Mr. PASSMAN. I think that under certain portions of the ICA programs you teach them how to borrow money, how to set up banks, and you educate them into getting into other fields; and sooner or later they start making applications for some type of a loan, or grant, to open up one type of bank or another.

Could we get into that same type of situation here?

Mr. MACPHAIL. Essentially, the technical assistance which would be available under the social development program would be related to a specific project. You would not be putting in technicians, or having participants of a continuing nature designed to strengthen governmental services. They would be project oriented, or related.

Mr. PASSMAN. One ties into the other.

You are not limiting this entirely to just one project? You may initiate a project with an allocation of \$20,000 whereas the ultimate cost would be \$1 million?

Mr. MACPHAIL. The projects which are set forth in the book here as examples, you will notice, virtually all are terminal projects.

Mr. PASSMAN. Those are examples.

You have already said that for the examples you may not start a single one of them.

Mr. MACPHAIL. Presumably all the projects which would be undertaken under the "Act of Bogata" type programs would be projects which have a terminal date to them.

Mr. PASSMAN. Give us a date then.

Of the \$100 million, \$50 million is for technical aid. What is your cut-off date?

Mr. MACPHAIL. Can I give you an example of one in here?

Mr. PASSMAN. I would rather have the facts than examples. If you say you may not enter into any of these projects, why take an example?

Again, you cannot give us a specific answer as to the original cost and then the ultimate cost of the project.

Mr. MACPHAIL. If you had \$100 million put into projects, the ultimate cost of those particular projects under this approach would be \$100 million.

Mr. PASSMAN. Then you are not coming back at any subsequent date asking for any money, any supplemental, on this or any appropriation in future years to continue a similar program under your regular bill?

Mr. GORDON. No, no. I think yesterday or this morning it was said if this program is successful we do anticipate coming back roughly 2 years hence for a further installment for assistance.

Mr. PASSMAN. In the same field?

Mr. GORDON. In the same field.

Mr. PASSMAN. Your answer is yes, you may come in and ask for an additional appropriation in the same field. Is that correct?

Mr. GORDON. Certainly.

Mr. MACPHAIL. Not for the same projects.

Mr. PASSMAN. Who is correct?

Mr. GORDON. For the same field, certainly. For the same projects, no. Mr. MacPhail and I are both right and consistent.

Mr. PASSMAN. At one time it would be a schoolhouse one place and another time a schoolhouse some other place?

Mr. GORDON. That is right.

Mr. PASSMAN. Certainly you would not build a schoolhouse on top of another schoolhouse. I know it would be in a different location.

Mr. ANDREWS. This is a so-called Latin American program, is it not?

Mr. GORDON. Yes, for all of Latin America.

Mr. ANDREWS. Under this program, would you need additional authorization before you could get more appropriations?

Mr. GORDON. Oh, yes.

Mr. ANDREWS. This is a one-shot deal?

Mr. GORDON. The authorization.

Mr. ANDREWS. \$500 million under the bill that passed Congress last September?

Mr. GORDON. That is right.

Mr. ANDREWS. And once you get the \$500 million, you cannot get any more unless you get an additional authorization?

Mr. GORDON. That is right. We would have to go back to the authorizing committees and present a new program.

Mr. PASSMAN. And that you anticipate?

Mr. GORDON. Yes.

Mr. PASSMAN. You know and I know that the mutual security program at one time was a complete program, and you always came in for a new authorization each year.

Mutual security is a program that started out getting a new authorization every year, so you would fall into the same category?

Mr. GORDON. Yes, except we hope this initial one will last longer than 1 year.

Mr. PASSMAN. We certainly hope so, too.

Mr. GORDON. Right.

But clearly, when these funds are used up, if the appropriation is the full amount of the authorization, we would need new authorization before we could ask for a new appropriation, certainly.

Mr. PASSMAN. That is similar to other parts of the mutual security bill. Is that your understanding, that you get a new authorization each year?

Mr. MACPHAIL. On an annual basis.

Mr. PASSMAN. Even though we have had the extra check, it has not reduced the request each year and the amount you have received each year?

Mr. MACPHAIL. Not always; no.

Mr. PASSMAN. In any case of which you know?

INCOME TAX LAWS

Could you tell the committee how many of the participating nations are without income tax laws at this time?

Mr. GORDON. I do not know the answer to that. I know several that have them, and several that have recently introduced them, but I would have to find out.

Mr. PASSMAN. There are several without an income tax law?

Mr. GORDON. That is my understanding.

Mr. PASSMAN. Could you provide the committee with a table?

There are some very wealthy people in these countries, earning a very substantial amount of money, millions of dollars, and no part of it is paid to their government in income tax.

(Off the record.)

Mr. PASSMAN. That is a very good point. Could you tell us at this time a few of the nations that have no income tax law?

Mr. GORDON. I can tell you a few of them. I would rather supply it for the record if I may.

Mr. PASSMAN. Supply it for the record. This is something that the Members of Congress have been discussing for years and years, why these aid recipient countries over many years do not even collect income tax from very wealthy citizens with large earnings.

How about an estate tax? Could you get that information for us?

Mr. GORDON. I assume we can get information on the tax structures of all of these.

Mr. PASSMAN. Do you not think it would have been appropriate to have found out something about this tax structure, whether or not any of these laws are passed? If one nation would automatically reduce the amount it is asking for, would this not be a little encouragement to the others to do likewise?

Mr. GORDON. On the last point, I think you can be quite certain that that will not happen because none of these projects, either negotiated by the Bank or negotiated by ICA, will be entered into unless the local government is putting up a substantial share of the funds.

(The information follows:)

Most of the countries of Latin America now have a general income tax applying to all residents and companies of the country and to all types of income. Guatemala, Haiti, Ecuador, and Paraguay do not have such a tax, although some of them do have limited direct taxes on profits or property. All Latin American countries have some form of inheritance tax.

Mr. PASSMAN. That is what you agreed to do before you came to this committee for funds, according to Mr. Morgan's testimony.

I wonder if you are actually going to do that, or not?

Mr. GORDON. The answer is that we are going to do it.

Mr. PASSMAN. When are you going to start? When the money is in hand, so the detailed negotiations can be set underway?

REVENUES FROM INCOME AND OTHER DIRECT TAXES

Do you have any information relative to their bills about land reform, tax brackets, et cetera, and when they are going to consider them?

Mr. GORDON. Yes, I can give you quite a lot of information.

Mr. PASSMAN. How about the first item? Could you name a few of the nations who have an income tax?

Mr. GORDON. Certainly. Argentina.

Mr. PASSMAN. What is the top bracket?

Mr. GORDON. I do not have the details, sir. However, I will be glad to get that.

Mr. PASSMAN. If you will, please.

Would you also provide some information on the estate tax and the maximum in each country?

Mr. GORDON. Yes.

Mr. PASSMAN. And whether or not the laws have been put into effect?

Mr. GORDON. Certainly.

(The information follows:)

Receipts from income and other direct taxes in Latin America, generally speaking, are now following an upward trend. They still, however, represent a relatively small proportion of revenue, as the following table shows:

Receipts by sources (selected Latin American countries)

Country	Year	Total (millions of equivalent dollars)	Percentage distribution			
			Direct taxes ¹	Indirect taxes ²	Customs	Other receipts
Argentina.....	1958	1,852.5	22.8	33.7	³ 3.7	39.8
Brazil.....	1958	1,415.6	34.4	36.8	16.2	12.6
Chile.....	1958	385.9	33.0	41.1	20.2	5.7
Colombia.....	1958	203.3	41.6	14.5	33.5	10.4
Costa Rica.....	1958	56.2	16.7	10.5	60.5	12.3
Ecuador.....	1957	89.4	13.4	33.6	42.5	10.5
El Salvador.....	1958	61.0	11.6	21.9	58.6	7.9
Haiti.....	1957	30.0	7.9	7.7	60.1	24.3
Honduras.....	1957	35.1	21.1	27.6	48.6	2.7
Mexico.....	1958	624.9	35.2	28.4	25.0	11.4
Panama.....	1958	56.8	24.5	13.4	35.4	26.7
Peru.....	1958	216.8	23.0	34.7	33.5	8.8
Venezuela.....	1959	1,201.5	31.9	13.6	45.3	9.2

¹ Include individual and corporate income and excess profits taxes, gift and inheritance taxes, etc. (a breakdown is not available).

² Include sales tax, excise taxes, foreign exchange profits, etc.

³ Does not include "import surcharges and export retentions," the largest single item in Argentina's budgeted receipts and included under "other receipts."

Source: Statistical Abstract of Latin America, 1960; Center of Latin American Studies, University of California at Los Angeles.

In most of the larger and more important countries—Argentina, Brazil, Mexico, Colombia, and Chile—the rates of taxation on income and inheritance are fairly progressive. Comparisons of one country with another in this field, or with the United States, however, are apt to be misleading, since the tax structures vary widely. Most Latin American countries use a schedular system, with various types of income subject to different rates of taxation. In addition, a progressive complementary tax is in some cases then levied on income from all sources. Inheritance taxes in Latin America vary not only with the amount involved—as in the United States—but also with the legal relationship between the deceased and the beneficiary.

In Brazil, for example, there are nine different scheduled tax rates, ranging from 1 percent on wages and salaries to 28 percent on certain types of dividends. The complementary tax on all income ranges from 3 percent to 50 percent on income in excess of the equivalent of \$22,500. The inheritance tax rate ranges from 2 to 25 percent for children, with higher rates for "strangers" (no blood relationship).

Chile also employs a combination schedular and complementary system of income taxation. The effective rate on wages and salaries is 4½ percent but ranges up to 33 percent on some other types of income. In addition, a complementary tax is levied which reaches 30 percent on income above the equivalent of \$14,000. Inheritance and gift taxes range from 1 to 14 percent for a spouse or children; and up to 40 percent for strangers.

In Mexico, tax rates on wages and salaries range from 1.7 percent to 50 percent on income over \$5,600. The inheritance tax varies from 4 to 37 percent for members of the family and up to 64 percent for strangers.

Colombia has a maximum tax rate on personal income of 51 percent. In Argentina, the highest rate is 45 percent. It should be pointed out, however, that many Argentines have a heavier income tax burden than do U.S. citizens. The rate of taxation in Argentina reaches 30 percent on income over \$7,500, a modest level of income by U.S. standards. Inheritance taxes where a spouse or children are the beneficiaries reach a maximum level of 20 percent in Argentina.

Most other income tax legislation in Latin America is less progressive in character. In the case of Panama, for example, even under recently enacted legislation, the maximum rate is 35 percent on income over \$750,000. Four countries—Guatemala, Ecuador, Paraguay, and Haiti—do not have general income tax laws, although they do have some direct taxes of limited application.

LAND REFORM LEGISLATION ENACTED

Mr. PASSMAN. Would you also inform us as to how many of these countries will be the recipients of this aid and which have already passed their land reform measures?

Mr. GORDON. Certainly.
(The information follows:)

The Act of Bogotá is intended to encourage land reform measures by assisting countries that already have effective programs for land reform and by providing incentives to others which have not yet adopted such measures.

Among countries that already have legislation providing for land reform are Venezuela, Guatemala, and the State of São Paulo in Brazil. Progress has been continuing under the agrarian reform program in Venezuela, where from April 1960 to the end of the year, 2,830,000 acres were parceled out to nearly 35,000 farmers. The Guatemalan program has also been moving forward. By the end of 1960 the Government of Guatemala had distributed titles to economic farm units to 4,000 of its farmers. To expand this program, President Ydigoras has requested, and the Congress of Guatemala has approved, the expansion of the program into other areas of Guatemala in order to resettle 6,000 additional farm families on economic units. In the State of Sao Paulo in Brazil a law was passed in December 1960, providing for a land tax to encourage productive use of land.

Other countries are also making a start toward constructive change in this field. The Colombian Government is supporting and attempting to secure passage in Congress of agrarian reform legislation, including a land tax to encourage productive use of the land. The Congress was called into special session in January and is expected to be in continuous session until this and other legislation is passed. In the meantime the Government is actively carrying out the colonization component of the agrarian reform program.

For several months technicians from the OAS have been in Honduras to assist the agrarian reform study group in preparing a basic law for agrarian reform. They have been conducting technical studies of various aspects of the agricultural problem in Honduras, including land tenure and utilization, agricultural credit, and rural education.

The Government of Peru is giving highest priority to congressional passage of an agrarian reform law designed to encourage the breakup of large estates, bring idle land back into production and prevent land speculation. The Government is also undertaking a large scale program to colonize and develop jungle land east of the Andes. In Costa Rica a law for land reform and colonization is up for consideration before the legislative assembly. A draft law on land use and distribution is being prepared by the Government of Uruguay, which is expected to include measures for land tenure, credit institutions, and additional fiscal policies to encourage the improved use of land. The Government of Nicaragua has also completed an agrarian reform law which is to be submitted to Congress this session.

Mr. PASSMAN. Do you know of any at this time?

Mr. GORDON. Yes, indeed. Venezuela.

Mr. PASSMAN. Subsequent to the Bogotá Conference?

Mr. GORDON. No.

Mr. PASSMAN. We are inquiring about reforms from the time we expressed a willingness to help our good neighbors. Do you know of any countries which have passed land reform legislation subsequent to the Bogotá Conference?

Mr. GORDON. The State of Sao Paulo in Brazil.

Mr. PASSMAN. I am speaking about the countries as a whole.

Mr. BERLE. It would have to be done by States. The country as a whole—

Mr. PASSMAN. Some of the countries control all of their land.

Mr. BERLE. Brazil is a Federal system like our own and that has to be done by State legislatures.

Mr. PASSMAN. Let us get down to countries. You are dealing on a country basis, are you not?

Mr. BERLE. In Brazil you would be dealing with the National Government of Brazil but on a basis of land reform—

Mr. PASSMAN. How many States do you have in Brazil?

Mr. GORDON. Twenty-one.

Mr. PASSMAN. How many of them have passed land reform legislation?

Mr. GORDON. Just one State.

Mr. PASSMAN. Just one?

Mr. GORDON. The largest and most important single State in the country.

Mr. PASSMAN. Do you have any others?

Mr. GORDON. We have quite a number of others that have done this within the last few years.

Mr. PASSMAN. We just want those which have done it since the Bogotá Conference. That is the shove off for this trip.

Mr. FORD. May I ask a question?

Mr. PASSMAN. Yes.

Mr. FORD. You say that one of the States within Brazil has undertaken this tax reform legislation?

Mr. GORDON. It is tax reform on land. It is really a combined land and tax reform.

Mr. FORD. Would it be the anticipation of the Agency or the Bank that an agreement would be made with that State of the nation of Brazil or would you hold off until all 20 had taken this action?

Mr. GORDON. We would not want to wait until that. Under Brazilian conditions that might mean holding off forever. In Brazil the region of the country which most requires this sort of help is the northeast.

Mr. FORD. Is that the State that has taken this action?

Mr. GORDON. No; this specific land reform action in the tax field is in the relatively well-to-do southern part of the country. That is the State of São Paulo; it is in the northeast where there is a more serious problem. This involves the resettlement of a very substantial amount of public land owned, in fact, by the States. This does not require tax reform legislation—I mean land reform legislation—to deal with it, but what it does is to require that States make available that land for settlement. In working out a detailed project in that connection we would expect the State authorities, whoever has title to the land, to contribute that as a portion of their part of the program.

Mr. PASSMAN. Any legislation thus far in any of these States indicated the government would contribute land?

Mr. GORDON. I do not know specifically about State legislatures.

Mr. BERLE. Let me answer.

May I say that we talked that over with the President of Brazil? He has a program or some legislation drawn which he proposes to put through the Brazilian Congress. This is a system with supervised credit on land to the extent that that land has been contributed by the State and under specified tax programs. In that sense, it is a matching of the Federal and State powers that is sometimes done here. This is the instrument I was working on and which he proposes to get.

Mr. GORDON. Right.

Mr. PASSMAN. As we are dealing with public domain lands that belong to the government, why could they not implement our agreement and then have this thing all worked out? You are dealing primarily with public domain land, are you not?

Mr. BERLE. Not altogether.

Mr. PASSMAN. To a very large extent?

Mr. BERLE. It is frequently not in the right place.

Mr. PASSMAN. The justifications indicate that almost every project reflects what I said. It is public domain?

Mr. GORDON. They are both.

Mr. PASSMAN. Let us consider the part that is under the Government.

Mr. GORDON. Mr. Chairman, let me give you an example. In the case of Colombia, there is a fair amount of public domain land and where the kind of project under consideration involves assistance in the construction of access roads. This is inaccessible land at the present time and where stuff has to be carried on men's backs to get it out to market. Actually, access roads would clearly be part of it, and agricultural credit institutions, in order to give the smaller landowner some credit, both for production needs over a year, and for longer terms, for tools and facilities, would be involved in this kind of thing. In that case, they have got the necessary legislation already. They had it before the Act of Bogotá but they do not have the necessary outside resources to get this job done on a sufficiently large scale.

Mr. PASSMAN. Let us take the case of Colombia. You are talking about that country now?

Mr. GORDON. I am talking about that country.

Mr. PASSMAN. In 1960, the Development Loan Fund and the Export-Import Bank loaned \$70 million, including substantial amounts for penetration roads, and for going into five colonization areas for credit to settlers in these areas.

Are you going to supplement that with \$10 million?

Mr. GORDON. Yes.

Mr. PASSMAN. Again, you actually do not know whether you are going to spend \$10 million. It may be that \$70 million might be sufficient?

Mr. GORDON. The \$70 million is in the process of being earmarked now against specific roads and housing institutions. Obviously, we would not go ahead with another \$10 million until—

Mr. PASSMAN. Was this the original amount they requested? Since you have gone to the trouble of putting it into your justifications, do you know whether or not they got all the money they asked for?

Mr. GORDON. I do not know about the earlier negotiations.

Mr. PASSMAN. Would it not be well to know about it, before you start earmarking \$10 million out of funds you have not yet received? Should you not ascertain whether or not they felt that was sufficient to carry out a reasonable program?

Mr. GORDON. That is, of course, where they are not earmarked. I said before they were not earmarked.

Mr. PASSMAN. I understand.

Mr. GORDON. Could I mention one other case?

Mr. PASSMAN. Certainly.

Mr. GORDON. Congressman Ford asked me about legislation and in the case of Peru, there is a comprehensive land reform submitted to the Congress by the Executive, Prime Minister Beltran in October of last year, and this is pending in the Congress at the present time. This is a very good illustration of a case where we hoped that, having these funds available, they assist the Prime Minister—

Mr. PASSMAN. Why do we have to plead with people to help themselves? What if they do not carry out the commitments under this? What if you do not get that legislation through, and the leaders of those countries do not get the legislatures to go along with them?

Mr. GORDON. Mr. Chairman, if that happens and if that program fails and if they do not take these kinds of measures, I think we are in the kind of position we described this morning. You will have the wrong kinds of revolution all over the hemisphere.

I think there is a major difference, Mr. Chairman, in the traditional change of presidents by revolution in Latin America, which was simply a replacing of one group of privileged class by another group of privileged class. There has been quite a fundamental change in most of the hemisphere during the last 20 years in this respect. First, in the number of countries where dictators were removed after a long struggle over the last 10 years; by that I mean, Venezuela, Colombia, Peru, and Argentina, as outstanding cases. There are now genuinely democratic representative regimes, the kind we would like to see continued. The types of revolutionary movements which exist now—and which is what concerns us—are extremely nationalist, Communist-supported and financed in large measure and working

now also with the help of Cuban propaganda and Cuban-financed agents, aiming at the kind of revolution which we have seen in Cuba. This is quite different from the traditional Latin American change as it has happened throughout the 18th and 19th centuries.

Mr. FORD. Will you yield there?

Mr. PASSMAN. Just briefly, if I may.

Will you spend any money in Peru?

Mr. GORDON. Would we spend any?

Mr. PASSMAN. For land development prior to the passing of the legislation?

Mr. GORDON. I doubt it. I doubt it.

NO AID TO BE EXTENDED PRIOR TO SELF-REFORM

Mr. PASSMAN. Would that doubt also apply to other countries?

Mr. GORDON. I can see this, Mr. Chairman. Obviously, money in this connection, in connection with the land resettlement program tied to this legislation, should not be provided until the legislation is passed. I would not necessarily exclude helping an agricultural credit institution in Peru to help small farmers in other places who already—

Mr. PASSMAN. I believe we are talking about land development.

Mr. GORDON. If it is land development, I think clearly it requires legislation and that that legislation must be passed before—

Mr. PASSMAN. If it is not forthcoming?

Mr. GORDON. If the legislation is not forthcoming, then the loan agreement should not be made.

Mr. PASSMAN. How about the tax structure setup; for example, income tax and other taxes?

Mr. GORDON. This is a much more complicated matter. I know how difficult tax legislation is.

Mr. PASSMAN. Yes; it could require years?

Mr. GORDON. That is right. It will be a matter, I think, of working patiently. One of the first problems is to collect taxes.

I was reading a couple of days ago a report from the technicians working with the Bolivian Government on their tax administration. Up until this year they have not even known what taxes were and where they were coming in because the administrative arrangements were so poor.

Mr. PASSMAN. How old is that nation?

Mr. GORDON. Bolivia?

Mr. PASSMAN. Yes.

Mr. GORDON. The Bolivian Revolution was in 1825.

Mr. PASSMAN. Did not some of your witnesses testify that Bolivia last year was near bankruptcy?

Mr. GORDON. It was and is near bankruptcy.

Mr. PASSMAN. You are going to make loans to them? Why delude ourselves? If it is a grant, why not call it a grant? I always thought we would get along so much better if we put the proper names on these things.

Mr. GORDON. Mr. Chairman, Bolivia has natural resources and land which, if people can be resettled, would make it a genuinely self-supporting nation. It has very grave administrative and social

problems at the present time. It is a very primitive government administratively, but the potential is there. If the right kind of action is taken by them with some outside help, I would certainly not regard Bolivia as hopeless in the long run.

Mr. PASSMAN. I yield to Mr. Ford.

Mr. FORD. It has been indicated that in order to make these loans there has to be some quid pro quo on the part of the recipient nation.

Mr. GORDON. That is right.

PROTECTION AGAINST EXPROPRIATION

Mr. FORD. Reform legislation, taxes, land reform, or something comparable. At the same time, would there be an insistence that there should be a protection for American investors in those countries against the threat of expropriation, either direct or indirect?

Mr. GORDON. We have this kind of problem, Mr. Ford.

Most of these countries have constitutional provisions for prompt, adequate, and just compensation for the expropriation of anybody. Normally it is not enforced. Our difficulty really is not, I think, with the present types of provisions. Our difficulty is with the Castro-type revolution that takes place. Anything that the present governments agree on would be disregarded anyway, so the problem is really the underlying political problem. Insofar as the present democratic regimes are concerned, they are not involved in the expropriation business. If they do buy out, as they have in some cases, public utility concerns, they do in fact provide compensation.

Mr. FORD. Yes, but as I understand it, in several instances the amount paid is woefully inadequate to compensate the investor or if the investors would not accept the amount which is offered, the rates they are permitted to charge to their customers are so low that there cannot be any adequate return on the investment, either for continuation of the facility or for a return to the investor.

I understand that this is a very serious problem in some of the countries and I am wondering if in some of these countries where this problem does exist, is there some way you can be certain that this kind of indirect expropriation does not take place?

Mr. GORDON. I do not see how we could do that in relation to this program. It is, of course, a real problem.

Mr. FORD. But you are insisting on certain other reforms as a quid pro quo. Why is not this equally as necessary?

Mr. GORDON. Reforms, sir, which are related to the purposes in the Act of Bogotá and related to these programs. I think that if we were to go to a Latin American country and say, "We will provide you \$17.5 million worth of assistance for agricultural resettlement or school construction on condition that you change your public utility rate structures so that the International Telephone & Telegraph Co., or the American Power Co., gets an adequate rate return," that the Congress in that country would throw out the entire project and very likely throw out the companies as well.

Mr. PASSMAN. Are you finished?

Mr. FORD. Not satisfied with the result but finished.

U.S. AID TO BOLIVIA

Mr. PASSMAN. If we may have a look at Bolivia, the total gross national product in 1956 was \$217 million.

Mr. GORDON. That is right, with a population of about 3½ million. That comes out at about \$80 per capita.

Mr. PASSMAN. You might buy more with that \$80 in Bolivia than you could in America. I used to get all confused about this amount of dollars.

Mr. GORDON. I can assure you that if you lived like a Bolivian Indian for a few months you would feel it was not an American standard.

Mr. PASSMAN. I was a sharecropper boy and never apologized for that, but still America is not subsidized by other countries. Bolivia had a total gross national product in 1956 of \$217 million?

Mr. GORDON. Yes.

Mr. PASSMAN. There was a slight increase in 1957 to \$221 million, but it dropped back down in 1958 to \$202 million?

Mr. GORDON. That is right.

Mr. PASSMAN. Then they went back in 1959 to \$207 million, which is \$10 million below 1956.

To date we have given to Bolivia \$160,329,000 in aid.

Mr. GORDON. Yes.

Mr. PASSMAN. What kind of a position are we in if, with this tremendous outlay of cash in such a brief period, it does not appear from the record that there has been any progress in that country. What is the answer to that?

Mr. GORDON. The answer to that is that there has not been progress. Bolivia is very unhappy because of this and there is not anybody concerned with this program, or the activity in Bolivia who is happy about the situation. It was for this reason that President Kennedy appointed the special mission about 2 weeks ago, under the direction of Willard Thorp, who used to be Assistant Secretary of State for Economic Affairs. He is a very competent economist and the President sent him to review our present program and to try to see what can be worked out. The one good thing that has happened in Bolivia in the last couple of years, economically, is that they have finally stabilized the currency. They had one of the worst inflations in the world, an inflation which was comparable to the German inflation almost of 1921 and 1922.

There has been economic stagnation and in fact the living standard per capita has gone down. This is a very trying and troublesome situation. We are not any happier about it than you are.

Mr. PASSMAN. Of course, there are other countries in Latin America where the picture is not as bad as in Bolivia?

Mr. GORDON. Yes.

Mr. PASSMAN. But where there is no indication that the tremendous outpouring of dollars has accomplished what we desired.

Mr. GORDON. In relation to their size there has been no other country, with the possible exception of Haiti, where there has been a large investment of public funds on our part. There have been big Export-Import Bank loans but this kind of special assistance given for budgetary support in Bolivia and Haiti has been unique. These are without question the two weakest economies in the hemisphere.

TEN-YEAR AID PROGRAM TO LATIN AMERICA

Mr. PASSMAN. The overall figure has been \$3,326 million, either in loans or grants, in period of time of this so-called foreign aid program; is that a statement of fact?

Mr. GORDON. That is 10 years, including* the Export-Import Bank loans.

In general, as we say in the presentation, the rate of economic growth in Latin America, especially up until 2 or 3 years ago, was not bad.

The bad thing has not been so much the general rate of growth as it has been the way in which it has been distributed. It has been very lopsided and it has not helped the people in the countryside.

Mr. PASSMAN. Whom do we blame for that?

Mr. GORDON. I think the blame has to be put on the economic and social structure of the countries. This is what the present program is designed to try to work out.

Mr. PASSMAN. What if it does not succeed, and we find ourselves as busted as they are? Where do we go?

Mr. GORDON. I think we would be in very bad shape.

Mr. PASSMAN. You do not quarrel with the statistics I had this morning. Do you quarrel with the accuracy of the gold statement and the dollar estimate, and the increases in our spending, as given this morning? Did you see those statistics?

Mr. GORDON. I saw the first set, Mr. Chairman. You called my special attention to the gold and dollar statistics and those, as far as I know, are entirely accurate.

Mr. PASSMAN. Do you see how wild this Congress has been in the last 8 years about spending in this great period of prosperity? This is the time of the highest revenue in the history of the country, and we spent \$624 billion, yet borrowed \$23 billion more, and spent that. Those things worry me, and I was quite honest when I said to you, a man with your great experience in economics, that I thought maybe before the hearings were over, you might put my mind at ease. Maybe I am too much old school to comprehend.

AUTHORIZATION FOR PROGRAM

Mr. TABER. Mr. Chairman, I have been looking in this bill to find something specific about the authorization. There is nowhere in this bill a specific authority for any of the operations that have been set up. This is the authority to appropriate to the President to carry out the purposes of section 1 of this act, but that is all. There is authorized to be appropriated to the President, not to exceed \$500 million.

Mr. GORDON. Yes, sir.

Mr. TABER. But section 1 does not have in it any specific setup which would authorize a single one of these operations you are engaged in.

Mr. GORDON. Mr. Taber, may I call your attention to section 1(b)(1). That section:

* * * (1) * * * urges the President through our constitutional processes to develop cooperative programs on a bilateral or multilateral basis which will set forth specific plans of action designed to foster economic progress and improvements in the welfare and level of living of all the peoples of the American Republics on the basis of joint aid, mutual effort, and common sacrifice.

That is what we are proposing here.

Mr. TABER. I do not believe that is broad enough language to cover your operations. It is not specific enough.

Mr. GORDON. My attention is also called to section 1(a) (4) and (5) which refer to the compelling need for the achievement of social and economic advance adequate to meet the legitimate aspirations of the individual citizens of the countries of Latin America for a better way of life.

Section 5 states:

* * * There is a need for a plan of hemispheric development, open to all American Republics, which cooperate in such plan, based upon a strong production effort, the expansion of foreign trade, the creation and maintenance of internal financial stability, the growth of free economic and social institutions, and the development of economic cooperation, including all possible steps to establish and maintain equitable rates of exchange and to bring about the progressive elimination of trade barriers.

Mr. PASSMAN. Are you finished?

Mr. TABER. Frankly, that does not satisfy me.

Mr. Passman. Let us get an interpretation on this from the legal office.

Mr. TABER. The Comptroller General?

Mr. PASSMAN. Yes, so we do not waste your time here for the next 2 or 3 weeks.

Mr. ALEXANDER. Mr. Chairman, will you yield?

Mr. Passman. Certainly.

PROGRAM FOR AID TO EDUCATION

Mr. ALEXANDER. Doctor, I understand that a sizable amount of this money will be spent to improve your schools.

Mr. GORDON. That is right.

Mr. ALEXANDER. What type of school systems do they have there?

Is it not a predominantly Catholic continent? Are these run by parochial authorities or are they public schools?

Mr. GORDON. This varies from country to country, Congressman. In general, the primary schools, to the extent that they exist, are State financed. That is, they are public schools as we would call them.

At the secondary level, there are mixtures of both State-supported schools, public schools, and church schools, with some other private schools as well. The universities, for the most part, are public institutions but there are in quite a number of the cities also Catholic universities parallel with the National or State universities. This really varies a good deal from country to country, but the predominant source of financing of the educational systems—which are of course grossly inadequate systems—the predominant source of financing is public funds.

Mr. PASSMAN. Would we, under this appropriation, do things in Latin America with respect to the educational system that we are prohibited from doing in the United States on account of the Constitution?

Mr. GORDON. Well, I think in this sense, Mr. Chairman, the educational program envisioned here is really of three types. First, it has to do with the broadening of the basis of primary education

and it, I think, would be done essentially through the public authorities.

Secondly, it is to try to help develop vocational and technical education at the secondary level or even at the late primary level. Of course, the whole school system is at a much lower stage.

Mr. PASSMAN. I owe you an apology. I have a hard time getting my questions over.

Let me ask the question again:

Is any of the money provided in this act being used for any educational purpose for which the same type of application would be prohibited in the United States? Yes or no? If you would care to, give us a brief answer.

Mr. GORDON. There may be a case in which a technical school supported by a religious denomination in Latin America might be the best institution for receiving some support from these funds. I do not know whether that would be permissible in this country or not, but the same constitutional provisions that apply in this country obviously do not apply in Latin America. Each has its own constitutional limitations.

Mr. PASSMAN. This program is quite flexible, is it not?

Mr. GORDON. Yes.

STUDENT POPULATION OF LATIN AMERICAN COUNTRIES

Mr. ALEXANDER. I wonder if you will put in the record by country the number of pupils that are in public schools supported by the state and the number of pupils that are in schools in that country supported by private or church organizations?

Mr. GORDON. Certainly.

(The information follows:)

NUMBER OF PUPILS IN PUBLIC AND PRIVATE SCHOOLS IN LATIN AMERICA

The most authoritative statistics available comparing the number of students attending public and private schools in Latin America are those compiled for a 1960 UNESCO study, entitled "La Situación Educativa en América Latina." According to this study, most private schools in Latin America are church sponsored, while some are sponsored by private business firms, and others by private groups with teaching conducted; for example, in English and French. The figures shown in the following table are for the latest year available, in most cases for the school year 1954-55; while the total number of students has no doubt increased in subsequent years, it does not appear that the proportion of students attending public, as contrasted with private, schools has changed significantly.

[Thousands of students]

Country	Total students registered †	Registered in public schools	Registered in private schools
Argentina.....	3, 179	2, 858	321
Bolivia.....	161	154	7
Brazil.....	5, 512	4, 316	1, 195
Colombia.....	1, 274	1, 040	235
Costa Rica.....	154	143	11
Chile.....	1, 090	732	358
Ecuador.....	449	359	90
El Salvador.....	223	205	18
Guatemala.....	227	183	44
Haiti.....	218	149	69
Honduras.....	135	n.a.	n.a.
Mexico.....	3, 638	n.a.	n.a.
Nicaragua.....	124	105	19
Panama.....	162	145	17
Paraguay.....	285	n.a.	n.a.
Peru.....	1, 181	1, 045	136
Uruguay.....	310	n.a.	n.a.
Venezuela.....	640	533	107

† Including kindergarten, primary, secondary, and university registrants but excludes registrants in special schools and adult education courses.

NOTE.—Numbers may not add due to rounding.

Mr. CONTE. Would the gentleman yield?

Mr. PASSMAN. Yes.

Mr. CONTE. In some of these countries, all they have are parochial schools?

Mr. GORDON. I do not think that in any country there are no public schools. In some cases, particularly at the secondary level, the main form of schooling is—

Mr. CONTE. Supported by the country?

Mr. GORDON. Yes.

Mr. PASSMAN. It will be a rather peculiar commentary to confess some day that we are appropriating American taxpayers' dollars to support programs in other countries under conditions prohibited by the Constitution in this country. That is my only point.

Did you state a moment ago that this program is flexible enough so the Inter-American Development Bank can make loans or grants? That is, for any program in the interests of building up the economy of the country?

Mr. GORDON. No, sir. In the case of the Inter-American Development Bank, it is all loans except for technical assistance. The technical assistance that they give may be on a grant basis but not the project assistance.

Mr. PASSMAN. What would it be?

Mr. GORDON. Excuse me?

LOANS TO BE REPAYABLE TO TRUST FUND

Mr. PASSMAN. Would it be on a loan repayable to the institution and not to any agency of the U.S. Government?

Mr. GORDON. It is repayable into the same trust fund that would be set up; that is right.

Mr. PASSMAN. I make a statement of fact?

Mr. GORDON. Yes, sir.

Mr. PASSMAN. So the record will show there has been an answer to my question, the funds are paid back into this Trust Fund of the Inter-American Development Bank and not to the U.S. Treasury?

Mr. GORDON. That is right.

Mr. PASSMAN. We still have the same opinion that there will be no dollars ever coming back to the Treasury from this. It is good will and helping our neighbors, is that about it?

Mr. GORDON. As I said yesterday, I do not think we will get substantial repayment in dollars.

Mr. PASSMAN. You did not indicate any. That is exactly what we are trying to pin down. It is either yes or no, according to your statement.

Mr. GORDON. Mr. Chairman, I thought I explained yesterday.

Mr. PASSMAN. If you did, I did not quite understand.

Mr. GORDON. Let me try to explain now, if I may.

At some point, if this program is successful, there will be an end to it. I do not know at what point, but when that time comes, the Trust Fund will be liquidated. The Trust Fund may at that time have some dollars in it and if so we will get them. This is all I mean by qualifying it.

Mr. PASSMAN. We would be a lot safer, so far as the American taxpayer is concerned, if we rest our case on this statement, at page 3, where you say:

The United States in advancing funds to the Inter-American Development Bank will not expect repayment of funds to the United States.

Mr. GORDON. That is right.

Mr. PASSMAN. Continuing to quote:

Our hope and expectation is for repayment in the increased strength and growth of democratic institutions in the free societies of our Latin American neighbors.

Mr. GORDON. That is right.

Mr. PASSMAN. Would it not be better to rest the case on that, and not have some of the overburdened American taxpayers look for something in return that is not coming in?

Mr. MONTROYA. Would the Chairman yield?

Mr. PASSMAN. Happy to.

GRANTS BY THE BANK FOR TECHNICAL ASSISTANCE

Mr. MONTROYA. Section 1.05 of the proposed draft which will be the trust agreement with the Inter-American Bank states that when this money is deposited with them:

In addition the Administrator shall utilize the resources of the Fund to provide technical assistance related to projects in the fields set forth in section 1.04 and technical assistance related to the mobilizing of domestic financial resources and the strengthening of financial institutions.

Mr. GORDON. That is right.

Mr. MONTROYA. I interpreted the phrase "to provide technical assistance" to be not a loan but an outright grant.

Mr. GORDON. The technical assistance, Congressman, can be on a grant, loan, or a reimbursable basis as the Bank negotiates it with the—

Mr. MONTROYA. I was just getting to that.

In your statement on page 3 under subdivision (A) you indicate that:

The Bank shall provide loans on flexible terms and conditions, including repayment in local currency, and may provide technical assistance on a grant, loan, or reimbursable basis.

Mr. GORDON. That is right. That is covered, Congressman, on page C in section 403.

Mr. MONTOYA. This is what I am trying to clarify: I was led to the belief by the presentation up to now that you were seeking these funds so that loans could be made repayable in local currencies or hard currencies in the discretion of the Bank?

Mr. GORDON. That is right.

Mr. MONTOYA. Now, with the statement I have read and the draft provision which I have read, this nullifies the basis on which you have been proceeding in your justifications.

Mr. GORDON. I do not think so, Congressman. I said in the presentation that the Bank had been assigned responsibility for those fields where the resources would be provided mainly on a loan basis. By "mainly" on a loan basis, I mean the project part of the thing as distinguished from the part that would be on a loan basis.

Mr. MONTOYA. Where is the authorization for a grant? The preamble specifically reads:

Any assistance that may be rendered under this program for the progress that you anticipate or hope for in Latin America shall be on a bilateral or a multilateral basis.

Mr. GORDON. Yes.

Mr. MONTOYA. That is the authorization?

Mr. GORDON. That is right.

Mr. MONTOYA. I do not agree that the preamble is an authorization but that is for somebody else to decide. If it is on a bilateral or a multilateral basis, then there is no authorization for an outright grant, which is a unilateral proposition, is that correct?

Mr. GORDON. I think, Congressman, that the expression bilateral or multilateral means administered bilaterally or by agreement directly between the United States and the recipient country or administered multilaterally, which is to say an agreement between the Bank, which is a multilateral institution.

Mr. MONTOYA. I do not think the Congress had that in mind when it authorized this program. You say, I give it to you and you hand it over, and therefore it is bilateral?

I do not think the Congress contemplated the word "bilateral" to mean that.

Mr. GORDON. I have always understood that the word "bilateral" meant between us and the recipient countries.

Mr. MONTOYA. The word "bilateral" is a contract and means a quid pro quo?

Mr. GORDON. That is right, sir.

Mr. MONTOYA: Here the quid pro quo you are trying to interpose is a case where I give you something, you take it, and your taking is the pro quo?

Mr. GORDON. I would agree, Mr. Congressman, this would be unilateral. This is not what is meant by unilateral. When we talk about self-help measures, we mean on any particular project that the country make a real contribution and a substantial contribution. This is bilateral in that sense. Of course, if it is outside of aid provided by the ICA, the part outside that is unilateral. The bilateral portion negotiated, or the project as a whole, is a bilateral project. A multilateral project is that worked out by the multilateral institutions; namely, the Bank and, of course, the recipient country. In this case, the recipient country has to put up a real quid pro quo and not just take a loan.

Mr. PASSMAN. Will the gentleman yield?

Mr. MONTROYA. Yes.

Mr. PASSMAN. What is the total contribution, either in gold, dollars, or local currency, to this particular trust fund in the Inter-American Development Bank?

Mr. GORDON. Our proposed contribution?

Mr. PASSMAN. No; the other countries. What is their total contribution?

Mr. GORDON. This trust fund would be established entirely with U.S. funds.

Mr. PASSMAN. Entirely with U.S. funds?

Mr. GORDON. That is right.

Mr. ANDREWS. Let me ask one question.

Mr. PASSMAN. Surely.

Mr. ANDREWS. Doctor, after the loans have been repaid, do the repaid funds revert to the trust fund?

Mr. GORDON. That is right.

Mr. ANDREWS. Can they be reloaned without any further action on the part of the U.S. Government?

Mr. GORDON. No; they can be reloaned on the same terms and conditions as the original loans which means still subject to the veto of our U.S. Director, just as the original loans were.

Mr. ANDREWS. Will the funds from the repaid loans ever be returned to the U.S. Treasury?

Mr. GORDON. Only upon liquidation of the trust.

Mr. PASSMAN. That is only if there are any funds?

Mr. GORDON. Yes.

Mr. MONTROYA. Mr. Chairman?

Mr. PASSMAN. Yes.

CONTRIBUTIONS TO CAPITAL STRUCTURE OF INTER-AMERICAN BANK

Mr. MONTROYA. I do not know whether this has been covered because I was on the floor in connection with a bill pending, but what commitments have been fulfilled by way of contribution by the participating countries in this Bank?

Mr. GORDON. In the regular capital of the Bank?

Mr. MONTROYA. Yes.

Mr. GORDON. All of them except for Cuba, which is not a member, and the Dominican Republic, which has not paid its subscription. All the others have paid on schedule the amount due in October. That was the first installment.

Mr. MONTROYA. Will you insert in the record the amount of their contributions?

Mr. GORDON. Certainly.

Mr. MONTROYA. And when it was paid?

Mr. GORDON. Yes.

I think that actually the document that Secretary Dillon promised yesterday gives the schedule of contributions by all countries.

GRANT AID AND LOAN REPAYMENTS MADE BY LATIN AMERICAN COUNTRIES

Mr. MONTROYA. Would you also insert in the record the record of each country on any outstanding loans to any of our governmental institutions?

Mr. GORDON. Yes, we can do that.

Mr. PASSMAN. Would you supplement the request of the gentleman and also insert in the record the grants, if any, and the loans we made to each one of the countries who made a contribution to the Inter-American Development Bank?

Mr. GORDON. I think that is already in the presentation book, Mr. Chairman.

Mr. PASSMAN. We want it in the record. Will you accommodate us because, as it is, I cannot pull it all together.

Mr. GORDON. Surely.

(The information follows:)

U.S. bilateral economic assistance to 18 Latin American countries: Total assistance, grants, loans, and repayments on loans, fiscal years 1951-60

[In millions of dollars]

	Economic assistance ¹			Principal collections ²
	Total	Grants	Loans	
Total for 18 countries.....	3,347.9	683.5	2,664.4	867.5
Argentina.....	357.5	1.8	355.7	68.4
Bolivia.....	169.8	158.7	11.1	7.5
Brazil.....	1,124.4	57.7	1,066.7	429.7
Chile.....	224.1	59.4	164.7	72.5
Colombia.....	202.7	32.8	169.9	39.3
Costa Rica.....	65.6	42.3	23.3	4.6
Ecuador.....	52.9	17.7	35.2	14.4
El Salvador.....	8.3	8.3	.....	.9
Guatemala.....	107.8	92.7	15.1	1.0
Haiti.....	68.6	39.9	28.7	2.0
Honduras.....	32.3	18.0	14.3	.1
Mexico.....	460.6	30.3	430.3	160.8
Nicaragua.....	36.2	21.0	15.2	1.8
Panama.....	55.5	38.3	17.2	3.6
Paraguay.....	36.8	16.3	20.6	4.0
Peru.....	273.8	44.6	229.2	31.7
Uruguay.....	46.2	2.3	43.9	12.4
Venezuela.....	24.8	1.4	23.4	12.8

¹ Data on economic assistance include obligations or other commitments for grants and loans of 5 years or more under the mutual security program, Public Law 480, Export-Import Bank and other smaller programs.

² Principal collections include collections against long term loans authorized from 1934 to date. Interest collections are not included in this table.

U.S. PRIVATE INVESTMENT IN LATIN AMERICA

Mr. RHODES. Mr. Chairman, in addition, if the Governor will yield, we should have a breakdown of spending in the private sector, particularly capital contributions or plants built by private industry in these countries in a comparable period. I think the figure you were using for contributions from the mutual security fund was 12 years?

Mr. GORDON. Ten years.

Mr. RHODES. Would it be possible to get comparable figures for spending in the private sector?

Mr. GORDON. What we could give you is the figures on the flow of private investment funds from the United States by countries and by years.

Mr. RHODES. I think that is fine.

Mr. GORDON. We could not give it by individual plants.

Mr. RHODES. I know; that would be too voluminous and unnecessary.

(The information follows:)

U.S. direct private investment in 20 Latin American republics—Net capital outflow from United States (excluding undistributed subsidiary earnings)

[In millions of dollars]

[Return flow to United States indicated by minus sign]

	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
Latin American Republics, total.	40	166	277	117	88	193	592	1,163	299	338
Argentina.....	15	-9	8	4	-5	9	(1)	21	8	45
Brazil.....	20	92	125	-35	-6	30	55	53	32	45
Chile.....	22	40	37	26	-28	1	33	28	23	35
Colombia.....	-7	11	20	1	33	16	24	12	-8	10
Cuba.....	7	13	5	-5	27	15	28	88	20	62
Dominican Republic.....	1	11	-7	-6	10	-5	4	-16	5	-7
Honduras.....	1	14	2	7	-1	3	11	-10	4	-5
Mexico.....	25	24	-10	7	14	51	33	65	-10	-6
Panama.....	-1	-38	-48	-11	13	22	3	15	31	19
Peru.....	-9	17	28	39	-13	7	27	50	30	17
Venezuela.....	-39	-16	115	93	46	31	350	826	140	97
Other Republics.....	5	6	1	-3	-3	12	24	31	24	26

¹ Less than \$500,000.

² Excludes investment in Panama-flag shipping owned by U.S. companies for the years 1957-59. Such investment is included for earlier years.

LOANS AND GRANTS FOR EDUCATIONAL PROJECTS

Mr. PASSMAN. Doctor, I am not sure whether we have asked this question, but under the flexible policy of the Inter-American Development Bank Trust Fund, could the Bank make loans for the same projects for which the ICA is going to make grants?

Mr. GORDON. No, sir.

Mr. PASSMAN. How are you prohibited?

Mr. GORDON. With one exception and that is in the educational field we do have a provision that the Bank may make what are called supplementary loans in certain advanced education projects that the ICA might be making grants for. We have in mind a particular Chilean university project where they have rather large figures in mind. They would like to have a part of it on a loan basis.

Mr. PASSMAN. As it cannot be predetermined what you are going to spend the money for, how could you say you could not? I thought it was flexible enough so you could do just about what you wanted to do, as long as the project met with the approval of the Board of Directors of the Trust Fund of the International Development Agency.

Mr. GORDON. Mr. Chairman, the fields of activity are not flexible in that sense. They are specified in section 104 of the trust agreement and those fields are different from the fields that are specified for ICA action.

Mr. PASSMAN. Why could we not be just as specific with the \$100 million in ICA?

Mr. GORDON. We are, as far as the fields are concerned.

Mr. PASSMAN. But I am speaking about projects. Would it not be possible that you could under the Inter-American Development Bank Trust Fund broaden it to take care of the same projects you are going to have under ICA? It is the same item. I think you indicated here you needed the entire \$500 million and you would have used it.

You worked the formula out after the conference?

Mr. GORDON. Yes.

BASIS OF ALLOCATION OF FUNDS BETWEEN AGENCIES

Mr. PASSMAN. Had it required \$500 million to establish the trust fund, you would have used the \$500 million. How could you establish that you have two different fields of endeavor when you claim you are able to do all of these things on account of the broadness of the authority? How are you going to define the activities of one against the other?

Mr. GORDON. Mr. Chairman, let me distinguish several points: First, there is the question of authority for the \$500 million as a whole.

Mr. PASSMAN. That is a single authority?

Mr. GORDON. That is a single authority.

In our view it clearly covers expenditures in all of these things.

Mr. PASSMAN. Am I correct in assuming that had it required the entire \$500 million to establish this trust fund, then you would have used it?

Mr. GORDON. I do not think so for this reason:—

Mr. PASSMAN. If this required the full amount, and such need were established, you would not have used it?

Mr. GORDON. Mr. Chairman, if all of the needs in the social development field were in fields of activity that the Bank could efficiently handle, then we would have proposed the whole thing be done by the Bank and the ICA would not be involved.

Mr. PASSMAN. How did you arrive at the figure of \$394 million?

Mr. GORDON. We did this by having our embassies and missions discuss with the various—

Mr. PASSMAN. What if it had added up to \$454 million?

Mr. GORDON. It added up to much more than \$500 million.

Mr. PASSMAN. The selected projects amounted to \$611,996,000. Why did you not put it all in there?

Mr. GORDON. Because it is clear to us that there are very important needs in the field of education and training and public health which are not suitable for administration by the Bank.

Mr. PASSMAN. You do not think ICA at present is broad enough to cover those fields?

Mr. GORDON. ICA is. I do not think the Bank is.

Mr. PASSMAN. Why didn't you handle this under ICA, rather than mixing this technical aid up under the special project? That is what we cannot understand.

Mr. GORDON. Let me try to explain.

Mr. Chairman, the way in which we started, and this goes back well into the period of the preparation for the authorization bill, the way in which we started was to try to see what the needs were, what the various fields of need are and they are in fact set forth in the Act of Bogotá in considerable detail. They include, broadly speaking, these five headings, land settlement, improved land use, housing, water supply and sanitation, education and training and public health. These are the main operating fields.

We then tried to see which of these fields were suitable mainly for financing on a loan basis and could be efficiently administered by the Bank. We concluded that the first three of those five could be effectively handled by the Bank.

Mr. PASSMAN. What would the total of those amount to?

Mr. GORDON. Could I finish?

Mr. PASSMAN. Yes. I do not want to interrupt your line of thought.

Mr. GORDON. I will come to that in the right order, if I may.

The other fields, education and training and public health, it seemed to us, would be more efficiently handled by the ICA than by the Bank.

Mr. PASSMAN. Why?

Mr. GORDON. Because in the first place most of the assistance has to be on a grant basis and in the second place, work in the fields of education and training and public health is not the type of thing which a bank normally does and is the type of thing in which the ICA has had extensive experience. So this was a question of which agencies would do the job best.

Mr. PASSMAN. Are you discrediting this new organization?

Mr. GORDON. No, sir.

Mr. PASSMAN. Then, Doctor, I think the committee would like to understand the spread on table I. Take your initial total on page 1, and go down to table II where you refine it to a total of \$611,996,000 for IDB and \$186,407,000 for ICA, a total of \$798,403,000.

Mr. GORDON. That is right.

Mr. PASSMAN. Do you agree with the committee that there would have been less confusion, in view of the fact that when you refined it, you established a need, according to your side of the table, of \$611,996,000 for the IDB alone. Wouldn't it not have been better to have requested \$500 million, then to come under the ICA regular appropriation for the item that is going to be under ICA?

Mr. GORDON. No, sir, because both of these types of need have to be met.

Mr. PASSMAN. You have the other one operating. You are dealing with an unfunded item of \$611,996,000. I can assure you that it makes for a lot of confusion when you mix ICA up with this IDB organization, especially since you have built up an immediate need for \$611,996,000.

Mr. GORDON. Mr. Chairman, if I had been convinced that the Bank would be an efficient operating agency for the entire program, I assure you—

Mr. PASSMAN. If they are not efficient on one part how could they be on another?

Mr. GORDON. Because these are different type projects.

Mr. PASSMAN. Why didn't you go to ICA and permit the committee to consider it in an orderly manner under ICA? We are very sympathetic to this point 4 program.

We have been very liberal. We have appropriated more money than they could spend. Almost every year they have had unobligated and lapsed funds.

Why didn't you go over to ICA with this, so we could consider it in an orderly manner, and not mix it up like a Mulligan so nobody could understand it?

Mr. GORDON. Before the brief recess I think you had begun to ask some questions as to the respects in which the kinds of activities that the ICA will engage in here differ from the kinds that they now engage in under the technical assistance programs. I think perhaps if Mr. MacPhail would respond to that now—

Mr. PASSMAN. You are saying again that, even though it will be administered by ICA, present authorization of ICA is not broad enough to handle it?

Mr. GORDON. That is right.

EXPANSION OF PRESENT ICA TECHNICAL ASSISTANCE PROGRAM

Mr. PASSMAN. So you are getting the technical aid of ICA started up on a new field of endeavor altogether?

Mr. GORDON. I would not say a new field of endeavor—

Mr. PASSMAN. They cannot handle it now. You have no authorization. It is about as broad as anything you have ever checked over. Why wouldn't it be a new field?

Mr. GORDON. I would call it a new scope.

Mr. PASSMAN. New what?

Mr. GORDON. Breadth, if you will. It depends on how you use the word "field."

Mr. ANDREWS. May I ask a question?

Mr. PASSMAN. Yes.

Mr. ANDREWS. Doctor, on "Confidential," page 3, you show a table for a grand total of \$798,403,000.

Mr. GORDON. That is right.

Mr. ANDREWS. That is a total of the bank projects plus ICA. Then the table on page 2 shows a grand total of \$1,225,035,000.

Mr. GORDON. That is right.

Mr. ANDREWS. What is the difference in those two tables? One is labeled "Summary of initial proposals" and the other, "Summary of selected proposals."

Mr. GORDON. That is right, sir. The \$1,225 million in table I was simply the sum of all of the reports that came in from our embassies and operations missions in response to a circular request to do this job, that is, to consult with the governments as to what kinds of projects there might be in these fields, which was sent out as I recall it October 20. Some of those, on examination, seemed to us clearly were not in condition for further serious examination. We therefore made a preliminary selection and that preliminary selection brought the amount down to the \$800 million.

The detailed pages of the book indicate what the projects are, or proposals are, which add up to the \$800 million.

Mr. ANDREWS. That is for the selected proposals?

Mr. GORDON. That is right.

Mr. ANDREWS. In other words, these were requests that came in from the individual countries totaling \$1,225-million-plus.

Mr. GORDON. They were not, strictly speaking, country requests. They were what came in from our missions after discussion with the governments. In many cases they are projects requested by the Government.

In other cases they are the mission's estimates of what a particular project might amount to.

Mr. ANDREWS. Do you think that the maximum amount that could be spent through these two programs, the Bank and ICA, would be this figure of \$1,225 million?

Mr. GORDON. The maximum—what period of time?

Mr. ANDREWS. I do not know. You said this is what they requested initially, \$1.2 billion, and you have screened those requests and come up with a figure of about \$798 million plus.

Mr. GORDON. That is right. Well, I would be very dubious indeed that either the Bank or we would want to, even if you appropriated enough funds, and of course, you are not authorized to appropriate that much now—

Mr. ANDREWS. Over \$500 million.

Mr. GORDON. If you were authorized to appropriate a billion and a quarter and you actually appropriated it, I do not believe that funds in that magnitude could be usefully negotiated into specific projects in the next couple of years.

Mr. ANDREWS. I wish you would give us for the record or now if you can, one or two projects that you deleted from this summary of initial proposals.

Mr. GORDON. This screening was done in the ICA.

Mr. ANDREWS. It appears some of it was done by the Bank.

Mr. GORDON. No. This work has all been done in the U.S. Government. When we classify them under the Bank, all we mean is that these are in the fields of activity proposed to be assigned to the Bank. The Bank itself has not participated.

SCREENING OF PROJECTS ACCOMPLISHED BY ICA

Mr. PASSMAN. Will the gentleman yield for a clarification of a point? Did ICA work up the plans and programs under the ICA administration?

Mr. GORDON. These proposals?

Mr. PASSMAN. Yes. That was under the general supervision of ICA personnel?

Mr. GORDON. This was done by personnel from the Department of State and the ICA working together.

Mr. PASSMAN. The same people who handle the regular appropriation under foreign aid worked up these justifications and statistics?

Mr. GORDON. That is right.

Mr. PASSMAN. I quote from page 1358 of the hearings last year:

Mr. GRANT. Sir, I do not have an exact listing of all the projects currently underway in fiscal year 1960. It would be something in the neighborhood of 1,500.

Mr. PASSMAN. Separate projects being carried on under the technical cooperation program?

Now we come up with a new scope.

Could you imagine what they might be? Have you gone over all the programs and projects, because you have a program and under a program you may have a lot of projects that are absolutely different in nature. Have you checked this list to see whether or not the scope that these others will come under are not already in this?

Have you had any analysts scrutinizing to see whether there is any duplication?

Mr. GORDON. Yes.

Mr. MACPHAIL. The circular messages went to the field requesting our embassies and operational missions to discuss informally with the various governments in Latin America the proposals which they might contemplate under the Act of Bogotá. We got back from the

field a great number of, you might call them, generalized ideas and a result of that we screened out the difference between the \$1,225,000 and the almost \$800 million here.

For example, as I remember some of them, there were proposals that came in which normally would be on the surface, appear to be better for financing by DLF, IBRD, or the Export-Import Bank. Those were taken out.

Mr. PASSMAN. In ICA you have such projects as snake milking. They had a demonstration in one of the countries where they milked the rattlesnake and other poisonous snakes.

Mr. ANDREWS. That is one of the best projects they have.

Mr. PASSMAN. This is not for levity but for the record. This is one of their projects, snake milking, and there are many others.

Who went through this to see whether or not there will be a duplication?

Mr. MACPHAIL. In the first instance our missions in the embassies in reviewing the proposals and ideas and projects which emanated from the individual countries screened them against existing ICA mutual security activities in the country so that you did not merely send in to Washington a complete list of projects, some of which duplicated what was being done in the field.

DLF LOANS IN SOCIAL DEVELOPMENT

Mr. PASSMAN. You did refer some of them over to ICA, did you not, for proper refining through DLF?

Mr. MACPHAIL. Some of these already had been proposed in part to DLF.

Mr. PASSMAN. A certain part of this was referred to the DLF? I refer to the initial consideration.

Mr. MACPHAIL. This was called to their attention, yes.

Mr. PASSMAN. In reality, then, you have to take what you referred to the DLF plus this to get the total?

Mr. MACPHAIL. No. The projects that were referred to the DLF might be merely generalized ideas, some of which had already come in.

Mr. PASSMAN. Does the borrowing country have to exhaust its possibilities through all of the U.S. or international lending institutions before it becomes eligible for a loan from this Fund?

Mr. MACPHAIL. No, but—

Mr. PASSMAN. Did you say "No"?

Mr. GORDON. Mr. Chairman—

Mr. PASSMAN. Would you mind—since ICA and all of this is involved, may we have the answer?

Mr. MACPHAIL. Presumably these projects are the type which are not normally financed by other lending agencies. Therefore, they would not be referred—

Mr. PASSMAN. You have not answered my question. Does the borrowing country have to exhaust its possibilities through all other U.S. or international lending institutions before it becomes eligible for a loan from this Fund? What if they have borrowed money from some other fund to do the very same thing for which you are going to give them money?

Mr. MACPHAIL. If it is possible for them to obtain borrowing for projects of this nature, then in that case we would not be proposing financing.

Mr. PASSMAN. Then how do you arrive at your own justification, where you have a DLF of \$70 million and you are supplementing it by an example of \$10 million here in the same country? That is in the record. It is in your book.

Mr. GORDON. Mr. Chairman.

Mr. PASSMAN. I want to apologize to you.

Will you answer me?

Mr. MACPHAIL. Yes. The DLF has been making certain kinds or types of soft loans in Latin America, I believe over the last year or so, some in the field of access roads, agricultural credit, credit for housing and housing and home finance programs, et cetera. I believe Mr. Dillon testified yesterday that that activity of the DLF would cease with the availability of these funds; that this was an interim measure undertaken by the DLF in these important fields of social development and change.

Mr. GORDON. Could I supplement that, Mr. Chairman?

Mr. PASSMAN. I just believe that you are off base. I think we will have to establish that you have gone into the same country with the same projects.

You received funds from DLF. Now, you have an example of 10 million, and we will get it from the record for you.

Mr. TABER. Mr. Chairman.

Mr. PASSMAN. Yes.

Mr. TABER. I have been looking these tables over and I find table I, page 2, of the confidential book. On page 3 we have got a lot of things in one table and out of another. It is almost like a crazy quilt for anybody who is going to try to get sense out of it.

Mr. PASSMAN. If we may follow through on Mr. Taber's statement and my question, first, this is not dealing with security. We are dealing with economic aid to these countries; is that right?

Mr. GORDON. That is right.

Mr. PASSMAN. Why do you have everything stamped confidential?

Mr. GORDON. Because we were afraid if these tables and the lists of projects were to become generally available, it would be regarded that the executive branch was in some way committed to supporting these sums.

Mr. PASSMAN. They are examples so why didn't you have X, Y, Z, so when we go to the floor we could answer questions? About 90 percent of the information we need to handle this bill on the floor will be lacking by these documents being confidential.

Mr. TABER. Some of these are in and some are out.

You find in table I X country with \$11 million and \$75 million. Then you turn over to page 3, table II and X country has \$20 million on something for which it received nothing on table I. \$10 million is shown on table II on another item for which \$11 million was shown in table I. Then \$75 million is shown on the water supply in table II where nothing was listed in table I for this item.

Is it a crazy quilt proposition? It is kind of puzzling. I would hate to put those two conflicting tables in the record. They would murder us out on the floor.

Mr. GORDON. These tables were not designed to be put in the record, Mr. Taber.

Mr. TABER. I wouldn't think so.

Mr. GORDON. The first tabulation simply consists of a summary by these classes of activity and countries of the proposals as they were reported to us by our field missions.

The second table consists of a selection out of those of the ones which it seemed to us were worthy of immediate examination in detail if and when funds were appropriated.

The figures in table II are, therefore, naturally smaller than the figures in table I because table II is a selection out of table I.

There was an error in the classification of some and that page I think has been corrected.

Mr. TABER. Y has the same.

Mr. GORDON. In the Y case I have in table I, \$59,140,000 under rural living and land use and the same under table II.

Mr. PASSMAN. We have \$51 million, page 3, table II, and \$41 million in table I.

Mr. MACPHAIL. I think I can explain that, Mr. Taber. The original classification on table I listed \$41,940,000 for rural living and land use plus \$10 million for housing. When we looked at those in terms of preparing table II, it was apparent that the housing was directly concerned with the area in which this major program of rural living and land use was to be so they were combined, since they were in effect different aspects of the same general project and the same general area of Y, so that the total of the two is the same but in the second table they are classified under rural living and land use.

Mr. GORDON. Could I come back to one point in connection with the DLF activities, Mr. Chairman? Mr. Dillon testified in August of last year, that certain projects in the social development categories could be done under the existing authority of the DLF and would be undertaken on an interim basis pending appropriations for this fund by the DLF. This accounts for the fact that there are some. I assume you have in mind particularly the housing in Colombia and Peru and the access roads in the same two countries.

Mr. PASSMAN. That is correct. I wanted to help the gentleman get his record straight because he stated that as long as they had funds in the account they would not be eligible here. We go to Colombia, on page 11. In August 1960, the Bank advanced a \$70 million credit to its financial agents for penetration, roads, colonization of areas, and for credit to settlers in these areas.

I should think it could be used for the same purpose again, as I just figured. Would it not follow that you could allocate funds, from unliquidated funds, out of some other fund of the participant nation?

Mr. GORDON. May I call your attention—

Mr. PASSMAN. I can only follow one at a time. May I have an answer? Am I right in assuming that you were incorrect earlier; even though they have unliquidated funds they would be eligible to file for funds under the new program?

Mr. MACPHAIL. To the point the availability under DLF and Export-Import Bank were programed to specific activities under agreement to carry out certain operations—

Mr. PASSMAN. They would be eligible, then?

Mr. MACPHAIL. They would be eligible to use those availabilities.

Mr. PASSMAN. Of course, as long as we can print currency, I do not suppose we are going to run out of it. As long as you can get authorizations through to appropriate money on a basis like this, you won't be running out of authority or money, either. It may not have much value but there will be money available.

Mr. GORDON. May I make a comment on this one, Mr. Chairman?
Mr. PASSMAN. Please do.

PROVISION RELATING TO LOANS FROM OTHER SOURCES

Mr. GORDON. There is a provision in the trust agreement, section 201-D, page C-4, which states:

Before committing the sources of the Fund to any program the Administrator shall take into account whether the financial and/or technical assistance can be obtained from national or international agencies or from private sources on terms which in the opinion of the Administrator are reasonable for the recipient considering all pertinent factors.

With respect to this Colombian project in particular, it seems to me clear that this building of roads is going to take a number of years. If in connection with this land resettlement project, apart from the roadbuilding, there is a need for some agricultural credit and the Bank is asked to help finance and set up the right kind of agricultural credit institutions, it would be entirely proper for them to do so, even though the roadbuilding had not been completed and some of the DLF loan still remained to be spent.

Mr. PASSMAN. What if they wanted to start a road in a different direction?

Mr. GORDON. I would say if additional land settlement indicated the need for additional roads that would be entirely proper, too.

Mr. PASSMAN. I do not expect you would build one road on top of another, so it would have to be in a different direction. You certainly answered my question.

Mr. GORDON. The Bank in working out such project would of course take fully into account the plans for roadbuilding with DLF funds.

Mr. PASSMAN. They would file an application for money to build roads under the same plan as the DLF money is made available.

Mr. GORDON. That is right.

PARTICIPATION BY CHILE IN PROGRAM

Mr. PASSMAN. Is Chile eligible to participate in this program?

Mr. GORDON. Yes, sir.

Mr. PASSMAN. I notice on page 1 of your confidential material—it will be your responsibility to take out of the record what should come out—and this is an imaginary figure. It amounted to something like \$—million total. Am I correct in quoting approximately \$—million?

Mr. GORDON. That is right.

Mr. PASSMAN. Now if you turn over to page 3, summary of selected proposals in American program for social progress, you have omitted Chile.

Mr. GORDON. Yes.

Mr. PASSMAN. Will you tell us why?

Mr. GORDON. I can tell you, or perhaps Mr. MacPhail can.

Mr. PASSMAN. Just briefly. You do not have to elaborate at length.

Mr. GORDON. The reason for this is that as you know, in connection with the Chilean earthquake disaster we are asking separately for a \$100 million loan provision for Chilean earthquake rehabilitation. Actually, it happens that there are a number of Chilean projects in the Central Valley Authority of the earthquake zone and I do not think it should be ruled out that some of those would turn out to be worthwhile.

Mr. PASSMAN. It is yet to be established, though, is that correct?

Mr. GORDON. It has yet to be established.

Mr. PASSMAN. \$— million would be the immediate need for this program in Chile as indicated on page 1 of the table?

Mr. GORDON. That was the Chileans' own estimate of what their needs are in this field.

Mr. PASSMAN. Are we in accord? The difference between \$100 million and \$— million is just put in to make good reading? Your authorization is \$100 million. You will be testifying for \$100 million at a subsequent date for Chile?

Mr. GORDON. No, sir. The \$— million put in here by the Chileans is all outside of this earthquake disaster region. It has nothing to do with earthquake reconstruction and rehabilitation. It is in the central and northern areas of the country which were not in the earthquake zones.

Mr. PASSMAN. We won't cross that bridge until we get to it. I think I remember reading that the Chilean Legislature had proposed a certain figure, a tax increase for this rehabilitation program, and then Uncle Sam passed an authorization indicating willingness to help. They reduced that tax request by just about the same amount that we authorized. You are familiar with those figures?

Mr. GORDON. I am not familiar with the sequence of events. I know the Chilean administration persuaded its Congress to enact only about two-thirds of the requested taxes.

Mr. PASSMAN. They were getting along very nicely until we passed the authorization setting up \$100 million. Then they reduced their request by just about the same amount.

Would you check into that so when we get into it we will have firm answers?

Mr. GORDON. Certainly. Witnesses on that will be prepared to testify on that.

Mr. PASSMAN. Are you agreeing with my statement or do you want to look up something?

Mr. MACPHAIL. We will check it.

Mr. PASSMAN. I cannot read a shaking of the head.

Mr. GORDON. I did not understand that the Chilean executive branch reduced its request at all.

Mr. PASSMAN. I do understand it. We are likely to have the same understanding after we finish the hearings. We shall help you some, and you will help us a lot.

Thank you, gentlemen. You have been as helpful as you could be today.

Without objection, we shall now recess until 10 o'clock tomorrow morning.

WEDNESDAY, MARCH 22, 1961.

ICA PROGRAM FOR UTILIZATION OF \$100 MILLION ALLOCATION

Mr. PASSMAN. Mr. Gordon, what section, or department, of the ICA will administer the \$100 million allocation, from the total estimate, if it is approved by the committee and the Congress?

Mr. GORDON. I would like the ICA representatives to speak to that under the present organization, but before calling on them I would, of course, remind you that the President is sending a message to Congress today which calls for a substantial reorganization of the entire administrative arrangements in the foreign aid field.

Mr. PASSMAN. Would you suggest that we suspend hearings until we know more about what is proposed, then? If that be true, it seems that we are spinning our wheels.

Mr. GORDON. I think that would be a great misfortune.

Mr. PASSMAN. Then could you indicate for us your plans, prior to the reorganization?

Mr. GORDON. That is what I wanted to call on the ICA representatives to describe.

Mr. MACPHAIL. The \$100 million requested here for the ICA would be administered within the existing framework of the ICA organization, specifically, the Office of Latin American Affairs, our regional office with responsibility for the administration and development of other ICA administrative programs in Latin America, would have that responsibility.

Mr. PASSMAN. There are 22 different sections of the mutual security program. It could be administered by any of them. We want to know, specifically, what section, whether it is defense support, technical aid, or whether it is under various other subagencies within the International Cooperation Administration. Specifically, under what section would it come?

Mr. MACPHAIL. We are not organized on a functional basis. We do not have groups which are specifically responsible for handling special assistance or defense support or technical assistance.

Mr. PASSMAN. They mix it all up? This morning you may pull defense support, and the next morning you may pull out technical aid? Is that how loosely organized you are?

Mr. MACPHAIL. No, Mr. Chairman. Our goal is to attempt to utilize the various appropriations, defense support, technical assistance, and so forth, to develop, insofar as possible, a balanced country program.

Mr. PASSMAN. It is impossible for you to tell us specifically at this time what division of the ICA will administer the program?

Mr. MACPHAIL. The person directly responsible for administering this program as head of the Office of Latin American Affairs will be Mr. Rey Hill.

Mr. PASSMAN. In what capacity is he employed?

Mr. MACPHAIL. Director for the Office of Latin American Affairs. He has under him a staff composed of a program staff and desk officers who follow the individual country programs. He is responsible for recommending to the Director of the ICA the programs proposed for Latin America and for implementing them during the course of the year.

Mr. PASSMAN. Then it could go to several different sections of the ICA, when you finally get the program working.

Mr. MACPHAIL. The ultimate responsibility will be vested in the Office of Latin American Affairs under the Director, Mr. Labouisse.

LEGAL AUTHORIZATION FOR ICA PROGRAM

Mr. PASSMAN. Did you have an opportunity to check into the legislative authorization which we were discussing yesterday, for the ICA?

Off the record.

(Discussion held off the record.)

Mr. MACPHAIL. As pointed out yesterday, this is a new program in which the funds would be authorized to the President. They would be ultimately made available to the ICA—

Mr. TABER. You do not say for what purpose.

Mr. PASSMAN. I am not getting my question through. There is a question as to whether you have the legal right, or whether you are prohibited by law from using these funds on projects.

I shall quote from the law again. Technical cooperation, general authorization for assistance authorized by section 304, \$150 million:

Provided, That no part of this appropriation shall be used to initiate any project or activity which has not been justified to the House of Representatives and the Senate.

How are you going to get by that section of the law? You have made your request, but you have not justified these projects in detail as to the cost, when they will be initiated, the type of project, and the ultimate cost.

It was requested yesterday that you check with your legal people and give us your interpretation of that law as it would apply to the \$100 million.

Mr. MACPHAIL. Specifically we feel we have authority under this legislation to proceed with the program set forth before you. This particular provision quoted applies to the "Technical cooperation" appropriation within the Mutual Security Act.

Mr. PASSMAN. Did you seek counsel or are you just giving an answer in order to get further along with the questioning?

Mr. MACPHAIL. This matter was checked in the development of the program before these hearings began.

Mr. PASSMAN. Yes, but you did not know we would object to it. We feel differently about it than you do.

Since our meeting of yesterday have you asked for a ruling? We would not want you to completely ignore the request of this committee. It was a specific request, if I recall correctly.

Mr. MACPHAIL. It was my understanding you would check this with the Comptroller General.

Mr. PASSMAN. We will check the overall authorization. We want you to check specifically on this.

Mr. GORDON. If I may try to restate the issue so we will know precisely what it is we are to check on.

Mr. PASSMAN. I will state it again, as I am making the request.

The program had been so wild, so loose, and so broad until the committee, in its wisdom, last year decided to put in language that

would prevent the starting of hundreds of projects only to have them abandoned after we had expended considerable sums of money, and likewise, to eliminate the processes of taking deobligated funds in very small amounts and initiating new projects that had not been justified in detail to the Congress and which ultimately might exceed the cost of the first allocation by a thousand times. That is the reasons for the legislation.

You stated yesterday that your estimates were a guess. You did not know what part of the \$100 million would be for technical assistance as such, and what part would be for capital improvement.

We therefore asked this question: Do you feel that you are prohibited by the present legislation from spending funds for projects, or initiating projects, which have not been justified in detail to the Congress? I quoted the following language from the bill itself:

Technical cooperation, general authorization, for assistance authorized by section 304, \$150 million: *Provided*, That no part of this appropriation shall be used to initiate any projects or activity which has not been justified to the House of Representatives or the Senate.

Mr. GORDON. We have not checked this specifically with the General Counsel but we will do so.

Mr. PASSMAN. Thank you, sir.
(The information follows:)

OPINION OF ICA GENERAL COUNSEL

Section 2 of Public Law 86-735 of the 86th Congress authorizes an appropriation to the President which he may use to carry out the purposes of that act on such terms and conditions as he may specify. Title 3 of the United States Code, section 301 authorizes the President to empower the head of any agency of the executive branch to perform any function which is vested in the President by law. The President plans to utilize this authority to empower ICA to administer a portion of the funds appropriated under section 2.

Administration by ICA of funds appropriated under section 2 of Public Law 86-735 will not subject such funds to statutory limitations not otherwise generally applicable to such funds, and specifically these funds are not subject to statutory limitations applicable to technical cooperation funds appropriated under the Mutual Security Act.

Mr. GORDON. It is my own clear view, although I am not a professional lawyer, that since that language refers specifically to funds appropriated under section 304 of the Mutual Security Act, that that limitation would not apply to these funds.

Mr. PASSMAN. That is your interpretation. We may have other ideas.

We can certainly write the same prohibition in this bill, if you are going to bypass the specific language placed in the appropriation bill last year to keep you from doing just what I believe you are going to do if we do not so prohibit. In all probability, Mr. Taber, that is what we will have to do.

If you are going to ignore a specific piece of legislation that prohibits you from doing what I believe you propose to do, using only as your reason that you are operating under different legislation, notwithstanding the fact it is another scope of technical aid, as you explained yesterday, then we will have to protect the Congress and the taxpayer by writing protective legislation in the bill.

Mr. GORDON. Respectfully I think it would be most unfortunate if you were to do so because this would make it very difficult—

Mr. PASSMAN. It might be unfortunate, then. That is what I hope to do. We do not want you to scatter your shots as you did in the technical aid program.

EXPANSION OF PRESENT ICA TECHNICAL ASSISTANCE PROGRAM

Mr. ANDREWS. Will you use any of this \$100 million in this bill for ICA to enlarge any programs which you have planned under the regular ICA appropriation bill?

Mr. GORDON. To enlarge the specific programs—I find it a little difficult to answer that, Mr. Congressman.

The point I was going to make was that the character of this program envisages capital assistance and technical assistance tied together.

There may be cases in which some technical assistance now is being given to a country in the educational field in which it will be planned under this program to assist that same country to move ahead with a substantial program, of, let us say, self-help in school construction, and to help them provide instructional materials and the like.

In such a case the technical assistance which goes with that project ought to be worked out as part of the package for the project. The package would include both the capital assistance and the technical assistance.

The package would also involve a very clear definition of what contributions the country itself was making to the program as a matter of self-help.

In such case it may be that there is going on now within present authority a limited amount of technical assistance to the same country in its educational program.

Mr. ANDREWS. In truth and fact, then, this \$100 million if appropriated and turned over to the ICA would be nothing but an additive to the regular ICA program for this area.

Mr. MacPHAIL. I wonder if I may clarify the relationships between technical cooperation as we have followed it in the past in Latin America and what we are proposing in this particular legislation.

I think, as you know, we have conducted technical cooperation in these fields going back for many years, specifically for some 20 years. These activities have been limited both by legislation and the amount of appropriation and the executive branch administrative regulations with respect to it. They have been limited specifically to mineral and physical surveys and pilot projects. We have not had capital available to supplement these or to extend these demonstration activities into a wide or broad attack on some particular social or economic problem, such as education, agricultural credit, and so forth.

Essentially the present program we have in Latin American is one of working with people, training and demonstration, and developing new skills in the Latin American countries, and hopefully changing some of their attitudes toward social and economic matters, and in strengthening private and public institutions.

Mr. ANDREWS. Let us take Brazil, for instance.

Had you finished?

Mr. MacPHAIL. No sir. This year we are carrying out some active programs in some 21 countries and dependent territories at an esti-

mated cost of \$36.7 million. Except for Brazil, which has a large program of \$7.4 million, the other programs are relatively modest.

For example, you have Bolivia, \$1.9 million.

El Salvador is \$950,000. Haiti is \$2.1 million, and so forth.

The important aspect of technical assistance is that a major part of its cost is devoted to the cost of technicians and to bringing participants to the United States. At present time we have something less than 1,000 technicians in these various fields in Latin America, and during the present year we will probably bring slightly over 2,000 participants on a short- and long-term basis to the United States.

The equipment, supplies, and other financial support which we accord to these demonstration and pilot projects amount to about 20 percent, or somewhat less, of the total appropriation.

I think out of that, therefore, it becomes evident there are no capital availabilities in these fields of education, health, agricultural credit, and land use which will meet the requirements.

In saying this I do not mean to minimize the importance of technical assistance. It has played over the past years a major role in developing skilled people and improving the governmental institutions in Latin America, training personnel in such fields as teacher training, self-help housing, and agricultural extension and supervised credit a vocational education, and other fields contemplated under the Act of Bogotá and this legislation.

While technical assistance will continue to provide essential backstopping to these activities, we lack the authority clearly under technical assistance to provide the significant capital requirements necessary to carry out intensive and broad programs such as this one to achieve the social progress desired in Latin America.

The project examples which are contained in the classified book represent chiefly grants or loans for equipment, supplies, and capital for larger projects which we hope will make a significant and relatively immediate impact on the social and institutional structure in Latin America.

In sum, I think we are maintaining essential technical assistance but moving forward through provision of capital supplies and equipment to effect broader social change. This is the fundamental purpose of the Act of Bogotá.

Mr. ANDREWS. I understand all that. My question was this: Will you take this money under the \$100 million program and just add to or continue some of the programs that you have under the present 1961 program for these countries?

For instance, here in your justification for 1961, I note for country X there is a total request for \$880 million.

Mr. GORDON. It cannot be that, sir.

Mr. ANDREWS. \$880,000. A breakdown of that shows a total of \$1,267 for education?

Mr. MACPHAIL. \$1,267,000.

Mr. ANDREWS. Under this new program, under the \$500 million program, \$100 million for ICA, you have listed for country X an estimated cost of \$20 million, assistance to that country's universities.

That is the same program that you justified here in 1961, is it not?

Mr. MACPHAIL. In that proposal for assistance to universities there is a large amount of capital equipment and supplies.

Mr. ANDREWS. How much?

Mr. MACPHAIL. \$11 million.

Mr. ANDREWS. Out of the \$20 million?

Mr. MACPHAIL. Yes.

Mr. ANDREWS. To one university?

Mr. MACPHAIL. To a series of universities and regional institutes.

Mr. PASSMAN. Yesterday you said it was a guess as to what part would be capital improvement and what part would be technical aid. You are using now as an example—this is not firm, is it?

Mr. MACPHAIL. No.

Mr. PASSMAN. You could use all of it, none, or change it altogether. Did you not say that yesterday? You said you might not even follow the example.

Mr. MACPHAIL. We said where these projects come up, where there are sample projects, we need not follow any or all of them.

Mr. PASSMAN. You may not follow any of them. You may change the pattern altogether?

Mr. MACPHAIL. Yes.

Mr. PASSMAN. Thank you very much.

Mr. Andrews?

Mr. ANDREWS. I think I am through, Mr. Chairman.

COMPLIANCE WITH PRESENT PROHIBITION IN FISCAL YEAR 1961 TECHNICAL ASSISTANCE PROGRAM

Mr. PASSMAN. If you were operating under the technical aid program legislation, under which ICA is presently operating, and requested this amount under that legislation, then to allocate these funds without specific projects you would not be in compliance with the law, would you?

Mr. MACPHAIL. As I indicated earlier—

Mr. PASSMAN. Will you be specific on one thing? Would you be in compliance with the present law for ICA, under the technical assistance program, had this appropriation been made as such under the same project in the regular appropriation? Would you be in compliance, inasmuch as you do not have any detail, and you did not know whether you would spend any or all of it?

Mr. MACPHAIL. If these funds were appropriated within the mutual security program for the specific purposes in the appropriations under mutual security, then obviously we would have to come back if it were technical assistance and present detailed specific projects.

Mr. PASSMAN. Then you would not be in compliance with the law. If you were getting the \$100 million for the same purpose as part of the regular technical aid appropriation, the manner in which you propose to allocate it would not be in compliance with the law, would it?

Mr. MACPHAIL. We would have to live under the requirements and legislative provisions of the mutual security program.

Mr. PASSMAN. You are not giving an answer. You are arguing. I want one direct answer. Would you, or would you not, be in compliance with the law if you requested the \$100 million under the same technical aid—

Mr. TABER. Can he answer that question?

Mr. PASSMAN. I don't know.

Mr. TABER. Are you able to answer it? If you do not know, say so.

Mr. MACPHAIL. The answer specifically in the terms of the way the question was placed would be, "No."

Mr. PASSMAN. Thank you. That is all we are trying to get.

Mr. GORDON. If I might add one point, as I understand it, under the concept of technical assistance as it now exists in the law, in the mutual security legislation, we could not do what ought to be done, and what is proposed to be done under this program.

Mr. PASSMAN. You may have one idea, and I may have another. What we are trying to do is to deal specifically with these items, as to whether or not it is complying with the present law governing technical aid. We are dealing with a technical aid matter, and it will be administered by ICA.

You propose to allocate these funds not in compliance with the law covering ICA technical assistance, but in compliance with some other law. You have not justified a single project for which you will spend the money. You so stated yesterday.

The need may be there. If we can ever deal in specifics you may have a sympathetic committee and a sympathetic Congress.

As long as you are trying to get around the law by saying merely that you need the money, we recognize that fact, too.

Mr. GORDON. There is no attempt to get around any law. We have been carrying out legislation and not trying to get around it.

Mr. PASSMAN. Why don't you come in under the regular appropriation, then? You are indirectly bypassing the specific law dealing with technical assistance as written in the appropriation bill last year.

PROPOSED EXPANSION OF TECHNICAL ASSISTANCE PROGRAM WITH CAPITAL ASSISTANCE

Mr. GORDON. The reason for asking for this appropriation under the new legislation, Mr. Chairman, is that the character of this program is different from the character of what has—

Mr. PASSMAN. A new scope to the regular technical aid. It is technical aid with a new scope?

Mr. GORDON. A new scope specifically in the sense that the technical aid will be accompanied by larger volumes, substantially larger volumes, of capital assistance, and will be negotiated against substantial contributions by the recipient countries.

The technical assistance and the capital assistance clearly have to be negotiated together with the individual projects to succeed.

Mr. PASSMAN. We still do not know the ratio. Yesterday you asked ICA to answer the question. ICA did answer the question. ICA representatives said it would have to be a guess.

Mr. GORDON. That is right.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. If you will refer to section 303 of the mutual security law, under technical cooperation, prerequisites to assistance:

Assistance shall be made available under section 302 of this act only where the President determines that the nation being assisted, (a), pays a fair share of the cost of the program.

Mr. GORDON. Yes. I did not mean technical assistance did not also involve self-help.

Mr. PASSMAN. There is no matching fund. There is no agreement the other nation will put up a single dime. You said yesterday there is no matching fund. You made your own record. ICA made the record that there would be no matching fund, no contribution by any of the recipient nations.

If there is no contribution by the recipient nations, then again you are not in compliance with the law. There are several cases where you would not be in compliance with the law.

Mr. GORDON. Respectfully, this is not what was said yesterday. What was said yesterday was that the recipient nations would not contribute to this fund.

It was also said yesterday, and very clearly, on each project recipient nations would contribute to those projects.

Mr. PASSMAN. How much? Could you cite one contract that you have entered into already?

Mr. GORDON. As I said yesterday, no contracts have been entered into because this would involve a commitment of unappropriated funds, which I am sure the committee would not like us to do.

Mr. PASSMAN. Then you do not know whether or not they will contribute. You are merely guessing.

Mr. GORDON. No, sir, I am not guessing. The administrative arrangements under this legislation and appropriation will provide that no contracts will be made unless and until the country indicates it is prepared to contribute its part.

LACK OF DETAILED JUSTIFICATIONS

Mr. PASSMAN. I admire you for endeavoring to make a case for this money. How would you feel if this group of men representing the American people on this side of the table would appropriate taxpayers' money on such slipshod justification for programs all over the world, as well as here at home? Would you feel safe about the future?

Mr. GORDON. Mr. Chairman, I would feel, if a program of this kind were not authorized and funds not made available, the future would be much more dangerous than if it is approved.

Mr. PASSMAN. I am talking about slipshod methods of appropriating the taxpayers' money. We do not know how much will be for technical aid, how much for capital improvement, how much for each country. The examples you set forth may be followed or they may not be followed.

Would you feel very safe having men on this side of the table appropriate your funds on such a slipshod basis to operate this Government as well as for these programs throughout the world?

Mr. GORDON. I am a taxpayer.

Mr. PASSMAN. I know that you are a taxpayer. Would you feel safe in having us operate all of our business in a manner that is as slipshod as this will be?

Mr. GORDON. Mr. Chairman, in the terms in which you put the question it is obviously very difficult to answer.

Mr. PASSMAN. I shall withdraw the question. We shall let the record speak for itself. We shall not get direct answers, so I shall not press you for a reply.

How much do you anticipate will be paid per year to the Bank for administrative expenses?

Mr. GORDON. I haven't a specific figure on that.

Mr. PASSMAN. What is your best estimate as to the ratio of loans to be repaid in dollars and the percentage that would be repaid in local currencies?

Mr. GORDON. For the Bank's loans?

Mr. PASSMAN. Yes, sir.

Mr. GORDON. I have no estimate on that either.

Mr. PASSMAN. Thank you very much.

POSSIBLE LOAN RATHER THAN GRANT TO INTER-AMERICAN BANK

Page 3 of the statement says that the United States will not expect repayment of U.S. funds, and that our repayment will be in the increased strength and growth of democratic institutions of the free societies of our Latin American neighbors. Certainly, that is a high-sounding phrase, and you write off \$500 million with just a few words. Why should not the Inter-American Bank repay to the U.S. Treasury over a period of time the \$394 million made available to it?

Mr. GORDON. Because, Mr. Chairman, if it could be done on that basis and in dollars, the program would have been set up that way in the first instance. The balance-of-payments position of the Latin American countries and the outlook for them over the coming future—certainly 5 or 10 years, which is as far as one can hope to look forward in these matters—

Mr. PASSMAN. How long?

Mr. GORDON. I said 5 or 10 years—is not such that this amount of extra dollar indebtedness could safely be assumed by them. To the extent that they can take on extra dollar payments, we hope that agencies such as the Inter-American Bank out of its regular operations, the Export-Import Bank, and the International Bank will be making hard dollar loans.

Mr. PASSMAN. If they are making hard dollar loans, then why could they not put it on a loan basis and after it served its purpose pay the money back into the U.S. Treasury?

Mr. GORDON. So far as the Export-Import Bank is concerned that does come back.

Mr. PASSMAN. I am not talking about the Export-Import Bank. This committee deals with funds for the administration of that under a different account, but the Export-Import Bank is not involved here. I am talking about the specific loans you make. Why could they not be on a reasonable loan basis and when they get to the point where they have dollars to pay back, then pay them back to the U.S. Treasury?

Mr. GORDON. Mr. Chairman, the types of expenditures which are envisaged here will, we believe, strengthen both the societies and the economies of these countries. They are not likely, directly or even very much indirectly, to strengthen the dollar repayment capacity of the countries.

Mr. PASSMAN. Well, that is certainly a disappointment. I thought that was a major purpose, to help them build up to strengthen the dollar repayment capacity.

MAINTENANCE OF INSTITUTIONS AFTER CONSTRUCTION

Mr. TABER. If that is the case, are they going to carry on these institutions after our well here has run dry?

Mr. GORDON. Mr. Taber, the resources—

Mr. TABER. It is necessary to do that right now.

Mr. GORDON. The resources required to maintain these institutions are domestic resources. This is the difference between the increased domestic economic strength of the countries on the one hand and their ability to service a dollar obligation on the other. It is entirely possible, and I think likely, that their economies will be greatly strengthened and that certain sectors of their population which have not participated in the economic growth of the postwar period will do so, but the dollar earning capacity will not thereby automatically be increased.

JUSTIFICATION OF PROJECTS IN THE UNITED STATES

Mr. PASSMAN. Doctor, this is a matter which has caused some alarm, and in all probability the entire program will fall of its own weight sooner or later simply because many of the individuals—great Americans and great patriots that they are—do not have confidence in their own ability to prevail upon Congress to make appropriations on an annual basis. If we should just pick out one item in this particular, the lower Mississippi River and its tributaries, I expect that the authorization is for some \$1.3 billion. The work has been underway for about 20-25 years, and there has never been an attempt to get an appropriation to carry out the entire project or authorization at one time. They come to the Congress annually and meticulously and minutely make their record that they need, perhaps this year, \$67 million to continue the work for 1 year. Simply because of the original planning and estimates and cost ratios, they feel that they can justify that figure and they are successful. That same type of situation would be true for projects throughout America. They would not have the audacity to come forth to an Appropriation Committee and say, "We want all of this money at one time. We are not going to spend it in this year, and it may be several years, but give it to us, anyway."

If this program is so good—even though you have not worked out any program we hope it is going to be a good program, but if you have that kind of faith in the program—then why is it necessary for these funds for ICA to be on a no-year, or lump-sum, basis? Why would you not come in and ask for one slice of it? Then make your record and come back the following year and ask for another slice?

NEED FOR FUNDS PRIOR TO DEVELOPING PROGRAM

Mr. GORDON. The reason for this is that negotiating with foreign governments and Latin American governments in particular in this case is not really analogous to working on projects within the United

States where foreign negotiations are not involved. These proposals or projects, as they develop, will involve—and this is the purpose of the program—substantial institutional developments within the countries and commitments on their part to the longrun supply of resources. In many cases they will involve legislation on their part and in other cases a substantial administrative action, including the development of new administrative institutions, because, as you know, in many cases the governmental machinery is very weak. This is one of the difficulties in Latin America. In order to get these things set up on a proper basis where they require some outside support, there has to be some assurance in advance that the necessary outside funds will be available. If these were simply specific projects for building a particular dam or a public work, which was all agreed on in advance, all engineered in advance, all legislation provided in advance to authorize it and so on, I would see no problem.

LATIN AMERICAN COUNTRIES' PLANS FOR FINANCING PROGRAM

Mr. PASSMAN. Are they going to appropriate all of the money needed on their part to provide all of the matching funds for the duration of this program?

Mr. GORDON. I do not know what their various appropriation provisions will be.

Mr. PASSMAN. Do you really, as a professor of economics, as you are, expect these recipient nations to project these projects to completion and make one appropriation to carry out their part? Rather, would you not expect it to be on a slice basis, or annual basis?

Mr. GORDON. Each nation has its own legislative procedures and I cannot speak to the arrangements in 18 different countries.

Mr. PASSMAN. Do you know of any instances—

Mr. GORDON. May I finish?

Mr. PASSMAN. Yes; go ahead.

Mr. GORDON. What I would expect is that there would be a firm commitment on their part to provide the necessary funds for the duration of the project, whatever the duration would be. In our case, as I understand it, a firm commitment is not possible without appropriated funds.

Mr. PASSMAN. Doctor, we have made the commitment with the authorization.

Mr. GORDON. I do not understand that to be a commitment in the sense—

Mr. PASSMAN. That is what you are trying to obtain the money on here, without any justification. You have not justified a dime of the money you are going to get under the blanket authorization. The story gets down to me that we have committed ourselves so do not disappoint us.

Mr. GORDON. Mr. Chairman, I understood that to commit ourselves on particular projects in the sense of making a contract or agreement, a binding agreement with the country which will involve financing, that we had to have appropriated funds.

Mr. PASSMAN. So far, there is no agreement and your action would be based upon what this committee recommends? You do not feel there is any commitment by the authorization?

Mr. GORDON. Obviously, Mr. Chairman, in a legal sense there can be no commitment without an appropriation of funds.

Mr. PASSMAN. All right.

Mr. GORDON. In a political and moral sense, it is certainly widely assumed in Latin America that the United States will establish this fund and will establish it in the sum of \$500 million.

Mr. PASSMAN. Why do you not put it on a good-faith basis? We trust you and you trust us.

If they are going to put themselves on a 1-year basis, let us put our slice up similarly. Do you not think that you would have a better program then, if we did not appear too ready to give away the American taxpayers' money? A lot of people believe this program is going to fall of its own weight as a result of the process of appropriating all the money; and now we are on a no-year basis, and they are going to try to get the authorization on the same basis, and then the thing will be really wild and loose.

NEED FOR FUNDS PRIOR TO LONG-RANGE PLANNING

It is very interesting, what you just said, that you do not ask these nations to put up their funds until they know what we are going to do. We plan together?

Mr. GORDON. Yes.

Mr. PASSMAN. So we are planning now on this \$394 million, and you are not planning beyond that, are you?

Mr. GORDON. The \$500 million?

Mr. PASSMAN. \$394 million.

Mr. GORDON. \$394 million.

Mr. PASSMAN. I will buy the \$500 million figure. You are not planning beyond that, are you?

Mr. GORDON. Not at the present time.

Mr. PASSMAN. Are they planning beyond that?

Mr. GORDON. I think they are, yes.

Mr. PASSMAN. I say this very respectfully, but would that contradict what you said a little while ago, that they could not plan until they knew what they had coming? How could they plan if they are going to plan on the basis of our share, and you said they have to have long-range planning? Do the two add up?

Mr. GORDON. Mr. Chairman, I think they certainly do.

Mr. PASSMAN. All right, sir.

Mr. GORDON. This depends on what you mean by the term "plan."

A country, in trying to develop its educational system for example, has got to think in terms of, "where will we go beyond the duration of this program?" It has broad goals for years into the future, or ought it to have such broad goals?

Mr. PASSMAN. You mean this program?

Mr. GORDON. No, sir; I am speaking now of national plans in Latin America for developing their educational system.

Within those broad goals, they will have some projects in the fields we are talking about which will commonly require the expenditure of funds for 4 or 5 years. These individual projects often require legislation or the creation of new administrative institutions. It is the first phase in these plans that has to be made definite, which I am

speaking about. For a phase of that kind, if outside resources are required, a sound project requires the assurance of the outside funds. The longer range plans remain targets.

If, at the end of 5 years, they still think they require outside funds and we are not prepared to provide any outside funds for one reason or another, then obviously the long-range plans have to be modified. In order for the projects which are typically 3-, 4-, and 5-year projects to succeed, there has to be an assurance that the funds will be available.

Mr. PASSMAN. Doctor, this is a long-range program, as you just indicated, and in all probability when we become involved it will be long-range as it applies to America, too? I think you agree to that?

Mr. GORDON. Yes.

Mr. PASSMAN. Would it not be a lot better if we started this program off absolutely on a sound basis to indicate to those people we are going to help them, want to help them, and we are going to walk by their side now in bringing about these improvements?

The authorization has been granted by our Congress, so now we want to see the individual projects as promised by Dr. Morgan last year. We say, "We want to see your firm plans. We want to see your estimates of the cost of carrying out these individual plans, so that our Government may know what the ultimate cost will be, if we actually cooperate on that basis."

Do you think it would then be a lot better program in the long run?

Mr. GORDON. No, sir; If I thought so I would have recommended that the program be submitted originally on that basis.

Mr. PASSMAN. You did not know you were going to submit the program, though. This was all worked out before you came here, I say respectfully.

Mr. GORDON. Mr. Chairman—

Mr. PASSMAN. You may have worked it out but I did not hear of you in connection with it until recently.

Mr. GORDON. No, sir. I became directly involved in this only a couple of months ago. I assure you that I would not be here unless I were assured the program was a sound one.

Mr. PASSMAN. You say that this is being handled on a businesslike basis? It is complete at this time? I do not know what we are going to spend the money for, as it is not indicated in the justifications. Do you not think we would get better cooperation from those people, and they would appreciate our help more, if we demanded they come up with an understanding of their program before we got into this? We do not know whether they will agree. You may go down on one program and they will demand you do something just the opposite. There may be a lot of jealousy existing among the nations. You do not know what you are going into. It is all in the future.

IMPLEMENTATION OF PROGRAM PROPOSALS

As indicated by the testimony, you do not know whether a single project as cited in your examples will be carried out on that basis?

Mr. GORDON. Mr. Chairman, I think that is a very considerable understatement of the extent to which—

Mr. PASSMAN. I thought it was an understatement but I made it as strong as I could, Doctor.

Mr. GORDON. An understatement to the extent this program has substance.

What I said yesterday was that we did not know whether any single project here in the amounts indicated, would in fact become part of the program. This does not mean that most of these projects will not. I think, in fact, that many or most of these projects will, in fact, become part of the program, but not necessarily in the amounts indicated because one has to work out with the Government their maximum contribution and the like.

Mr. PASSMAN. I will not misquote you. Did you not say yesterday that it may be a different program altogether? Does the record show that? Either you or the ICA representative, when he was guessing at what the money would be spent for, said that. He said it was a guess; and if it was a guess, you could not pin it down?

Mr. GORDON. No, sir. The reason that Mr. McPhail said that the proportion of technical assistance could not be more than a guess at this time is that we have here, as you know, proposals which add up to more than the amount of money we are asking for. Obviously, there would have to be choices. There may be some proper projects which will come in, better than any of these, during the course of time. We do know that among these, roughly what the proportion of technical assistance is. It runs from 20 to 25 percent and that does not mean that this will be the precise proportion of the projects worked out and agreed on.

NEED FOR FUNDS PRIOR TO PROGRAM IMPLEMENTATION

On the general question as to the best way of proceeding to get the sort of results which I believe we all want, as I said yesterday morning, this is a problem of the progressive movement from the broad ideas contained in the act of Bogotá to what are called comprehensive programs, proper administrative machinery and then specific projects. This progression is not all on our side by any means. The progression is by both parties walking, as you say, step by step. But I did say yesterday—and I would like to repeat—that there is a sort of vicious circle problem here in trying to get a commitment to the necessary self-help measures in the way of legislation and others. But as a practical political problem, it is my conviction that both with respect to the Bank portion of these funds and with respect to the proposed ICA portion of the funds, that unless these operating agencies are equipped with the authority to make firm commitments on projects, and firm commitments require the advance appropriation of funds, they will not be able to work out the most efficient and economical projects with the member countries.

Mr. PASSMAN. Let us agree on this as being desirable; but what we propose to do, is it advantageous to these countries? What would be wrong—since it is a good, worthy program, overall—with requesting these countries to go ahead and pass legislation, land reforms, tax structures, and firm up their projects, and then come to you and sit down across the table and have something firm you could come back with before the committee and the Congress and say, "We have been looking over a reclamation project and we will be able to reclaim so many thousands of acres and the cost will be thus and so"?

You could say, "They are going to put up this amount and we are going to put up that amount."

Would it not make a lot better story when you are presenting this to the committee, in a manner similar to what our own people have to do when they come up for funds? When our people down in Louisiana or Mississippi, or in any other State, decide on a flood control project as being worthy, there is long-range planning; and when they come to Congress, they do not even know they are going to get an authorization, notwithstanding the fact they have made a strong case for the people back home; but the local engineers and the district engineers get into this, and even the U.S. Army Engineers, and they have what appears to be a good case and can show that the benefits will be \$3 for each dollar in cost, but then they come up and may get an authorization. At a subsequent date, they do even a better job in showing where it is a good investment for our Government to put up the money, and then they do not have too much trouble getting the money.

Would it not be a lot better for you and the recipient nations, if you had something completely firm before you came to Congress?

Mr. GORDON. Mr. Chairman, if it were possible to do this in the Latin American area—

Mr. PASSMAN. Let us consider the world. There are some 100 nations, with the new tropical African nations, and I think that 88 of them are in the mutual security program. It is not just a question of South America. In all probability we understand South Americans better than we do some of the other people throughout the world. This committee has to deal with a great many other nations.

Do you not think this double standard, one for our country and one for the recipient nations, will get us in trouble one day?

Mr. GORDON. Mr. Chairman, I do not believe that we could possibly succeed in the sort of effort, if we tried to apply the same processes abroad in the underdeveloped countries that we apply at home. We are talking about situations, many of which are in very treacherous condition from the political point of view, and as Mr. Berle pointed out yesterday morning, where the balance of internal forces is a very delicate one indeed, and where we are trying with the assistance of these funds and these projects to move to tilt that balance in the direction of responsible, law-abiding democratic societies.

Mr. PASSMAN. I thought we were going to get this on the basis of a justification rather than what might happen if we do not do it.

POLITICAL AND TECHNICAL PROGRAM

Mr. GORDON. This is part of the justification.

As I said yesterday, this is a culmination of a political and a technical program. This is the nature of the Latin American situation we are confronted with.

Mr. PASSMAN. Thank you.

I do not know of any other way to put this, but living down in Monroe, La., if I bought an airplane ticket, a steamship ticket, and a bus ticket, and only used the airplane ticket, the others would be a waste of money?

Mr. GORDON. Of course.

POSSIBLE DUPLICATION WITH OTHER PROGRAMS

Mr. PASSMAN. You realize how many technical assistance programs you have in Latin America to do the things you propose to do? Are you familiar with all of them?

Mr. GORDON. I am not familiar with all of them but my colleagues here are.

Mr. PASSMAN. You are justifying the program. Why do you not familiarize yourself?

Let me help you: First, you have the U.S. technical aid.

Mr. GORDON. Yes.

Mr. PASSMAN. Then, you have the Organization of American States.

Mr. GORDON. Yes.

Mr. PASSMAN. Then, you have the United Nations technical aid.

Mr. GORDON. Yes.

Mr. PASSMAN. Then, under Development Loan Fund, you have some technical aid.

And now you are coming in with a new program. Do you mean that this one is not duplicating the others?

Mr. GORDON. Yes; I do mean to tell you that.

Mr. PASSMAN. You are the first witness who has appeared before this committee in 7 years who has said you are not duplicating.

Mr. GORDON. I am happy to establish this precedent.

Mr. PASSMAN. You acquired this in 2 months—and I do not mean to be disrespectful—but you were willing to say there was no duplication on programs with which you are not familiar. I have to point this out to you, for that is what you said.

Mr. GORDON. Mr. Chairman, that is not what I said.

Mr. PASSMAN. We will have the reporter read it back, if you wish.

Mr. GORDON. I will be happy to read the record when it is available. What I would like to say is that what you asked me was, whether I was familiar with all of the technical assistance projects conducted by—

Mr. PASSMAN. Programs, I said.

Mr. GORDON. I thought by programs you meant projects. If you mean, am I broadly familiar with the technical assistance programs connected by ICA in Latin America, the answer is "Yes."

Mr. PASSMAN. You do have five, Doctor, and every witness before this committee has indicated there was duplication, and they have indicated that the time was coming when we would have to straighten them out, and eliminate duplication. But, instead of eliminating duplication, we are now stacking another program on top of the others.

Mr. GORDON. So far as the existing programs are concerned, just to indicate that I was familiar with the existence of this, the presentation book does refer to all of these on page 36.

Mr. PASSMAN. Doctor, you may correct the record if you wish. I thought you said you were not familiar with all of them, and now you say that you are. Certainly, I accept your word.

Mr. GORDON. Mr. Chairman, it was a misunderstanding on my part, for which I apologize. I thought you were asking me whether I was familiar with each individual project.

Mr. PASSMAN. You could not be. ICA says it is not familiar with them, and we have many career men there. I think that last year there were 1,500 of them.

Mr. GORDON. I apologize for the misunderstanding.

Mr. PASSMAN. You do not owe me any apologies. We are trying to reach a mutual understanding on this complicated undertaking.

Mr. RHODES. Mr. Chairman, would you yield?

Mr. PASSMAN. I am pleased to yield.

POSSIBLE EXECUTION OF PROGRAM UNDER TECHNICAL ASSISTANCE PROGRAM

Mr. RHODES. Mr. Gordon, I do not know whether you can answer this, but let me ask this question and then you can get the answer if you do not have it available: Assuming that the projects for which you have asked at this time are not in compliance with the present laws relating to technical assistance, what amendments would be required to those laws in order to fit this project under the technical assistance tent?

Mr. GORDON. Could I clarify one question, Mr. Rhodes?

There are, as I see it, two problems of authority here. First, there is the question as to whether the definition of technical assistance as now contained in the mutual security legislation is broad enough to cover the kinds of things we envisage being done in the ICA portion of this program. On that, I would like to get a clear answer.

The other question which the chairman asked before has to do with compliance with the provisions under the mutual security legislation concerning advance justification of specific projects. On that it is perfectly clear what we proposed here is not in keeping with that provision of the law. It was not intended to be because what is proposed here is under different legislative authority.

On the first question, I would like to get a definite legal answer, if I may.

Mr. RHODES. Certainly.

May I continue?

Mr. PASSMAN. I yield.

Mr. RHODES. The authorization for technical assistance in the act of last year was \$172 million, of which \$150 million was appropriated. Do you know of any portion of the projects for which you are now asking, which might fit into technical assistance under the present legal definition so that this could go against the \$22 million unappropriated but authorized?

Mr. GORDON. Yes; as I recall, of the \$150 million about \$36 million is the Latin American portion.

Is that right?

Mr. McPHAIL. That is correct.

Mr. GORDON. We have reviewed those to see what fraction of that \$36 million is for technical assistance in the various fields covered by the Act of Bogotá, and this program. Our estimate is about \$24 million.

Mr. RHODES. Is it possible to identify those projects with particularity?

Mr. GORDON. I think so, certainly.

Mr. RHODES. Suppose you do that for the record?

Mr. McPHAIL. Yes, sir.
(The information follows:)

TC FIELDS OF ACTIVITY UNDER ACT OF BOGOTÁ

As of March 20, there has been approved for implementation under technical cooperation an amount of \$36,720,000 for Latin America for fiscal year 1961. Within this total, amounts for particular fields of activity which are contemplated under the act of Bogotá are the following:

Agriculture.....	\$10,063,000
Health and sanitation.....	4,729,000
Education.....	5,539,000
Public administration.....	2,980,000
Total.....	23,311,000

In addition there are certain education and training activities now carried on within the categories of "Industry and mining," "Labor," and "Community development and housing" which could be considered to be covered by the act of Bogotá. These activities are of an estimated order of magnitude of \$3 million. Thus a rough estimate of the percentage of existing technical cooperation activities in Latin America which are in fields covered by the act of Bogotá out of the \$36,720,000 now programed for implementation is approximately 70 percent.

A precise breakdown and analysis of the individual technical cooperation projects programed for Latin America is not possible at this time since such a detailed allocation of projects will depend in part upon the specific programs developed bilaterally and multilaterally with the individual countries in the months ahead.

Mr. PASSMAN. Did you bring with you the list of countries in Latin America which have no income tax law or estate tax?

Mr. JOHNSTON. We did not get all of the figures. They did not get all of the figures for us.

Mr. PASSMAN. Did you get a partial list?

Mr. JOHNSTON. They did not want to bring it up until completed.

Mr. PASSMAN. That is all right.

ANTICIPATED OBLIGATIONS BY JUNE 30, 1961

Doctor, what portion of the funds requested in this authorization would be obligated by June 30 of this year?

Mr. GORDON. With respect to the \$394 million proposed for administration by the Bank, Mr. Chairman, the signature of the trust agreement itself would constitute the legal obligation of those funds.

Mr. PASSMAN. You mean that we are going to enter into those obligations and turn the money over to them?

Mr. GORDON. The specific arrangement does involve an obligation, not the turning over of the money.

Mr. PASSMAN. I know it is an obligation, but I am talking about what part would be expended, actually obligated, to projects underway, for which you would actually need money in order to meet definite obligation?

Mr. GORDON. I thought you were asking about a legal obligation from the American budgetary standpoint.

Mr. PASSMAN. No, sir; the minute we make the appropriation, if they can justify the expenditure then the money is available. I am speaking of the amount that would actually be obligated for expenditures to specific projects. What would be the amount? What percentage?

Mr. GORDON. In order to avoid vocabulary trouble, could we here distinguish between obligations and commitments on specific projects?

Mr. PASSMAN. If we appropriate this money, then it is available for obligation?

Mr. GORDON. Yes; that is right.

Mr. PASSMAN. Not just to the Bank, but it is also available so that the trust fund in the Bank may obligate its funds to specific projects.

What part of the \$394 million will be obligated to specific projects approved by the recipient nations and our country as of June 30?

Mr. GORDON. Including the Bank's portion and the ICA portion both?

Mr. PASSMAN. Yes.

Mr. GORDON. I think this depends on several things. One is when appropriation action—

Mr. PASSMAN. Let us say you get it April 1.

Mr. GORDON. That seems to me a very optimistic date.

Mr. PASSMAN. Move it up a month. I agree with you, it is optimistic.

How about May 1?

Mr. GORDON. With respect to the Bank's portion, if the Bank had the funds in hand by May 1, that would give them 2 months before the end of the fiscal year. I suppose that completed loan negotiations during those 2 months might—this is purely a guess because this would be for the Bank to work out the details—

Mr. PASSMAN. You are completely fair about that, and I want you to know that I know you are fair.

Mr. GORDON. All right.

I think anything from \$50 million, as a probable minimum figure, up to \$150 million as a probable maximum figure.

With respect to the ICA portion, I wanted the ICA to speak to it.

Mr. PASSMAN. Of course, Doctor, we are somewhat concerned in the committee by the fact that there have been no projects firmed up yet. How are they going to be able to firm up projects as complicated as some of these projects are on such short notice? I asked that question because I surmise it may go like that. I would not blame you. There have been no projects firmed up, and we do not even know what the money will be spent for other than a general fund, and yet now you are advancing an estimate that we could obligate up to \$150 million by June 30. To me, that is frightening, the fact that such a thing could happen. There are no projects, no agreements, and the countries have yet to pass legislation.

You get my point, Doctor?

Mr. GORDON. Yes.

Mr. PASSMAN. That situation is alarming to the committee.

Mr. GORDON. I get your point, Mr. Chairman, but as I think I suggested before, to say that there are not refined projects on which we made commitments on the one hand, and to say there are not projects that the Bank can proceed to negotiate promptly on the other, are two quite different things.

BASIS FOR ANTICIPATED OBLIGATIONS BY JUNE 30

Mr. PASSMAN. As we advanced further than we thought, Doctor, would you please give us a list of the specific projects with which

you are familiar? You had to give some thought to the \$150 million. You would not reach up in the sky and get the figure. Now, we are entitled to that list showing specifically where you propose the Bank could do this. That must be in possession of somebody. You would not want to turn this over to the Bank if you felt they were going to obligate \$150 million without having some firm projects.

Could you get those firm projects? Who is our representative on the Bank?

Mr. GORDON. Mr. Chairman, our Executive Director on the Bank is Mr. Robert Cutler.

Mr. PASSMAN. Could you contact him, and have him get that list to us by airmail?

Mr. GORDON. No, Mr. Chairman. This would be completely impossible. I did guess—and it was only my personal guess—in an effort to respond to your question as to what kinds of amounts the Bank might be in a position to negotiate by the end of the present fiscal year depending on what the time of the actual appropriation may be. I guessed this because among the projects we have submitted to you as examples, there are a number in which the necessary legislation in the recipient countries does already exist and where—

Mr. PASSMAN. That is exactly the project we want. We want the name of the country, the specific legislation they have passed, the type of contract that is going to be negotiated with the Bank, and so on. Then we are going to be better able to represent you when we take this bill to the floor. Let us get you on our side momentarily. If you get in touch with Mr. Cutler, and as he is representing our country on the Board, would you ask him to supply the names of the nations, the specific projects, the estimated cost of each project, and then we will have something into which we can get our teeth?

Mr. ANDREWS. Will the Chairman yield?

Mr. PASSMAN. Yes.

OPERATIONS OF INTER-AMERICAN DEVELOPMENT BANK

Mr. ANDREWS. Mr. Dillon in his statement said that the Bank opened its doors for business on October 1, 1960, and that by the end of January 1961, the Bank had received nearly 250 applications for loans.

Mr. GORDON. That is right.

Mr. ANDREWS. Further, he said they had selected 108 of these for actual consideration.

Mr. GORDON. Yes.

Mr. ANDREWS. Representing the most feasible projects and those most likely to contribute rapidly and directly to the development of Latin America.

I would like to ask you this, Doctor: Are these loan applications made for any part of the \$394 million that is being requested here of the committee at this time?

Mr. GORDON. The loan applications summarized in Mr. Dillon's statement were loan applications under the regular funds of the Bank in the two categories Mr. Dillon described. That is the regular lending operations and what they call the fund for special operations.

Mr. ANDREWS. My question is this—

Mr. GORDON. May I add one thing?

Mr. ANDREWS. Yes.

Mr. GORDON. The Bank has also received a number of inquiries from countries with respect to possible projects for financing under this program, if and when they get the funds under this program. The Bank does not consider anything of that kind a loan application and it cannot be a true loan application until the Bank is in a position to negotiate.

Mr. ANDREWS. Does the Bank have any money there to lend at this time?

Mr. GORDON. Under its regular funds, of course.

Mr. ANDREWS. Were these applications directed to the funds in the Bank, or in anticipation of this appropriation?

Mr. GORDON. No, sir.

Mr. ANDREWS. The \$394 million being deposited in the Bank?

Mr. GORDON. The projects summarized in that statement by Mr. Dillon, the loan applications summarized were loan applications for lending under the regular present appropriations of the Bank.

Mr. ANDREWS. They have nothing to do with the anticipated trust fund of \$394 million?

Mr. GORDON. That is right.

Mr. ANDREWS. It looks like there is going to be a rush for loans down there.

Mr. GORDON. Well, I think it is quite clear that in view of the fact this was first discussed in Bogotá in September, and it has generally been anticipated that the Bank will administer the larger portion of these funds, the countries have been doing a lot of homework on getting ready to negotiate with the Bank under this program.

Mr. ANDREWS. 250 loans over a period of 3 months is a pretty good sign that business will be good down there.

Mr. GORDON. Mr. Andrews, were those figures as of the end of January? Mr. Dillion's figures?

Mr. ANDREWS. Yes, it is in his statement on page 6.

Mr. GORDON. I recall. I have a Bank report but I just wondered whether they referred to the same date and they do.

Mr. RHODES. Will the gentleman yield?

Mr. ANDREWS. Yes.

DEFINITION OF SOCIAL PROGRESS

Mr. RHODES. This goes back to yesterday, Mr. Berle, but would it be possible for us to have your definition of economic progress? I will tell you why I ask. You made the remark the other day you did not feel that it made too much difference whether we are talking about social progress or economic progress because they were one and the same. That is the way I understood you.

Mr. BERLE. They are so closely interrelated, you do not have one without the other.

Mr. RHODES. However, do you not then have the hen and egg situation? In other words, do you really have social progress of a lasting nature until you have economic progress?

Mr. BERLE. It is very difficult to tell what comes first. You can build a steel mill but that does not give you a market for steel unless the area that is planned is such that you can get steel and ship some.

Mr. RHODES. Assuming that there is going to be a balance?

Mr. BERLE. May I give you an illustration?

Mr. RHODES. Certainly.

Mr. BERLE. Here is one I suppose would have both elements in it. You would need both.

Prime Minister Beltran of Peru, who is one of the ablest men in the field, is anxious for a loan for the so-called Puno Road. This takes a road over the ridge of the Andes where you then tap a very large area of good rich land. The Lima area is already overpopulated. The population has got to go somewhere.

There is plenty of land but they have to get over the ridge and that might be a regular Bank loan, depending on guarantees and so forth. When you get there, then the problem is one of arranging or preparing the land sufficiently so you have located people to run it. That would be IDB. The road without the other element is simply a monument in the desert, and the other without the road would simply get nowhere. The combination of the two is essential and that perhaps is one illustration. I could give you others.

Mr. RHODES. I do not think anybody could disagree with that illustration. I was fearful perhaps you meant it was necessary to go to low-cost rental housing, for instance before you provided jobs for people.

Mr. BERLE. That is perfectly true. Of course, in this particular case you do not have it because what you then have is virgin land. It is the great subcontinent of the world that is still unpopulated and what you then have is—

Mr. RHODES. Your example set forth an example of a balanced economy no one could find fault with. This is what you meant when you made that statement yesterday?

Mr. BERLE. That is exactly what I meant. In some cases, it works differently than that and let us take another illustration.

Mr. RHODES. If you like.

Mr. BERLE. In Venezuela, which has an unlimited supply of very rich steel ore, and where there is a balance-of-payments problem from time to time, let us say there is a steel mill which is already two-thirds constructed but under the old dictatorship. The problem is whether that should be completed or not. The Venezuelan Government has made an arrangement with Koppers Co. of the United States to manage the development of that steel mill.

The most necessary immediate market for that steel is in handling the road construction and bridge program which makes that big plains country in Venezuela operative, and that is where people ought to go. That is where there is natural wealth, steel and oil, as well as cattle and farming country.

The Government of Venezuela would like therefore to increase its roads and similar programs and, at the same time, bring the steel mill into operation. This means that the product of that steel plant would go immediately to this secondary use which, in turn, makes possible the development of the economy of that region. Incidentally, it takes out of Caracas a large chunk of the 300,000 unemployed there which is always capable of making trouble and at which point the IDB will come in with the secondary or social development. The ICA experts understand this better than I, but I should be inclined to think at this point a mixed program would be almost essential; one on the commercial and the other on what is called the social side.

PUNO ROAD PROJECT

Mr. RHODES. Do you have any estimates of cost of the Puno Road?

Mr. BERLE. I do not. We have them in the Department.

Mr. RHODES. Is this part of the initial program?

Mr. BERLE. It was part of the program presented to us by Prime Minister Beltran, of Peru. He specifically presented the Puno Road project when he was here a month ago. I expect he will use his later visit to present it in more detail.

Mr. RHODES. You think it is in this program?

Mr. BERLE. I do not know whether the Puno Road is in this one.

Mr. RHODES. Of course, the last example you gave was completely economic progress. There wasn't any social progress necessarily in that, was there?

Mr. BERLE. This is very important. Where you are building a bridge which otherwise would not exist, which opens up an area, the area immediately then being opened to colonization or settlement, it is a problem whether that is economic or social. I have never made up my mind in New York whether the Brooklyn Bridge, a free bridge, is a social development or whether the Triborough Bridge is an economic development.

Mr. CONTE. Would you yield?

Mr. RHODES. Yes, sir.

IMPORT RESTRICTIONS ON CRUDE AND RESIDUAL OIL

Mr. CONTE. Mr. Secretary, in regards to Venezuela on the economic side, couldn't we do more on the economic side by the President removing the mandatory restrictions on crude and residual oil so these people could ship their oil to the east coast where it is needed and stimulate employment?

Mr. BERLE. These men would not gain employment from that. You would not touch the unemployment very much that way. All that would mean is that the wells would pump more oil. I doubt if it would make any great deal of difference in employment. The chairman comes from an oil state himself. Opening up for more oil does not increase employment compared to the gallonage you take out of the well.

Mr. CONTE. It would mean more money for the Government.

Mr. BERLE. I think it would. At this point you would run into competition with American oil interests.

Mr. CONTE. If I may, Mr. Secretary, when President Eisenhower put in this mandatory restriction on crude and residual oil based on the national security purpose it was to spur the production of crude and residual oil in the United States. The figures unmistakably show production of residual oil in the United States has declined considerably because it is not profitable for U.S. concerns to make residual oil and the demand for residual oil on the eastern seaboard has increased tremendously. We have been caught in a price bind. That is aside from the fact. I would like the record to show that the removal of this restriction would be helpful to the economy of Venezuela.

Mr. BERLE. Obviously, anything that increases the revenue of the Venezuelan Government, if it is properly used—and in President

Betancourt's hands I think it would be properly used—would spur the Venezuelan economy.

However, while we are doing that you have also to consider the American interests, which also require consideration and it is the balancing of those interests that makes it difficult to consider the one interest without taking care of the other.

Mr. CONTE. If you could show me that it is injuring the American interests, I would go along with you, but you cannot.

Mr. BERLE. I ought to say that in private life, I have not only taught law and practiced law, but I have been a trustee of a good many real estate trusts, et cetera, and anything that will lower the price of residual oil is fine with me. However, I cannot say necessarily that there are not a lot of other people in the United States who have opposed its entry into the United States.

Mr. CONTE. I do not believe we should be concerned with people who have vested interests.

Mr. BERLE. Of course not. I hasten to say my interest is representative. As a lawyer, every lawyer around this table has had to work on interests of that kind.

I brought this out by way of illustration.

Mr. RHODES. Before the gentleman from New England completely ruins the coal market, may I ask Mr. Gordon this one question, and than I will yield back to the Chairman.

Mr. PASSMAN. Yes, Mr. Rhodes.

POSSIBLE STIMULATION OF ECONOMIC GROWTH

Mr. RHODES. Mr. Gordon, in response to a question by the chairman a little bit earlier, I believe you made the statement that the economies of these South American nations would probably be stimulated to the point where they would, within themselves, be sufficient to keep up these improvements but probably the dollar economy would not be stimulated to the point where they could repay in dollars.

I have been thinking that over. I am wondering if that could be precisely accurate. In other words, can we, with such particularity, project the effect of this as to say that would be the situation? It makes me wonder if really the economies of the nations within themselves operating within their own four walls, could possibly be stimulated to the extent you say if they do not as a corollary stimulate certain foreign exchange media.

Mr. GORDON. I think the point is this, Mr. Rhodes: The hope naturally is that over the duration, not simply of the thing we are talking about here, but of the 10-year program, that President Kennedy has spoken of in discussing the alliance for progress that the great bulk of Latin America can be brought to a position of what is called self-sustaining economic growth without this kind of abnormal assistance on a soft loan or grant basis and doing that consistent with having the right kind of democratic institutions. That, of course, is the object of the exercise.

With respect to the balance of payments prospects, it is an unfortunate fact that the present foreign exchange earnings of most of these countries are dependent on a small number of primary products, either tropical agricultural products like coffee or bananas, or min-

erals in some cases, like Chilean copper and Peruvian lead and zinc and now copper, also.

LATIN AMERICAN EXPORTS

Some estimates have been made of the long-term world market outlook for Latin American exports. The National Planning Association has done a very interesting study and it was published just a few months ago. It is not a very good outlook unfortunately. Their problem therefore, in improving their foreign exchange earning is going to have to be one of diversification of exports. In Brazil, for example, they used to have 80 percent of the coffee market of the world. They are down now to about 45 percent of the coffee market of the world and still coffee accounts for by far the largest part of their foreign exchange earnings. They are beginning to develop iron ore some. They are, of course, developing quite modern industry in the South and undoubtedly they will hope to get into export of manufactured products, especially to other Latin American countries because they are a natural center for this. But so far as dollar earnings are concerned, which was the question before us, it looks as if it is going to be very difficult.

Now, apart from funds of the kinds that we are talking about for social progress purposes, they, of course, do need, for all reasons that were just discussed between you and Dr. Berle, capital for economic development projects; economic development projects both in the public sector like ports and harbors and in the private sector in all kinds of industrial fields. If we want them to rely either on the hard lending institutions or on private capital for these kinds of things, they must have some debt servicing capacity available to finance the servicing of those kinds of loans or investments.

I think it is most important that that side should not be sacrificed.

Mr. RHODES. This program does not do that.

Mr. GORDON. This is right.

Mr. RHODES. Let's talk about this program. The thing that bothers me and I am sure is bothering the chairman, is that we will find ourselves having financed the construction of low-rental housing, other social improvements in the country and having tried to raise the standard of living of the people far beyond the economic base upon which they must operate. Thereafter, in order to protect our investment, we will be in the position of maintaining these various social improvements, which we have put in around the world ad infinitum. In other words, we will either have to maintain these people in the style to which we have accustomed them or we will have to see the whole thing fall and say it is a failure.

I think the worst thing that could happen to this country would be to have a failure of that kind in that part of the world. This to me is the nut of the whole problem.

Mr. PASSMAN. If the gentleman will yield, that is my grave concern. This is a long-range program, as we will certainly establish for the record. If we could start this program off on a sound foundation, properly planned, it would have the support of the American people, it would have the support of the Congress.

Now, if we get off on a slipshod basis, you may get this appropriation, but the program might fall of its own weight because of the feeling of the people back home.

That is why I wish we could pin this program down for even one nation. That is why I wanted Mr. Cutler to give us the specific plans, programs, projects, and estimated cost for one country, and let that be an example and established as such.

The Congress would then be in position to support you, and so would the American people. If you start this program off on the slipshod basis thus far indicated, even though the goal is meritorious, you haven't justified a single project.

We have been dealing solely with generalities. That is my worry.

Mr. RHODES. If Mr. Gordon will give us an answer to this question, I think he will have progressed his case far along the way.

IMPACT OF SOCIAL PROGRESS ON ECONOMIC PROGRESS

Mr. GORDON. The question which you raised which I think is a little different from the question the chairman just raised is one that I have given a great deal of thought to: How does this type of program fit into a hoped-for long range development which is both economic development and contains social progress? The President's message made it very clear that this is not a charity handout kind of program. We are not trying directly to build houses for people or to feed people or to educate people at our expense. It is perfectly clear that if you take \$500 million and spread it over roughly 200 million people you get about \$2.50 per capita and on that kind of basis you cannot do any of these things.

Mr. RHODES. You are not going to do that. You could, however, go into a certain small area with a massive spending program and really dislocate their economy.

Mr. GORDON. Certainly. If we did it by just trying to raise their consumption levels with our resources this could be a terrible mistake and I for one would not want to have any part of it. What we are trying to do is to provide both the techniques and the kind of seed capital to help along the mobilization of their resources and the effective application of their resources and of course, the increase of their resources. That is where the economic and social sides of this fit together.

They may then be able to carry on these social improvements indefinitely into the future without further outside support from us.

How does this happen? Well, in the agricultural fields it is perfectly clear that where you have—as you have for example on the high plateau in Bolivia and Peru, the area that Mr. Berle was referring to—millions of people scraping an exceedingly meager living out of rather barren land, with the land being more and more subdivided as the population increases, those people are just on the edge of subsistence.

They cannot constitute a market for anything. They cannot possibly finance decent housing no matter how much credit is made available to them, so what does one do?

The resettlement programs for the slopes of the Andes on the eastern side, which is well watered, fertile, and largely vacant at

the present time because there is no access to them should provide—and there has been enough experience to indicate that it can in fact provide—a decent living for people; provided that in addition to getting access to these lands they get some technical help with respect to what to grow and how to grow it, that they get some credit, agricultural credit in the normal sense.

So we would expect in such a case a package, the duration being one of several years, which would include the sort of access roads that Mr. Berle spoke of, it would include some seed capital for agricultural credit institutions which the countries would mainly finance themselves and would provide for the supervised credit type of technical assistance, agricultural extension work so these people would know what to do.

BASIS FOR NOT UTILIZING DLF

Mr. RHODES. Why doesn't the seed capital fit under DLF? This has been bothering me.

Mr. PASSMAN. Or maybe Export-Import?

Mr. RHODES. I imagine not Export-Import Bank because of the fact these are not prime loans. DLF does not make prime loans. I will give Mr. Gordon the best possible break here and ask why it does not fit under DLF.

Mr. GORDON. Well, obviously the DLF could be equipped with the funds to do this. Our thought has been first that better projects will be worked out by the Inter-American Bank working with its member countries than would be worked out with us bilaterally; secondly, that a project of this kind ought to be worked out as an integrated package. The land contributions by the Government concerned, the agricultural credit institutions, the roads, anything that has to be done in the way of water supply and sanitation arrangements and the like, this should be a package and the provision of the supervised credit and technical assistance that goes with it.

If one tries to divide up the various pieces of such a package among different agencies, each of them trying to negotiate its particular part with its particular notions as to what its policies ought to be, I think it would just be very much more difficult to make progress than if the Bank is in the position to negotiate the project as a whole. This is the reason for wanting to put the Bank in a position to do the whole thing.

When this happens, not only does the productivity of these resettled people go up so that they eat better and they can live better, but they are able to market some of these agricultural products; they are able to repay the credits which have been advanced to them by these credit institutions, and in due course the credit institutions will be able to repay the Inter-American Bank, but all in local currency. These are not typically dollar earnings, but they are a very substantially increased standard of living for the people concerned. The record is good on these supervised credit activities to the extent that they now exist, and there are some in quite a number of countries in Latin America, most of them grossly inadequate in scale. This is the problem. They are pilot projects dotted here and there all over the place.

In Brazil alone there are pilot projects in about seven or eight of the main agricultural states. But they simply do not cover enough

territory. They do not reach enough people. Where they do exist the loan repayment record is extraordinarily good.

Mr. RHODES. You have said that we feel we could do this through the Inter-American Bank better than we could through bilateral aid proposals.

Why have we not used the Organization for American States instead of using the devices of this bank? It seems to me what you are doing here is setting up a multilateral loan, or technical assistance program somewhat similar to the U.N. program, but on a regional basis.

Mr. BERLE. May I take that if the Congressman will permit me? The OAS for practical purposes is a medium of diplomats. Although I have been in diplomacy half my life as a way of getting business done, that is the worst way of doing it. You have to have someone else besides that. The Economic and Social Council functions as a general overall policy mechanism, but as for the proposition of getting a plan and a business operation forward it would not be equipped to do that. The Inter-American Development Bank as it is worked out would be equipped, staffed, and manned for the purpose of doing this kind of thing.

ABILITY OF INTER-AMERICAN BANK TO DEVELOP PROJECTS

Mr. PASSMAN. We are very interested in the soundness of the projects. Did you say a moment ago that better projects would be worked out by the Inter-American Bank than through U.S. bilateral aid, meaning the Development Loan Fund, or any other lending agency?

Mr. GORDON. My view, Mr. Chairman, is that the Inter-American Bank is better able to work out with the Governments concerned their measures of self-help and particularly the rather delicate problems of legislative reforms.

Mr. PASSMAN. You said better projects. I am interested directly in what you meant by "better projects."

Mr. BERLE. If the gentleman will yield, I would like to answer that myself if I may.

Mr. PASSMAN. Please do.

Mr. BERLE. A good many of these problems, especially in the Central American smaller states, involve two or more states.

For example, you can put one cement mill into Honduras which will supply the Honduran market but will need to be economic; also a market in Nicaragua, perhaps Salvador, and other countries.

By consequence, you will need to make a first really good project, frequently a mechanism, which includes the representatives of two or three other states.

I have a tangible illustration, if you are interested in that. The United Fruit Co. is under a decree of the antitrust law requiring it to divest itself of its properties. It is proposing to dispose of a large part of its land holdings which are respectively in Honduras, Salvador, Guatemala, and I think two or three other countries as well, under a plan by which they will undertake the marketing of the product and technical supervision. There are other elements to the plan. In order to do that well, you will need the concurrence of I should think at least two states, Guatemala and Honduras where the

bulk of the landholdings are. The Inter-American Bank, of course, is ideal for the kind of an arrangement. Otherwise, the bilateral operation has to be complicated by diplomatic proceedings on a tripartite basis. This could all be done in a single executive committee, you see.

Mr. PASSMAN. At this stage, it is speculative, and not positive, as to what will be done, is it not? You have a new agency, new personnel, a new bank. You are already indicating that they can do a better job than a lot of the established institutions which have been doing business and making loans to others for years. It is interesting, but is it speculative or positive that those things can be done?

Mr. BERLE. I think you could say it is as positive—there is no such thing as really positive in this world, Mr. Chairman.

Mr. PASSMAN. Please give me another word for it, then, Mr. Berle.

Mr. BERLE. I would say it was foreseeable in all reasonable business probability.

Mr. GORDON. Could I add one very brief comment?

I was looking through my papers to find one example of a pilot project of the kind I was talking about. This is in an isolated Indian community in Mexico where a supervised credit program was started to help them establish poultry farms. This one began with a small credit of only \$8,000 3 years ago. At the present point, instead of a few poultry farms, which were financable with the \$8,000, today there are more than 50. The initial credit has been totally paid and the Indian cooperatives possess sufficient resources to continue the exploitation of their poultry farms themselves and even to grant credit to other communities interested in participating in this project.

This is a very small-scale example of the way in which seed capital can increase productivity.

Mr. RHODES. From what agency was that started, sir?

Mr. GORDON. That was started by an agency called the Regional Fundamental Education Center for Latin America, which apparently belongs to UNESCO. It was a U.N. project.

AUTHORITY OF ONE CONGRESS TO BIND ANOTHER

Mr. PASSMAN. Doctor, do you subscribe to the understanding that one Congress cannot legally obligate another Congress to carry out specifics not spelled out in legislation?

Mr. GORDON. I am sorry, Mr. Chairman—

Mr. PASSMAN. Can one Congress through making a public statement obligate a future Congress?

Mr. GORDON. Do you mean commit it without actually having legislation?

Mr. PASSMAN. Legally, yes.

Mr. GORDON. Well, you are speaking of a mere congressional resolution?

Mr. PASSMAN. I am speaking of anything in one Congress, through its public pronouncements or statements on the floor. Can one Congress obligate another one to enact legislation?

Mr. GORDON. Can one obligate another to enact legislation, certainly not.

Mr. PASSMAN. Is this not the equivalent? The legislative branch is apparently becoming somewhat of a rubber stamp for the executive. I am speaking for myself. Other members may not share my views.

Mr. RHODES. We are just not as brave as you are.

Mr. PASSMAN. Maybe you possess something I do not have. There are more good reasons why there should be a motion from your side of the table, if parliamentary procedure would permit it, that we suspend hearings here and now, until we get this on a solid foundation.

I shall quote now from one of the great men in Government, Secretary Dillon, who stated at the Bogotá Conference:

"The Government of the United States is prepared to devote over the years ahead large additional resources."

We are starting on a program, and when you say "devote over the years ahead large additional resources," we are getting into something to which we are committed that could eventually mean an outlay of billions of dollars. Why wouldn't it be desirable to get this off on a sound basis, and make the appropriation based upon planned projects and programs? These people have waited 200 years, or more, for this. Why do we have to do it yesterday?

Mr. GORDON. Mr. Chairman, I tried to explain yesterday.

Mr. PASSMAN. Are you familiar with Secretary Dillon's language? Would you not say that even though there is not a legal commitment, this is a moral commitment to support this program? And, Mr. Dillon is the one who said that it may require 30 years, under certain phases of our program. If we are embarking upon a program to take us way off into yonder, then why would it not be wise to do so in a businesslike manner? We are here just exchanging in generalities, smiling at each other occasionally. We have not pinned down one single thing since we started these hearings. If we could get to dealing in specifics and pin down some of this we would be happy to suspend hearings so that you might get with Dr. Cutler and pick one nation where you could pin this down. You could say, "Here is what we plan."

Mr. GORDON. The Bank is clearly not in a position, Mr. Chairman, without either authority, which it lacks without this trust agreement being signed, or funds, to negotiate specific loan agreements.

Mr. PASSMAN. Then, you are asking for a blank check. You want this committee to recommend an appropriation, when all you have is just a general outline of what could be accomplished. You are not showing where the money is going to be spent. You say it will be spent in this general area. It might be for flood control or reclamation, or for hydroelectric projects; it could be spent for a lot of different things.

Mr. GORDON. No, it could not be spent for hydroelectric projects, it could not be spent for flood control projects.

Mr. TABER. Why not?

Mr. GORDON. Because the trust agreement which we propose to sign with the Bank specifically delimits the fields for which it could be spent and they do not include the fields mentioned by the chairman.

Mr. PASSMAN. Under the present Inter-American Development Bank what percentage of the total capital do we put up?

Mr. GORDON. The present capital?

Mr. PASSMAN. Yes.

Mr. GORDON. Mr. Dillon gave those figures. Out of the regular lending operations it is \$350 million out of \$800 million and out of the fund for special operations, \$100 million out of \$150 million.

Mr. PASSMAN. Two-thirds in that instance.

They received 250 applications for loans and selected 112. That leaves 138 outstanding. Could any of the applications that had to be declined be met out of this new appropriation?

Mr. GORDON. Mr. Chairman, I do not know the contents of all those applications. That is in the Bank.

Mr. PASSMAN. I did not ask you to know the content. There are 138 applications that had to be rejected. Under the appropriation being considered today, could they, if they got the money, make the loans for the other 138, or any part of them?

Is the legislation broad enough to permit picking up those applications and considering them?

Mr. GORDON. Mr. Chairman, I do not understand that the Bank rejected them. I have a Bank document here which refers to these. Actually, this goes 1 month further.

Mr. PASSMAN. It selected 112 of these for active consideration, as representing the most feasible projects and those most likely to contribute rapidly and directly to the development of Latin America. Now, as to the 138 that they could not accommodate with loans, would you interpret the authorization as being broad enough, if they should elect to do so, to make the loans to the other 138, or a part of them, out of this appropriation?

Mr. GORDON. Mr. Chairman, I do not know what the 138 are for. Therefore, I do not know the answer to your question.

Mr. PASSMAN. Then, you do not know?

Mr. GORDON. That is right.

Mr. PASSMAN. Neither do I.

Mr. ALEXANDER. Will the gentleman yield?

Mr. PASSMAN. Yes.

TYPES OF PROJECTS TO BE FINANCED BY THE BANK

Mr. ALEXANDER. Doctor, I am very much concerned as to just what progress you might be able to make. Assuming the committee approves the request for \$500 million, of which \$394 million would be turned over to the Inter-American Bank, then the Bank will have available approximately \$950 million for loans; is that correct?

Mr. GORDON. That is right, sir, yes.

Mr. ALEXANDER. Now what types of projects will qualify for a loan from the Bank? Will irrigational projects qualify?

Mr. GORDON. Under the Bank's regular lending capital and regular authority which exists now, irrigation projects would qualify, certainly.

Mr. ALEXANDER. Will they qualify under the \$394 million?

Mr. GORDON. No, sir.

Mr. ALEXANDER. Would public health centers qualify?

Mr. GORDON. Public health centers are not included in the proposed range of Bank jurisdiction, no. They would qualify for assistance from the ICA out of the \$100 million but not from the Bank.

Mr. ALEXANDER. What would improved land use include?

Mr. GORDON. We have the language here which indicates what the Bank's range could be in the trust agreement itself. Section A deals with the land field, 104-A on page C-3.

Land settlement and improved land use, including access and feeder roads, assistance to agricultural credit institutions, assistance to supervised credit and agricultural extension, and development of storage and marketing facilities; provided that resources of the fund shall not be used for the purchase of agricultural land.

Mr. ALEXANDER. Wouldn't your statement under section 104(a), "Land settlement and improved land use" include soil conservation, reclamation, almost anything that you wanted it to?

Mr. GORDON. If you mean by reclamation, the building of an irrigation dam, no, it would not include that.

Mr. ALEXANDER. That is in your mind, but is that in the mind of the people who are going to make the loans and administer this function?

Mr. GORDON. We discussed this question with the management of the Bank. It is perfectly clear in their minds; yes, sir.

Mr. ALEXANDER. I am sure you have discussed it many times but is there anything in writing that would specify and prohibit the type of thing that I just questioned you about, for instance, the irrigation projects?

Mr. GORDON. No, there is nothing in writing besides what is here, but there is, as Secretary Dillon indicated—

Mr. ALEXANDER. Wouldn't you agree with me that improved land use would include that?

Mr. GORDON. The term "improved land use" by itself, of course, could include that. The reason the language is spelled out with the further definition here is to indicate the kinds of land use improvements that the funds are to be used for.

Mr. ALEXANDER. Is there anywhere in writing that this committee could specifically tell whether certain things would be included or not?

Mr. BERLE. Would it be wise to do that?

Mr. PASSMAN. If the gentleman will yield, how are we going to consider an appropriation unless you at least let the committee know what you are going to do with it?

Mr. BERLE. I think that is true. I merely know, having been through this several times, that you get to particular situations and if you make rules too rigid, you discover that the one thing you really need to do to tie the thing up—

Mr. PASSMAN. But you do leave the loophole for irrigation projects; do you not?

Mr. BERLE. I do not think we do as a matter of fact, but I still would like to fire a shot for the man or men who will be administering these projects and whose task it would be to get a competent and thorough job done and I am thinking of certain valleys for example, where I have seen these men working on these projects, as some of the rest of you have in Colombia, perhaps in Haiti or elsewhere, and to be too rigid sometimes means that you haven't been given the kit of tools necessary to do the job.

Mr. PASSMAN. Then you do leave a loophole for them?

Mr. GORDON. Not really out of these funds for large-scale irrigation projects, Mr. Chairman. It would be very odd, I think, for legislation to specify all of the things that may not be done.

Legislation specifies what may be done. These are the same terms.

Mr. ALEXANDER. Would school construction projects be included?

Mr. GORDON. Not in the case of the Bank, but it would be specifically included in the case of the ICA, yes.

Mr. ALEXANDER. What could you build under water supply and sanitation facilities? That is a rather broad field left as is. What could you build under that?

Mr. GORDON. I think the intention is to assist with the water supply problem, which as you know is one of the major public health problems.

Mr. TABER. That is being used right here in this country for the purpose of building all sorts of flood control and reclamation projects and that would not help us a bit.

Mr. GORDON. The language here is, "community water supply and sanitation facilities." We are talking about potable water. We are not talking about either industrial or agricultural water supplies here.

Mr. TABER. Those are things that can grow once you get started.

Mr. ALEXANDER. I would like to cover one or two others. In section 1.05, "In addition the Administrator shall utilize the resources of the fund to provide technical assistance," related to all of the improved land use, community water supply, sanitation, housing.

Under "housing" could you have slum clearance projects?

Mr. GORDON. Mr. Congressman, the type of housing which is referred to here, the type of housing projects are, of course, specified in (b) up above, housing for low income groups through assistance to self-help housing and institutions providing longer term housing finance and engaged in mobilizing domestic resources for this purpose.

TECHNICAL ASSISTANCE TO BE RENDERED BY INTER-AMERICAN BANK

Clearly, and I have a quite interesting example of this, the aided self-help housing might be to replace a slum. The contribution that the Bank would make in the form of loans would be loans for materials, things other than the labor which is provided by the occupants themselves, so that one can say that such an aided self-help project to replace a slum was kind of a slum clearance. In that sense, it would be. With respect to the technical assistance provision, what is meant there by technical assistance related to projects is assistance in the engineering of projects, assistance in the management of projects where the agency concerned in the recipient country does not have properly qualified supervisors for it; technical assistance of that type tied to the particular project. In the case of the supervised agricultural credit projects where the credit is directly related to agricultural extension help, it might include the provision of a technician on the project to help train local people to carry out the agricultural extension activities. It is that kind of technical assistance tied in with the specific projects which is intended by this particular paragraph.

I would like if I might to show you a case. This is a slum clearance project, if you will, which has been carried out in Guatemala, I believe.

Mr. PASSMAN. Under this fund?

Mr. GORDON. No, sir; nothing has been carried out under this fund. This is just to indicate the kind of thing. It is a pilot thing to indicate the kind of thing that might be done.

Mr. ALEXANDER. That was under ICA. How was that project financed?

Mr. JOHNSTON. Through ICA.

Mr. TABER. Did they get any contributions?

Mr. GORDON. Yes, they did, Mr. Taber.

Mr. TABER. How much?

Mr. GORDON. As I recall, it was about 50-50.

Mr. TABER. I do not see why when we ask questions you do not give an answer. Give the information so that we can get these hearings over with sometime.

Mr. PASSMAN. This is important, if the gentleman will yield at this point.

LACK OF DETAILED PROJECT DATA

Are we not again dealing in examples, and not in specifics? You do not know whether any of these projects will be carried out as illustrated in the presentations. Is that a statement of fact?

Mr. GORDON. Excuse me, sir.

Mr. PASSMAN. We are dealing with examples of what could or should be done, what is desired, but we are not dealing with any specifics. Did you not state yesterday that these examples could be modified and conceivably the money would be spent for something else?

Mr. GORDON. I did say that.

Mr. PASSMAN. I wanted the record to show that we are dealing with examples.

Mr. GORDON. But the money can only be spent for projects of this type and it is my belief that many of the projects that have been submitted to you will in fact be projects that are selected, although not necessarily in the amounts indicated.

Mr. PASSMAN. I wanted to be sure the record shows that this is speculative, and not positive.

Mr. ALEXANDER. Could loans be made by the Inter-American Bank for the building of any type of industries?

Mr. GORDON. No, sir; not under this fund. Of course, it could be done out of its regular—

Mr. ALEXANDER. I understand. We are talking about what we are considering here for appropriations.

Mr. GORDON. Industrial development is completely outside this program, Congressman.

Mr. ALEXANDER. How about labor training centers? Could they be built?

Mr. GORDON. The Bank would not be involved in that, no. The ICA under its education and training program very likely would be involved.

Mr. ALEXANDER. It is very interesting to get all of these that can and cannot be brought under the program but what disturbs me is

how this committee can really determine what could be done under section 104 because the language, as the Ambassador says, is very broad. I am sure that you have it in your mind exactly what you want to do but it is not very clear to me what you intend to do because I think that the language there would allow you to do many of the things that you say you do not intend to do.

Mr. GORDON. I do not think there is anything in here at all which refers to industrial projects under any of these headings. With respect to the education and training, since they are proposed for assignment to ICA, they are covered in the description of the division of function, which is on pages 30 to 31 of the book and on page 31, the unclassified book, it is said specifically that the ICA will be responsible for the following. The first item is education and training programs, including projects to assist in the strengthening of free democratic trade unions.

Elsewhere in the book—

Mr. ALEXANDER. They could do that under their old program in ICA, and not with just this \$100 million. In fact, they are not limited in anything that they want to do that would stimulate the economy.

Mr. GORDON. They are limited, sir, in this sense: That they can assist in the training of people, including some training in this country as well as the sending of technicians to assist there, but they are limited with respect to the complementary assistance in the form of instructional items, laboratory equipment, and aid to construction, which are needed for a total training project.

Mr. ALEXANDER. Would you say under this loan program you could have water pollution control projects?

Mr. GORDON. I would say not in the sense that this is done in this country. The objective is to get potable water for communities. If at the present time, as is quite frequently the case, the only water available to a community is polluted water because of open sewers and things of that kind, clearly the water supply and sanitation project would be designed to replace that by a clean water supply. This would not be, for example, for the control—

LAND RECLAMATION PROJECTS

Mr. TABER. Would the gentleman yield for a question?

On page 5 of the other document it says:

Land reclamation demonstrations, estimated cost \$500,000. Funds would be used to purchase equipment to demonstrate the latest techniques in land reclamation in—

It goes on along that line. That does not go with the picture of no reclamation. It even says—

demonstration of modern methods of water exploration, irrigation, and brush killing, together with proper replanting techniques, will make a significant contribution to the development of this vast area and make a large quantity of land available that is not now being used.

Mr. GORDON. That is right, Mr. Taber. That is a pilot demonstration project. That is the kind of thing which the ICA can now do, and indeed, as the next paragraph indicates—

Mr. TABER. This is not an indication of what the ICA would do. These are the justifications for this proposal.

Mr. GORDON. That is right.

Mr. TABER. We cannot screen out every bit of that which does not jibe with what we have been told.

Mr. GORDON. Mr. Chairman, I was asked, I thought—I may have misunderstood the question—whether these funds could be used for financing a reclamation project in the sense of the building of a large irrigation dam. The answer to that is, no. The demonstration of methods of water exploration and demonstration of methods of irrigation are quite different from a project of that sort.

Mr. RHODES. How can you say that, Dr. Gordon, in view of the language on page C-3, under A, "Land settlement and improved land use"? With those words standing alone without explanation, that does not mean anything but a reclamation project.

Mr. GORDON. I agree with you, Congressman, if the words stood alone without explanation, but they do not stand alone.

Mr. RHODES. They do. The next word is "including." It is not inclusive. Read the rest of it. There is nothing exclusive about this explanation.

Mr. GORDON. It was intended to be indicative of the types of land settlement and improved land-use projects that are contemplated under the program.

Mr. RHODES. If I have anything to say about it, if this bill is reported out, there will be something in the committee report which is much more exclusive than this.

Mr. PASSMAN. If the gentleman will yield, this is only a suggestion, but I still do not think we would offend our neighbors if we could some way suspend this plan temporarily. They have waited more than 200 years for it. We are going into a 25-year program, perhaps—I hope not—to cost many billions of dollars. If we cannot get this started off on the right foundation, I do not think the American taxpayers will support you very long in this program. You are asking for a blank check. You are doing it on broad generalities and as to how much confidence you have in an institution which is set up to administer the funds. So far as specifics, they are not there. We actually do not know.

Mr. GORDON. May I make this one comment first. I am sorry to have to disagree with you, but I do think the characterization of this request as a blank check is not an accurate characterization.

Mr. PASSMAN. You have not appeared before the Appropriations Committee before, evidently, if you expect this committee to recommend funds upon the basis of what you have offered here. It would certainly be the exception, and would establish a precedent if we did so.

Mr. TABER. It is a blank check, and there is no use kidding yourself about it.

Mr. PASSMAN. You may not like the way we express it, "blank check," but it is equivalent to a blank check. We are not literally going down and get you a check and hand it to you, if you want to pin it down to pure technicalities; but let me repeat, it is the equivalent to a blank check. Do you agree with that?

Mr. TABER. Absolutely.

ICA OBLIGATIONS BY JUNE 30, 1961

Mr. PASSMAN. Mr. MacPhail, how much money does ICA intend to obligate out of the \$100 million by June 30, if you get the money?

Mr. MACPHAIL. If we get the money, Mr. Chairman, we have estimated it will be possible to obligate \$50 million.

Mr. PASSMAN. We shall ask you to pin down specifically the purposes for which you are going to obligate the money, because you could not tell this committee that you are going to obligate \$50 million and be accurate without having gone over specific projects. So we want you to detail the information—what projects, what country, and what amount in what country. You had some way of arriving at the \$50 million. Please explain to the committee how you did it.

Mr. TABER. During the noon hour, figure that out.

Mr. PASSMAN. We want you to tell us what country, what projects, what amount, and when you arrived at these estimates, each one.

Mr. MACPHAIL. Yes, sir.

Mr. PASSMAN. We shall recess until 1:30 o'clock.

AFTERNOON SESSION

Mr. PASSMAN. The committee will come to order.

Mr. MacPhail, yesterday I believe you stated to the committee that of the \$100 million requested in this item to be administered by ICA, part of it would be for technical aid and the other part for capital improvement items, and to attempt to give us a division would be strictly a guess. We accepted it that way. Today, so as to close that phase of the examination on the particular request, we asked you what part of the \$100 million would you expect to obligate in fiscal 1961, if you receive the funds? You responded with a specific figure of \$50 million. How do you reconcile your statement today with your statement of yesterday?

Mr. MACPHAIL. Mr. Chairman, I do not see there is anything incompatible in the statement we have estimated in this program there will be obligations in this fiscal year of approximately \$50 million.

Mr. PASSMAN. Specifically, to arrive at \$50 million, you had to do a certain amount of research. Did you have to enter into contracts or agreements?

Mr. MACPHAIL. No, Mr. Chairman.

Mr. PASSMAN. Then, this again is strictly an example, or an estimate.

Mr. MACPHAIL. It is an estimate.

Mr. PASSMAN. You have no firm commitments?

Mr. MACPHAIL. We have no firm commitments.

Mr. PASSMAN. It could be \$50 million; it could be zero.

Mr. MACPHAIL. It could be \$75 million. This is an estimate.

Mr. TABER. Give us a breakdown.

Mr. PASSMAN. It could be \$100 million or it could be zero. There is nothing firm at this time.

Mr. MACPHAIL. The \$50 million was based on our best estimate from the projects which had come in.

Mr. TABER. What does the \$50 million include?

Mr. PASSMAN. You promised before lunch that you would tell us specifically the contracts that you had entered into with the govern-

ments, the cost of the projects, the original allocation, and you would give us something firm. The committee stated very definitely that if you made a statement that you could not substantiate, you could withdraw it. As you say you do have firm commitments, contracts which would require this, even if you got the money May 1, I believe, which would give you only 60 days, please give us a list of the projects, what countries, and when you entered into the contract.

Mr. TABER. And the amount.

Mr. GORDON. Before Mr. MacPhail replies to this, could I put this point in perspective, because there were a number of related questions on this this morning, and I would like to explain exactly where we stand, what we are trying to do, and how we are trying to help the committee.

You used the term "blank check" this morning, and I indicated some concern about that particular phrase because I do not think this is a blank check. First, it is limited in amount. Secondly, it is for a defined set of purposes. Thirdly, it is to be used through a defined method of administration or through methods of administration and under defined conditions.

I do not mean to suggest that the program presentation which is being made here contains the kind of specificity and detail which is done in the normal course of events in connection with ICA technical cooperation programs. We tried to explain yesterday precisely why it does not. This has to do with the character of the program, the character of the effort to help and do social reform measures in Latin America, and the political conditions which were described in the President's message, in Secretary Bowles' testimony, in Mr. Berle's testimony, and in my own.

LACK OF FIRM PROGRAM FOR USE OF FUNDS

With respect to the flexibility of the Bank part of this, it is, of course, customary in the U.S. contributions to international institutions for there to be some flexibility. Otherwise, there would not be any point in having the international institution do the administration. This morning Mr. Alexander and Mr. Rhodes asked a number of questions as to the meaning of various paragraphs which described the functions that the Bank is supposed to perform under this. I tried to answer those to the best of my ability. I think it was quite clear that there are certain types of activity which are clearly outside the program entirely, such as industrial projects, irrigation works of the dam-building type, hydroelectric projects, and the rest. I gather that Mr. Rhodes felt there was some ambiguity in the particular language in the trust agreement as it stands. What was said here, of course, would become part of the legislative history. It would be helpful on those points, particularly on the agricultural and land-use section, to have some further clarification of this. We would be perfectly happy to try to work out language to be put in the committee report to make this clear. There is really no ambiguity on our part as to what is actually meant. Of course, this is supposed to be a fairly succinct document, and if the words do not make this clear, we want to make clear what the intent is.

With respect to the ICA part of this, which we were discussing immediately before lunch, we have said that we do not have fully de-

financed projects. We do not have any contracts with recipient governments.

Mr. PASSMAN. Or agreements?

Mr. GORDON. We do not have agreements, the equivalent of contracts.

Mr. PASSMAN. Are we still in accord that these are examples, and they may or may not be carried out?

Mr. GORDON. This is what I wanted to explain, Mr. Chairman.

Mr. PASSMAN. Would you just answer before you explain it, so when I get to the record I will understand it. Are we still in agreement on that?

Mr. GORDON. I am sorry.

Mr. PASSMAN. You answer it as you see fit.

Mr. GORDON. Thank you.

BASIS FOR ANTICIPATED OBLIGATIONS OF \$50 MILLION BY JUNE 30

We have submitted here a paragraph-by-paragraph summary explanation of roughly \$187 million, I think it is, worth of proposals that have been reported to us by our missions in these various countries, which are in differing degrees of refinement at the present time. These are not contracts. They do not constitute commitments on the part of the United States. They are not firm bilateral agreements, as I have said before.

Most of the items there, however—this is the reason they were selected from the longer list—are items where the country has already done a good deal in this field, where its prospective contribution can pretty clearly be expected, where the right kind of legislation already exists, and where, therefore, we believe that the negotiation of a specific project should be possible in a short time. As I said before, it may not be in the particular amounts which are indicated. The precise number of technicians and this kind of thing we do not have. We do have a pretty clear idea of what is intended.

What Mr. MacPhail can do and what we would like to have him do, subject to your permission, is to go through these case by case and indicate what they are, where they stand, and why they are sufficiently advanced that we believe that out of this total as much as \$50 million could be converted into firm agreements with firm commitments on the part of the recipient governments and firm commitments on our part before June 30.

Mr. PASSMAN. In going over your justifications you referred to examples of what should or could or may be done. You stated yesterday that you may accomplish the work outlined on these projects in entirety or you may not accomplish any of it. It may be some other project for which you would use the money. I do not know of anything which could be any more uncertain, in that you may abandon altogether these projects referred to as examples.

Then we move on to the statement of yesterday, when we were trying to establish the division between technical assistance and capital improvements out of the \$100 million. It was stated that there was no division, and then the answer would be that any answer would be a guess. Now, today, it was stated, before we recessed for lunch, that it could be detailed as to how and where the \$50 million would be spent. If you are going to put in the record where it may be spent,

where it could be spent, or where it should be spent, that is one thing; but what we want to know—and it would have been just as easy to have given us a direct answer—is whether or not you have any firm agreements on projects where there is a sound estimate as to the cost, and projecting the cost to completion. You do not have that information, do you?

Mr. MACPHAIL. We do not have agreements or commitments on any of these projects. We do have estimates as to the cost of the project and period of completion on a number—

Mr. PASSMAN. Give us an estimate, if you will, on what projects, in what country, when you arrived at these estimates, and what the ultimate cost will be.

Mr. GARY. Will the gentleman yield right there?

Do you have any right to enter into an agreement before you get an appropriation?

Mr. MACPHAIL. We do not, sir. This is the reason these are estimated costs and estimated completion dates, with estimates of the numbers of technicians and participants.

PROPOSED PROGRAM IN HONDURAS

Mr. PASSMAN. Now, one country. Let us start. What country do you want to pick?

Mr. MACPHAIL. We can start with Honduras.

Mr. PASSMAN. All right, sir. Let us get over to the page showing Honduras.

Mr. MACPHAIL. That is pages 50, 51, and 52.

Mr. PASSMAN. Let us clear this up first. Are we dealing with an example of what may be done or what shall be done?

Mr. MACPHAIL. This is an example.

Mr. PASSMAN. This is an example. All right. It was stated yesterday that the examples may or may not be a guideline, that you may not do any of the things set out in the examples. Are you reversing that position today?

Mr. GORDON. Mr. Chairman, I would like to answer that, if I may, because I made the statement yesterday.

Mr. PASSMAN. Go ahead, please.

Mr. GORDON. Your question is posed in such a way that you leave no space between the two extremes of saying that these are the specific projects which will be done on the one hand, or that none of these will be done on the other. I stated yesterday and I should like to repeat today, if I may, that these are not just blue sky dreams. These are projects or proposals which add up indeed to more funds than we are asking for or authorized to ask for. I believe if the funds were appropriated, the ones that will be done will be largely but not necessarily all from the ones which are shown in this book.

I also said with respect to any particular one in here, I cannot say that that one will be done.

Mr. PASSMAN. But did you change your testimony today, as compared to yesterday when you said none of them may be done, that you may have entirely a different group?

Mr. GORDON. I think, sir, if the record is reviewed it will not be found that I ever said yesterday—

Mr. PASSMAN. You said a possibility.

Mr. GORDON. That we might have an entirely different group.

Mr. PASSMAN. I am not arguing with you. Go back and check the transcript of yesterday. Then today, you did make the statement that you estimated you could obligate \$50 million. You would have about 2 months or so, in which to do it, if everything worked as you wanted it to, to go back to these countries and enter into agreements and contracts, some of them requiring legislation, and you could get all of that done and go out and get this thing started and obligate \$50 million by June 30.

Mr. MACPHAIL. Yes, sir.

Mr. PASSMAN. What is the average length of time required to obligate new funds given to you by the Congress?

Mr. MACPHAIL. Six or seven months.

Mr. PASSMAN. You are going to go into a brandnew field now, I believe referred to as "the new scope" in technical assistance and something that has not even been developed. You have no contracts, no agreements with the nations, against having agreements in the existing programs. Yet, you are going to obligate \$50 million in 60 days.

Mr. MACPHAIL. I would like to clarify that, if I may.

Mr. PASSMAN. I wish that you would.

Mr. MACPHAIL. A good number of the projects in here are projects which are high on the priority list of the individual countries. In many cases there have been demonstrations or pilot projects on which there have been U.S. technicians working, where the countries wish to expand the rate of progress on the projects. So a great deal of the groundwork has been laid already in previous activities of the ICA in the individual countries.

Mr. PASSMAN. Did you not state previously that there was no duplication, that this was a "new scope," and there would not be any overlapping?

Mr. GORDON. That is right, sir.

Mr. MACPHAIL. A number of these projects—the new scope, if you wish to identify it as that—represent additional capital to carry out demonstration projects which have already been started and in many cases already tested and proven. We have the general cost estimates, the designs, and so forth.

Mr. PASSMAN. Out of what fund did you do that?

Mr. MACPHAIL. Out of the previous technical assistance activities in such fields as self-help housing and self-help school construction.

Mr. PASSMAN. Where were you planning to get the money to do that? Why did you do that planning when you had no appropriation? You made plans and spent money out of every other account to do planning for projects for which you did not know whether you could get an appropriation.

Mr. MACPHAIL. We were not conducting the demonstration and pilot programs on the basis of planning expanded programs. The demonstration programs were designed to demonstrate in the individual countries, techniques whereby people could work together to help build schools, to help build their own homes. These are activities which we carried out in the past over the years.

Mr. PASSMAN. Under the regular U.S. technical aid.

Mr. MacPHAIL. That is correct.

Mr. PASSMAN. Of course, if you did not get this appropriation, you would expect to complete those contracts out of your regular appropriation, would you not?

Mr. MacPHAIL. If we had, for example—

Mr. PASSMAN. Would you give us an answer? As you planned them under the U.S. technical aid program, and you firmed them up, would you not have expected to carry them out of the regular appropriation?

Mr. MacPHAIL. You would complete the demonstration projects; yes.

Mr. PASSMAN. Out of the regular U.S. technical aid funds?

Mr. MacPHAIL. That is correct. You would not, however, expand the activity to carry out the objectives of the act of Bogotá? In other words, there is a difference between building a school on a demonstration basis, on the basis of self-help activity, and a proposal, which is contained in some of these, of building 20 or 30 schools or 6,000 or 7,000 classrooms. This is the difference.

SELF-HELP HOUSING PROGRAM IN GUATEMALA

Mr. PASSMAN. How many self-help homes did you build in Guatemala under the ICA program?

Mr. JOHNSTON. May I check that.

Mr. PASSMAN. You may check it and put it in the record.

(The information follows:)

GUATEMALA AIDED SELF-HELP HOUSING PROGRAM

The United States has rendered assistance in the construction in Guatemala of approximately 2,000 family units which have already been completed and approximately 150 family units which are now under construction under the ICA aided self-help housing program.

Mr. PASSMAN. Did ICA set up a credit in the development bank under this program in Latin America?

Mr. MacPHAIL. Industrial development banks?

Mr. PASSMAN. Yes.

Mr. MacPHAIL. There are certain countries where we have been conducting technical cooperation activities—I will have to check the countries themselves—where, in connection with the productivity program or the industrial development program we have worked locally in instituting development banks.

Mr. PASSMAN. Do you know whether or not you have assigned any "seed" capital to any bank in Central America out of ICA funds?

Mr. JOHNSTON. Out of ICA funds?

Mr. PASSMAN. Yes.

Mr. JOHNSTON. Not to my knowledge.

Mr. PASSMAN. Within the last 12 months or the last 6 months?

Mr. JOHNSTON. I cannot think of any, sir, at the moment.

I have been notified that there has been an amount of money set aside for the Central American Bank.

Mr. PASSMAN. That is natural.

Mr. GORDON. That is not an industrial development bank, of course, Mr. Chairman. That is a bank to help get effectively into operation the Central American Common Market arrangement.

Mr. PASSMAN. It is the same type of thing as contemplated in this program, is it not?

Mr. GORDON. In general, no.

Mr. PASSMAN. When you say "in general, no," Doctor, what do you mean? What part would be "yes"?

Mr. GORDON. I mean that assistance under this program is not intended for multilateral institutions developed in connection with Common Market or free trade areas in Latin America.

EXAMPLES ONLY—NO FIRM JUSTIFICATIONS

Mr. PASSMAN. Now, back on the technical aid, you understand, of course, that under the regular U.S. technical aid program the recipient country enters into an agreement and pays a share of the cost of the program. For what part of this new program that you have firmed up in Honduras have they agreed to pay, and what is the date of the agreement?

Mr. MACPHAIL. Sir, we have not firmed up any program with Honduras.

Mr. PASSMAN. I have been waiting all day for that answer. This is still speculative, and it is still an example. You have no program firmed up?

Mr. MACPHAIL. These proposals were made by the Government of Honduras to our embassy and our mission in Honduras and, as has been explained before, there has been no detailed negotiation on them whatsoever.

Mr. PASSMAN. No contracts in effect, as it would apply to this?

Mr. MACPHAIL. No; there is no contract.

Mr. PASSMAN. They are to be worked out?

Mr. MACPHAIL. That is correct.

Mr. PASSMAN. Even in ICA, with years and years of experience under the technical aid program, and through which experts have been planning with these countries, with agreements in effect, with contracts in effect, it takes from 7 months to 12 months to obligate the funds; but now you are going into countries where you have no agreement, where you have no contract as such, where you have no specifically planned programs, yet you anticipate that you can obligate \$50 million in just a matter of weeks.

Mr. MACPHAIL. Some of these projects are based on demonstration and pilot activities which are underway. In Honduras, for example—

Mr. PASSMAN. Then it is duplicating, for example, is it not? Are you not duplicating?

Mr. MACPHAIL. May I give you an example?

Mr. PASSMAN. I am trying to find out, because I am trying to help you. Is this not a duplication of other projects?

Mr. MACPHAIL. No; it is not.

Mr. PASSMAN. You planned them under ICA and intended to carry those projects out under an ICA appropriation. Now you come along and substitute this appropriation for projects planned under the regular ICA appropriation. That would not be duplicating? Are you not going to do projects out of this money that you could not do out of the other?

Mr. MACPHAIL. Not in this circumstance; no. In Honduras we have assisted in building three demonstration schools of an aided self-help variety.

Mr. PASSMAN. Out of ICA funds.

Mr. MACPHAIL. With ICA and Honduran funds used cooperatively, largely ICA technical assistance and Honduran labor and effort and land given to it.

For example, there is a proposal here which would expand that activity and allow the Hondurans to increase the activity and provide approximately 1,000 new rooms in schools that are based on this past demonstration activity.

Mr. PASSMAN. In that connection, as you had ICA funds to initiate these projects, you are going to finish the year, we hope, with uncommitted funds. Why did you not complete the projects out of those funds? Why do you have to dip over into a brandnew fund known as the "new scope"?

Mr. MACPHAIL. Sir, where we have an activity under ICA as in the case of a self-help school program, where the technical work has been completed, where the demonstration has been completed, we will cease that ICA activity and the program will proceed between the ICA and the Government to develop schools in relation to a national goal. The demonstration or pilot portion of the program presumably is finished.

Mr. PASSMAN. Then you will continue the same type of work, though, under this new program that you initiated under the old program. As you are going to have unobligated funds in the U.S. technical aid category, why could you not continue to work out of those funds? Why do you have to go over into a new account?

Mr. MACPHAIL. Mr. Chairman, two remarks on this: In the first place, the reason the ICA has been working, let us say, in the field of self-help school construction in Honduras is the fact that it was a program by which we hoped to demonstrate the cheap and efficient way of building schools.

Mr. PASSMAN. Surely.

Mr. MACPHAIL. The Hondurans in their social development programs are very anxious to increase the number of elementary schools. There is only 35 percent literacy in that country. They therefore want to expand their primary and elementary schools. To this point the ICA's work of demonstration in this area is done. We will assist them, provide them some technical assistance as this program expands, to meet their national needs for elementary education.

Mr. PASSMAN. Could you have accomplished the same thing, and is your ICA legislation broad enough for you to continue that activity, out of your regular funds?

Mr. MACPHAIL. I explained this morning, Mr. Chairman, that the ICA has had technical assistance funds only for demonstration and training and surveys.

Mr. PASSMAN. You could not have continued out of the ICA funds?

Mr. MACPHAIL. That is correct.

Mr. PASSMAN. Then, you have a technical aid project here which does not comply with the present legislation governing the expenditure of technical aid funds.

Mr. MACPHAIL. The demonstration aspect of the self-help school construction is clearly within the technical cooperation authorization and appropriation under the Mutual Security Act.

Mr. PASSMAN. This project, then, would have been a failure, and we would have disappointed the people in Honduras. If you do not get this appropriation, you will have done a lot of harm down there?

Mr. MACPHAIL. No.

Mr. PASSMAN. If you started something that you could not continue or could not complete?

Mr. MACPHAIL. As Mr. Gordon has pointed out and as other people have pointed out, there is a lack of internal resources for many Latin American countries to move forward with desirable and necessary social developments in the field of education and health. This particular appropriation which is before you is designed to meet that need. In our judgment, I think it is fortunate that you have had in the past technical cooperation which has been designed to improve the skills of people, to help them strengthen their institutions, to carry out social development, and to provide demonstration, training, and pilot work from which many of these projects spring. They are the logical extension of them and are designed to supplement the country's own internal resources in meeting these needs.

Mr. PASSMAN. You are very fair. I do not understand anything you are trying to firm up because the record is too clear, unless we can go back and change the record, that these are just examples and may not be carried out in their entirety or at all, as an outside possibility, and that in advance of even knowing that you would have a program like this, you have spent certain funds under ICA's pilot projects. Now you are coming in to get money to extend these pilot projects.

Mr. MACPHAIL. These pilot projects and demonstrations have been before this committee as part of the technical cooperation program for a number of years.

Mr. PASSMAN. I understand that. You plan out of this appropriation to expand on those projects, do you not?

Mr. MACPHAIL. The ICA is not per se doing that. The ICA will be one of the organizations designed to make funds available under agreements with the Latin American countries so they can move forward on a broader purpose of the Act of Bogotá.

PREPARATION OF JUSTIFICATIONS BY ICA

Mr. PASSMAN. ICA prepared the skeleton justifications, did they not? It was accomplished with ICA personnel?

Mr. MACPHAIL. They have personnel in the field.

Mr. PASSMAN. I speak of these examples of justifications prepared in the ICA.

Mr. MACPHAIL. That is correct.

Mr. PASSMAN. With ICA personnel, which has done the planning in the past of the ICA technical aid. They would do the planning here because they have assigned to you this operation, to plan and allocate the \$100 million?

Mr. MACPHAIL. Within the overall policy guidance of the State Department, yes.

Mr. PASSMAN. Do you not have that same guidance in the regular technical aid program of ICA?

Mr. MACPHAIL. Yes.

Mr. GARY. I have my own bill I am presenting.

Mr. PASSMAN. I yield to the gentleman from Virginia.

Mr. GARY. I have one or two questions I want to ask Mr. Berle, if I may.

AUTHORIZATION OF PROGRAM

Mr. Berle, I understand that this \$500 million was authorized by the Congress last year. Is that correct?

Mr. BERLE. That is correct.

Mr. GARY. It was authorized at just about the time of the Bogotá Conference, a few days before?

Mr. BERLE. That is my understanding. I was not in the Government but I believe it happened on the eve of Secretary Dillon's trip to Bogotá.

Mr. GORDON. That is right, Mr. Gary. The act was passed, actually signed on September 8, while the Conference was going on, but it had cleared both Houses a few days before that, just at the time Secretary Dillon left this country for the Conference.

Mr. GARY. On the strength of that authorization the U.S. Government entered into certain commitments with the other American countries assembled at Bogotá in which it was understood that the United States would participate in this general program for which the \$500 million was designed?

Mr. GORDON. I would say, Mr. Gary, that the United States indicated it was the intent of the U.S. Government, on the basis of this authorization, to establish this social fund for the purposes that were discussed and incorporated in the act of Bogotá.

It was not a legal commitment, of course, because of the absence of funds.

Mr. GARY. I understand that, but it was an agreement that we would enter into this program. The amount of funds was not mentioned, but it was understood Congress had already authorized \$500 million for this purpose.

Mr. GORDON. That is right.

Mr. GARY. In the face of that we did—was that not a signed agreement?

Mr. GORDON. That is right.

Mr. GARY. And this was taken into consideration, that we would enter upon a program of this kind?

Mr. GORDON. Certainly.

Mr. GARY. Without any amount being specified in the agreement?

Mr. GORDON. That is right.

EFFECT OF FAILURE TO APPROPRIATE FUNDS

Mr. GARY. Mr. Berle, what psychological effect do you think it would have on our political situation in South America if we fail to go through with that agreement?

Mr. BERLE. It would be a blow to the American prestige and the American political position. I think the reaction would be—Americans talk a great deal, but when it comes to getting something done

they are somewhere else. We should have to meet that on our own behalf, but it would be twisted and double twisted by the very active propaganda that is there, and it would be a very unhappy situation for us, Mr. Gary.

Mr. GARY. Would it give Castro ammunition for the propaganda fight he is carrying on in Latin America?

Mr. BERLE. Unquestionably. Of course, the Castro propaganda is directed from the Soviet Union or China now. While it would have Castro's name on it it would come primarily from Soviet or Peiping.

Mr. GARY. It would give the Soviet Union an opportunity to use that against us in those countries.

Mr. BERLE. No doubt about it at all.

Mr. GARY. You think it would be very serious?

Mr. BERLE. We would have a very unhappy time, yes.

Mr. GARY. Do you agree with that, Mr. Gordon?

Mr. GORDON. I certainly do. I think Mr. Berle's expression of "very unhappy" is a gross understatement, Mr. Gary, of the situation we would face. I think it would be a disaster for the United States in its Western Hemisphere relations.

Mr. GARY. Mr. Johnston, you were there and you worked there a good while. Do you agree with that?

Mr. JOHNSTON. I do, sir.

Mr. GARY. That is all I have.

Mr. PASSMAN. Did you state yesterday, in effect, that notwithstanding the Communist threat this was a desirable program and should be carried on?

Mr. BERLE. Yes, sir.

Mr. PASSMAN. What would be the effect if the Congress did not appropriate these funds in the next 30 to 60 days, but takes sufficient time to assist you gentlemen in coming up with a firmer proposal as to when and where and how the money is to be spent?

Mr. BERLE. I would want to know what you meant by firm commitments. I myself would oppose and have opposed making any commitment unless we had the money appropriated for it. I do not think we have any right to bind the Congress of the United States nor to ask other countries to bind themselves unless we know we can make good on it.

Mr. PASSMAN. That is your opinion, and I have a different opinion.

If overnight the Communist threat ceased, would you feel this program is still desirable and should be continued, notwithstanding the fact that the Communist threat no longer is there?

Mr. BERLE. Yes, Mr. Chairman. Unless this vicious circle is broken somehow, while we would not have the power aspect of the oversea threat, we could have some very difficult and very counterproductive and demagogic influences arising in the countries themselves. We have seen it happen before and we are wrestling now with some of the problems created when they finally fell.

Mr. PASSMAN. They waited 200 years, or longer, for this money. The record certainly speaks for itself. There has been no justification on projects and programs and ultimate cost. There has been nothing specific.

I am in sympathy with this program, but I do not think the world would come to an end if this is delayed long enough for a firm agree-

ment to be entered into and for the nations themselves to pass legislation implementing their share, to the point that we can get off on this long-range, expensive program on a sound foundation, and not on a slipshod basis.

You do not agree it is slipshod. You believe we should recommend the money without justification, contrary to what was promised by the chairman of the Foreign Affairs Committee. He said specifically that you would detail it.

Now you say it is impossible to do so.

JUSTIFICATION SIMILAR TO INITIAL APPROPRIATIONS FOR EXPORT-IMPORT BANK

Mr. BERLE. As counsel for the Reconstruction Finance Corporation I assisted in the organization of the Export-Import Bank and certain other agencies of that kind. At that time somewhat the same question came up—what do you intend to do?

We could only say we intend to tackle this process on a most prudent basis and at the end of a couple years, when we have a record, we will come back for more and give you your record. But we cannot tell in advance what loans will be granted and on what terms because these are subject to negotiation.

Without the money we cannot negotiate.

In some sense I consider that this trust fund has to proceed more or less on that basis. We can only indicate the character and kind of work we hope to do.

I should be unwilling to firm up a commitment until the money was there, and I suggest we do have to say this is the kind of thing we have reason to believe we can do. This is a very strategic time to begin.

We will be able at the end of a couple years to come through with a record, and based on the record of the men and the projects, the Export-Import Bank, and the ICA, the basis will be there.

Mr. GORDAN. And the Inter-American Development Bank.

Mr. PASSMAN. This is a departure from the regular procedure of the ICA, for which you come in specifically with the projects and with the estimated cost.

Does ICA justify by project?

Mr. MACPHAIL. We have in the past.

Mr. PASSMAN. This is a departure from the regular and normal procedure.

Mr. BERLE. ICA could do that now, but I do not imagine they could have done it when it was getting started. You have to start somewhere.

Mr. PASSMAN. Is this \$500 million a magic figure? If we make any reductions will everything be lost?

Mr. GORDON. The answer to that is that \$500 million is a figure which is substantially lower than what we believe could be usefully spent.

Mr. PASSMAN. Would you give us a direct answer?

You have the books filled with these imaginary needed amounts; but on the \$500 million, if the Congress, in its wisdom, should make adjustments, would the whole thing fall apart?

Mr. GORDON. I do not think there is any such thing as a magic figure. It is a necessary figure, a needed figure.

Mr. PASSMAN. We shall be friends when this is over. As it applies to me, however, I do not like the idea of a rubber stamp or blank check operation.

Mr. GORDON. Can we finish the discussion of the Honduran case?

BASIS FOR ICA ANTICIPATION OF ABILITY TO OBLIGATE \$50 MILLION

Mr. PASSMAN. You said you do not have agreements. You can get up all the lists you want, and place them in the record. I want you to deal with specifics. If you do not have specifics, if you do not have agreements, there is no use for our prolonging this.

You have said numerous times during the hearings that you may or may not follow these examples. Now you are trying to take these examples that you said you may not follow and justify that you may obligate \$50 million.

Mr. GORDON. Respectfully, Mr. Chairman, I think we have made it clear we do not have agreements because it would be illegal for us to have agreements at the present time. I therefore think it is not very helpful to say—

Mr. TABER. In other words, you mean there is a direct cleavage between an honest way of doing business and the kind of business you want to embark on. Is that the picture?

Mr. GORDON. No, Mr. Taber.

Mr. TABER. I have listened to this beating around the bush for 3 days now. I am getting awfully sick of it.

Mr. GORDON. It was the purpose of my request to the Chairman that we have an opportunity to indicate case by case precisely where we stand.

We have made it clear we do not have firm agreements. We could not legally have firm agreements. We would like to indicate to you just what we do have.

Mr. PASSMAN. Are you not supplementing your elaboration of what is in the book here, which you said was an example that you may or may not follow?

Will you not use that to justify the obligation? Is that correct?

Mr. GORDON. Before lunch you asked us why we thought it would be possible to obligate \$50 million worth of the ICA part of this program.

Mr. PASSMAN. I asked you for specifics on your projects and on the agreements.

If you do not have contracts, and do not have agreements, but are merely projecting an imaginary figure that you may obligate \$50 million if you get contracts, if you get agreements, and if we make the funds available, and if you are going back of your previous testimony that these are examples and you may or may not follow what you have in these skeleton presentations, then I do not see how you could afford to go in and say now that they are firm.

If we ever reach an agreement that this is merely something you have not had an opportunity to firm up, it would be much better to consider it on that basis.

Mr. GORDON. What I would like to be able to do is to show you in a number of these cases precisely how firm they are. They are not firm agreements. I have said this repeatedly. They could not be, because we have no legal authority to make firm agreements.

Mr. PASSMAN. Then why do you not rest your case there, and let us cooperate with you in the best way we can?

Mr. GORDON. You asked us on a number of occasions to explain why we believe the funds can be obligated. We believe they can be obligated, because there is a very substantial state of advance in the understandings with these countries. These are not firm commitments or agreements.

If you would permit us to explain some of these cases, we can show you precisely what the—

Mr. PASSMAN. Will you do it on the basis of facts, figures, and contracts, or on the basis of your illustrative plans? The examples are just guidelines.

Mr. GORDON. If we can go case by case, we can show you what the present status is.

I have said there are no contracts.

Mr. PASSMAN. I am willing to buy that. There I can rest the case.

Mr. GORDON. I don't think it should be rested there.

Mr. PASSMAN. Proceed, then.

Mr. GORDON. What we would like to do is to show you through these examples which Mr. MacPhail will elaborate on why we believe that when the funds are in hand contracts can be entered into promptly.

Mr. PASSMAN. Thank you. You will use the word "believe." You will not stick to specifics. If you use the word "believe," we shall accept it at that and listen.

Mr. GORDON. If we can explain some of these in detail.

Mr. PASSMAN. With the understanding there is no firm contract, or no agreement. It is just your belief that this can be accomplished.

Are you proceeding on that basis? It is a belief, and not based upon any firm contracts or agreements?

Mr. GORDON. There are no firm contracts or agreements.

Mr. PASSMAN. Please proceed in your own way.

Mr. CONTE. Your belief, however, is based upon fieldwork already done by the Embassy in the 18 different countries?

Mr. GORDON. That is right, Mr. Conte.

Mr. CONTE. That is very important.

Mr. PASSMAN. What fieldwork, and where are the reports? Do you have field reports that you can discuss?

Mr. MACPHAIL. We have reports from the field we can discuss.

Mr. JOHNSTON. We would have to get those.

Mr. PASSMAN. Do you have some?

Mr. JOHNSTON. Yes.

Mr. PASSMAN. Give the date and the field examination.

Mr. MACPHAIL. All right, sir.

Mr. PASSMAN. Dealing with this specific appropriation request.

Mr. TABER. As we go along we should have an idea of the individual cost. We should have something about how long it will take, the type of construction it is, and something of that kind. That should all be in the same place.

Mr. PASSMAN. You have no reports from the field from the ICA personnel dealing specifically with this item, do you?

Mr. MACPHAIL. Not as such, no.

Mr. PASSMAN. Then, how will you be able to make a case, if you will not deal with this appropriation and expenditure? You are going to go back and take some old ICA files under the regular ICA technical

aid programs, where these have been going projects, and expand from there. Is that what you are doing?

Mr. MACPHAIL. No, sir. What we received in Washington as the result of a joint message which went to the field last October, first it went to authorization, including the recommendations of the embassies and missions, and in many cases the requests of the government, the various governments for particular projects and activities under the social development program.

Mr. PASSMAN. As you have no specific agreements or contracts, it is speculative; since it may or may not be carried out, would it not be better for you to get what information you have there?

Mr. MACPHAIL. Yes.

Mr. PASSMAN. With respect to any specifics you have? All we want is something we can actually see in the way of some negotiation to expend these funds. We do not want something imaginary. Why don't you bring that information up tomorrow?

Or, you may send for it now and we will suspend hearings for 30 minutes.

Mr. MACPHAIL. We will submit it tomorrow morning.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. ANDREWS. You have a total shown on table 1 of \$1,225,270,000. Is that amount correct?

Mr. GORDON. That is right.

Mr. ANDREWS. You told us yesterday these were the requests that had come in from the field. You looked at them and cut them down to the total of \$798 million-plus as shown on table 2. Is that right?

Mr. GORDON. That is right.

Mr. ANDREWS. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. Where did you get the \$———— figure for the West Indies and the eastern Caribbean? You had to arrive at that somehow. You had to have papers from which to work, did you not?

Mr. MACPHAIL. This was a recommendation from our mission.

Mr. PASSMAN. Where is the mission located?

Mr. MACPHAIL. In Jamaica and Trinidad.

Mr. PASSMAN. You have that correspondence with you?

Mr. BERLE. Correspondence; yes.

Mr. PASSMAN. We are not requesting anything unreasonable. We want actual correspondence and records of dealings in the countries we have indicated.

Mr. BERLE. These others would be much more complete. The West Indies is a nebulous situation, a country just coming into existence.

Mr. PASSMAN. That amount looks big to me. You did not just pull it out of the air, I am sure.

Mr. BERLE. It was not pulled out of the air.

Mr. GORDON. I do not think we can do this in a half hour.

Mr. PASSMAN. You have the files.

Mr. GORDON. If you could leave this over until tomorrow morning we will be able to—

Mr. PASSMAN. Would you call for them now?

Mr. MACPHAIL. We will do the best we can.

U.S. AID TO LATIN AMERICA

Mr. NATCHER. Since the mutual security program started, can you tell me how much we have appropriated to Latin America?

Mr. GORDON. Under the Mutual Security Act for Latin America, I have the figures here on page E-1. These are the amounts actually obligated, and the total under the Mutual Security Act is \$565.1 million from fiscal 1952 through fiscal 1960. That is obligated through June 30 of last year.

Mr. NATCHER. Can you give me an idea as to the Export-Import Bank loans, the approximate amounts for Latin America?

Mr. GORDON. In the period 1951 through 1960, \$2,070 million.

Mr. NATCHER. Mr. Chairman, since I have been a member of this subcommittee, as you well know, we have been criticized on a number of occasions due to the fact that a great deal of our technical assistance money in Latin America was a duplication with technical assistance money from the United Nations, for instance.

I recall especially in Peru and Bolivia we were criticized considerably about some of the funds expended there.

On one occasion, a former Member of Congress appeared before our subcommittee and reported to us just what he found in Peru. This confirmed the information that my chairman and the other members of this subcommittee had developed during that particular session of Congress.

During the past few days it has been pointed out on a number of occasions that for a number of years our country has furnished technical assistance funds and also investment funds for Latin America.

Mr. GORDON. That is right.

Mr. NATCHER. Since the close of World War II, I believe some \$12 billion has been invested in Latin America by American interests.

Mr. BERLE. Approximately that; yes, sir.

Mr. NATCHER. This should have produced many benefits so far as Latin America is concerned.

Mr. GORDON. And it has done so.

ELIMINATION OF CRITICISMS OF AID PROGRAMS

Mr. NATCHER. Assuming that this subcommittee would go along on this particular request, which is an innovation so far as the inter-American program for social progress is concerned, what assurance do we have that the money appropriated and used for the purposes that you set forth in your testimony to the committee will produce benefits and not criticism such as we have had over the years. Not only from the standpoint of duplication of funds but from the standpoint of pacifying these people in Latin America? They have pointed out to us that much of this money has been wasted because of the fact they were not interrogated, in regard to the programs we have set up.

What assurance can you give us that these criticisms we have had over the years will be somewhat corrected through this new program?

Mr. GORDON. Let me say two things about that:

First, we cannot give any assurances to the committee that the United States will not continue to be subject to criticism in Latin America in one way or another. We certainly will be.

Secondly, however, on the basis of the kinds of experience you describe, and other experience, we have tried to design this program so as to meet these various types of criticisms as far as it is within our capacity to do so.

With respect to consultation with the Latin American governments and people, the fact that almost 80 percent of these funds are proposed to be administered through the Inter-American Bank, which is an institution in which the Latin American voice predominates, and which they really feel is in some sense an inter-American institution, we believe this will help a great deal in taking some of this criticism based on purely bilateral programs out of the picture.

Secondly, with respect to the purposes, these are directed toward purposes which are at the heart of the political and social diseases, so to speak, which exist in this hemisphere at the present time.

That does not mean they will not be criticized. We know, for example, that the Communists and their friends will criticize us, no matter what we do. They will criticize us for doing too little or for doing things in the wrong place.

We will be criticized by some people on the right who, as the chairman suggested before, have been living under these rather happy conditions for 200 years, they and their families, and they do not like to see change, and they will feel perhaps that the kinds of change these programs are intended to help may be uncomfortable for them.

KNOWLEDGE OF AVERAGE CITIZEN OF U.S. AID PROGRAM

Mr. ANDREWS. If we put \$394 million in that Bank and loans are made from it to government agencies, how will the man on the street know that the U.S. Government is helping him or his community through the expenditure of those funds?

Mr. GORDON. He will know that an inter-American institution is helping him. Literally, the man on the street who does not know how to read in most cases in Latin America will perhaps only know that his condition has improved somehow.

Mr. ANDREWS. I know that. If you gave him a better house he will know that his condition has improved.

The question is how will the man on the street know that the U.S. Government has helped him improve his personal condition?

Mr. BERLE. This has been one of my first preoccupations since I got here, to try to pull together the various programs which we may call information, USIA, USIS, to be sure people know what is going on. It is one of the matters my task force has been working on continuously.

This is something done before, where you see an American flag next to a Guatemalan flag. This is an initial motive. You can do a lot with the press, with the radio, and with the not very well heard Voice of America.

There is a problem there which needs attention, and we are working at it.

All I can say is that to coordinate this kind of thing with the American Information Service is one thing we are working on.

If to pacify people is the reason we do this I am out. I wouldn't blackmail anybody. Either it is worth doing, in which case you do do it, or it is not worth doing, in which case you do not do it. This is not

a response to a yell. It is a response to the best thinking of the ablest people in Latin America, and the program is designed to meet a situation which will create eventually the kind of healthy relationship which we have been able to achieve with Canada and to a large extent with Mexico on the economic side.

NEED FOR RAPID AVAILABILITY OF FUNDS

Mr. PASSMAN. I thought you had indicated earlier, in response to Mr. Gary's question, that if we did not move, and move swiftly, in making available these funds that we would disappoint the people in Latin America, and they would think we were doing a lot of talking and very little delivering.

If they do not like communism, and believe in the democratic principles to which we subscribe, what would be the situation? Why should those leaders, who should understand the evils of communism, turn overnight and say we are a bunch of bluffers and they may change their philosophy?

Mr. BERLE. The leaders will not, sir.

Mr. PASSMAN. The hearings on that same question are voluminous. We went into some European countries. It is in the record that they said in effect, they do not care whether the average individual knows. They say if you reflect credit to the United States you destroy the power of the politicians back in their respective communities. The record is loaded with that sort of thing.

Mr. BERLE. I am not familiar with the record.

Mr. PASSMAN. You do not subscribe to that viewpoint, do you?

Mr. BERLE. No, sir.

Mr. PASSMAN. Some of your predecessors did.

Mr. BERLE. I have been in Latin America and I have been involved in their politics most of my life. I am aware of the way it does work.

The leaders would not change because of this or that. What would happen is that a lively party on the street, which would perhaps call itself the nationalists, Castroists, energized and financed by Communist machines, would with the newspapers they control promptly start in. The campaign would rise and it would be that kind of thing far more than the immediate defection of particular leaders.

This is what has happened before and what could conceivably happen again.

It is really in a sense that sort of thing which is more important than the fact that any individual will change his mind.

Mr. PASSMAN. Is that not blackmail in reverse? If you do not get it from one group you get it from another?

Mr. BERLE. It is politics.

Mr. PASSMAN. We have said over and over we would not do this. We said we would never permit ourselves to be placed in the position of competing with Russia for favor at the expense of the American taxpayer. The record has reams of testimony to that effect. But, that is just what we are doing here, is it not?

Mr. BERLE. We are in a political struggle and there is no escape from that. We would best try to arrange the affairs so that in that political struggle we come out of it as well as we can.

This is a case for perfectly blunt talk. I do not know what people thought before or what they may think now. At the moment this is

the game, it is a cold war, and this is how it is fought. It will not be fought merely on the basis of \$500 million. It will be fought on the basis of where the great bulk of the population of Latin America ultimately thinks its hope lies.

Any indication that nothing much will happen, and life will simply be more of the same, simply means that a great number of people will feel there is going to be no social transformation whatever. Whatever may have been the case a few years ago, at the moment very large parts of this population feel the time has come for them to move.

Mr. PASSMAN. And this is about worldwide, with respect to our country putting up the money, is it not?

You are concerned with Latin America, and you have had a lot of experience there. I think we established earlier that we are dealing with about 87 out of some 100 nations, and each one makes the same type of case when they come in.

I wonder if our resources will actually hold out until our objectives can be met.

Mr. BERLE. Our resources certainly will hold out if our ideas are good enough. It is mixing a great deal of brains and a great deal of organizing ability with a relatively small amount of money that will bring this around in my judgment.

Mr. PASSMAN. I wish you would read this statement of mine sometime.

Mr. BERLE. This is not a matter where you can regard dollars as anything other than part of the material.

If we do not do a lot more than that, a lot more fundamental than that, we will not do it merely by spending money.

Mr. PASSMAN. This would not apply to you, Mr. Ambassador. But, I heard my father say this many times, "Talk is cheap. It takes money to buy whiskey." I wonder sometimes where my father got that information.

AID TO LATIN AMERICA

You stated a moment ago, Mr. Gordon, that the amount of funds provided through the Export-Import Bank was \$2,070 million?

Mr. GORDON. Yes.

Mr. PASSMAN. And our mutual security expenditure was \$565 million. What would that total be?

Mr. GORDON. \$2,635 million.

Mr. PASSMAN. That does not jibe with the \$3,263,900,000 in the justification book, then, does it?

Mr. GORDON. No, sir; because the book has a number of other items in it.

Mr. PASSMAN. Which means that if we get the information we have to ask specific questions on every item.

Mr. GORDON. No, sir.

Mr. PASSMAN. You are fair. You answered the question. If you leave that in there, the \$565 million and \$2,070 million, it does not add up to \$3,263 million. That has been total aid.

Mr. GORDON. Would you like me to complete the record? I would be happy to do so.

Mr. PASSMAN. Certainly we want you to complete it. Give us the total.

Mr. GORDON. I was responding to the questions asked.

Mr. PASSMAN. Certainly. I do not blame you for not elaborating to pick up the other.

However, let us do it now.

Mr. GORDON. In addition there are Public Law 480 amounts which are \$467 million.

There is assistance for the Inter-American highways which amounts to \$103 million.

There are two items which go back to the early 1950's, called "other loans and grants," adding up to \$58 million. I would have to find out just what those are. Those were before the Mutual Security Act in its present form.

I would have to look up the early year items.

Mr. PASSMAN. Thank you very much.

(The information follows:)

The \$58 million in "other" U.S. economic assistance grants and loans shown on the table consists of the following:

Grants:

Hoof and mouth disease control, Mexico.....	\$18,600,000
Institute of Inter-American Affairs, technical assistance (fiscal year 1951).....	8,500,000
Public Law 216, famine relief in Bolivia.....	8,000,000

Subtotal.....	35,100,000
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Loans: U.S. surplus property credits.....	22,900,000
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Total, grants and credits.....	58,000,000
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Mr. ANDREWS. How much has the United Nations put down there or is that covered by the ICA figure?

Mr. GORDON. No. The United Nations amounts are separate. I have a document on this.

Mr. ANDREWS. What we would like to get is the total.

Mr. GORDON. Could we provide for the record the other items, Mr. Natcher?

These are not very much.

Mr. NATCHER. Very well.

Mr. GORDON. The United Nations Special Fund, which is by far the biggest of these, and the so-called United Nations Expanded Program of Technical Assistance taken together, have amounted to about \$25 million a year.

Mr. PASSMAN. That amount does not include the \$80 million for the IDB, does it? Would that not be on top of the other amount we mentioned?

Mr. GORDON. Yes, and the amount is shown in a footnote to the table, which covers obligations through fiscal 1960. The IDB itself has been open for business since October 1960.

Mr. PASSMAN. Certainly you knew about the item. The appropriation had been made, because you show it in the record.

Mr. GORDON. These are obligations through fiscal 1960.

Mr. PASSMAN. It has been obligated since then?

Mr. GORDON. While the Bank has only been in operation since October, the \$80 million U.S. payment to the Bank was made in June 1960.

Mr. PASSMAN. Put the total in the record.

Mr. GORDON. We will be glad to do it.

(The information follows:)

U.S. economic assistance to Latin America—obligations and other commitments, fiscal years 1951-60

[In millions of U.S. dollars].

Total mutual security program economic aid-----	\$565.1
International Cooperation Administration-----	445.2
Technical cooperation-----	243.9
Other-----	201.3
Development Loan Fund-----	94.4
Other MSP economic-----	25.4
Total nonmutual security program economic aid-----	2,698.7
Public Law 480-----	467.0
Title I, 104g, economic development loans to governments-----	315.6
(Total sales agreements)-----	(470.3)
Title II emergency relief-----	38.9
Title III (voluntary relief agencies)-----	112.4
Export-Import Bank long-term loans-----	2,070.2
Other U.S. economic programs-----	161.5
Inter-American highways-----	103.5
Other grants-----	35.1
Loans-----	22.9
Total U.S. bilateral economic assistance-----	3,263.9
U.S. payment to Inter-American Development Bank (fiscal year 1960)---	80.0
Grand total-----	3,343.9

Mr. NATCHER. As I understand it now, in setting up the Inter-American Development Bank, you feel this method will eliminate some of the criticism we have had over the years with funds appropriated for Latin America?

Mr. GORDON. Will reduce the criticism, yes.

Mr. NATCHER. You pointed out to the committee the majority vote is with Latin America as to how the funds are to be used and the loans granted.

Mr. GORDON. The majority vote is with them but on project loans out of these funds a two-thirds vote is required and we have over 40 per cent of the votes.

Mr. NATCHER. In reaching the conclusion that the Inter-American Development Bank should be set up and this program should be inaugurated, of course you have listened to suggestions made from Latin America. Mr. Berle says you have not had threats but you have heard from them as to their wishes. Is that correct?

Mr. GORDON. The Bank has already been set up for its regular operations. That was done after a series of negotiations starting in 1958. It was done in response to a very long expressed desire on the part of the Latin American governments that there be an Inter-American Bank for assisting in economic development limited to this particular region. That was discussed over many years and in 1958 the Eisenhower administration decided that it was a good idea and negotiations were set up, were gotten underway, and in 1959 the ar-

ticles of agreement were finally agreed to by all of the members. That was ratified by Congress through a statute which approved our participation in the Bank and then later provision was made for the necessary appropriations.

UNITED STATES NOT IN COMPETITION WITH RUSSIA

Mr. PASSMAN. It would appear, maybe of necessity, that we have changed our approach.

One of the greatest Secretaries of State this country ever had, the late John Foster Dulles, in response to a question I asked, and I requote from page 286 of the hearings for fiscal 1961—

Mr. GORDON. It cannot be 1961. Excuse me, sir.

Mr. PASSMAN. I said requoting, from page 286 of the 1961 hearings. I am not talking about when he made the statement, but I am giving you the page number at which I requoted him again, from a prior statement.

Mr. GORDON. I am sorry.

Mr. PASSMAN. He said, and I quote:

I have heard it said that we must not enter into competition with the Soviet bloc in this field. My reply is that we are not entering into competition with them.

From page 1579, I quote Mr. Rountree:

In the case of a given country, for example, we do not intend to engage in competition with the Soviets to try to outbid the Soviets or the Soviet bloc with respect to aid.

Well, maybe of necessity we have changed that philosophy. I do not know, but it certainly indicates we are directly in competition every time we attempt to make a reduction, because there are some people who say, "Look what Soviet Russia is doing; and if we do not do it, Russia will."

That just pops up every time we get into a discussion.

Mr. BERLE. I have no desire to suggest we propose to do that. The two economic philosophies and economic systems are in existence and there is no escape from that. The Inter-American Bank was one of the things promised when the Pan American Union was founded in 1890. It was endorsed by most administrations since that time and it finally came to fruition only in 1958. That was not any response to a Soviet threat, but a very old ambition. The competitive aspect of it has come to us, if you choose, and not we to it. It is simply a fact of life which we would be silly not to take into account. If anyone believes that in that kind of a competition, \$500 million would do it, he, I think, is not very well acquainted with the actual kind of figures the Soviet Union can throw around.

Mr. PASSMAN. You are thinking of just one relatively small part of foreign aid?

Mr. BERLE. I realize that.

Mr. PASSMAN. When we recommend what you believe you need, you must remember also that all of the others are in equally strong for what they think they need for their sections. We must think, too, about the aggregate.

Mr. BERLE. Permit me perhaps to indulge my private prejudice for a moment in saying I do think that the American responsibility and

the American interest in Latin America perhaps comes ahead of anything else, both based on history, geography, strategics, and on the entire buildup of the American Hemisphere. I think that is not an unfair statement historically. This is not to say bad things about people who have other interests, but I do think in this particular case, the case for American interest is clear and it has existed for a great many years before the Soviet Union, in its present form, was invented.

Mr. PASSMAN. I want to respond by saying thank you, Mr. Berle, for a very fine statement. Give me the date again, please, when we promised the organization.

Mr. BERLE. It was on the agenda of the Pan American Conference in 1890 when the Pan American Union was formed.

Mr. PASSMAN. When did it come into being?

Mr. BERLE. It came into being in 1958.

Mr. GORDON. It actually came into being in 1959 but the negotiations began in 1958.

Mr. PASSMAN. That would be 67 years?

Mr. BERLE. Sixty-seven years.

Mr. PASSMAN. Certainly with that kind of tolerance, if we may borrow that word, maybe 60 or 90 days' delay in getting this a little bit firmer, this long-range program, which is going to involve many billions of dollars, would not be disadvantageous.

Mr. GORDON. That did not hold for 67 years.

Mr. PASSMAN. I thought that was what you said.

Mr. GORDON. What actually happened is that there was a series of ad interim arrangements which were entered into, some private, some public, and some mixed, which attempted to fill that gap, but finally it came to fruition.

Mr. PASSMAN. You have given us some encouragement, Doctor, that we are not going to bring the world to an end if we should delay this item briefly, until we understand more about it.

Mr. GORDON. I am not sure that we entirely reciprocate, Mr. Chairman.

Mr. ANDREWS. Mr. Chairman?

Mr. PASSMAN. Yes.

REASON FOR CLASSIFICATION AS TO AMOUNTS

Mr. ANDREWS. Mr. Ambassador, the amounts for countries in the foreign aid program are classified each year until after the appropriations are made?

Mr. BERLE. Yes, sir.

Mr. ANDREWS. We were told one reason why the amounts were classified was to keep down jealousy on the part of the different countries as to whether or not country X would get more money than country Y.

I noticed your projects are classified as to the amount and so forth. Do you anticipate any jealousy on the part of the countries if one might get a little more than the other?

Mr. BERLE. Mr. Congressman, there are two reasons for that. I ought to say I was not a party to that classification and personally I do not believe in classification, if it can possibly be avoided. One reason was the possibility of jealousy. The other was the possibility that an implication of commitment might be given where the com-

mitment itself does not exist. I agree with classification of the listing of these projects, lest someone come and say later, "Really, you have committed yourself to it, although you have not told us so."

Then you are obligated to come through.

Mr. ANDREWS. Do you anticipate any jealousy on the part of the countries down there because one might get more than the other?

Mr. GORDON. I should think, Mr. Congressman, that is a very likely possibility in any assistance program.

Mr. ANDREWS. We have seen it before in the operation of this program.

Mr. GORDON. Yes; this possibility exists.

Mr. CONTE. Would the gentleman yield?

Mr. ANDREWS. Yes.

Mr. CONTE. Is it not one of the reasons you want to get this money into the Inter-American Bank, the one you just stated?

Mr. GORDON. That is precisely right. We believe that if the bulk of the funds are handled in an inter-American body in which their own representatives participate, this will reduce—this is one of the kinds of criticism that Mr. Natcher was referring to before—it does take some of the heat off the bilateral relationship with the United States.

Mr. PASSMAN. If that is good for one part of the world, would you say it would be equally good for another part of the world?

Mr. GORDON. I thought about that question a good deal, Mr. Chairman, and unfortunately the fact is that in most of the world there simply is no regional foundation for doing this. If there were, I think it would be a good thing. In the European case—

Mr. PASSMAN. Just to turn it over to foreign governments and let them obligate it, and all we do back here is to appropriate?

Mr. GORDON. No, sir. They do not obligate it without our specific participation and exercise of a veto power, if necessary.

We have one individual whose vote is cast—

Mr. PASSMAN. It still is just one person?

Mr. GORDON. Yes.

Mr. PASSMAN. How many others are on the board?

Mr. GORDON. Six.

Mr. PASSMAN. Six to one.

Mr. GORDON. Six men to one man, but 60 percent, or slightly under 60 percent of the votes to 40 percent of the votes with a two-thirds vote required.

May I just complete my answer on the question of regional organization in other parts of the world?

In the case of the Marshall plan there was a regional organization, and a very good one, the OEEC. The OEEC was requested to recommend to the United States how the aid made available under the Marshall plan should be divided among the countries. We were not obligated legally to follow that recommendation but we did, in fact, do so and I think there is no question but having done that—I was an active participant in this process—greatly helped in avoiding just the kind of bickering and jealousies and the like among the countries which Mr. Andrews just referred to.

Elsewhere in the world, unfortunately this does not exist. In Latin America, fortunately, there is a tradition of decades in the Organiza-

tion of American States and its predecessor, the Pan American Union. This Inter-American Bank is not being created especially for this program but already exists. It is young, obviously, but it has made a good start and it does have competent people and I think we are very fortunate that this agency exists.

Mr. PASSMAN. I hope it never becomes worldwide, and we depend on organizations all over the world to disburse our funds with no more supervision than we have on this.

May I repeat that ICA needs some time to put a case together on the matter discussed earlier. This is not too much of a credit to that organization that these letters are scattered all over ICA and they cannot get them together.

Let us modify our request and ask you to bring now what you can get, and we shall dispense with the others.

Do you have any of them?

Mr. JOHNSTON. Yes, sir.

Mr. PASSMAN. For how many countries?

Mr. JOHNSTON. I would say three or four at the moment, right away. I can have them sent up if you want.

Mr. PASSMAN. If you will, please.

Are they on the way?

Mr. JOHNSTON. No, sir.

Mr. PASSMAN. If they are scattered all over, we do not expect you to do the impossible, but bring us what you have.

I yield to Mr. Alexander.

SELF-HELP OR SELF-REFORM PRIOR TO AID

Mr. ALEXANDER. Doctor, one of the things I like about your program is that you are going to require some evidence of self-reform or self-help in the field of social reform.

How many of the proposals listed on page 3 of your confidential justifications meet the criteria set forth by President Kennedy to the effect that before financial assistance is extended by the United States that the recipient country must give positive evidence of self-reform, or self-help?

Mr. GORDON. Mr. Alexander, our thought is that no firm agreements would be made committing these funds under any of these until that condition had been met. The condition has to do with the particular project and that is to say that if we are helping in a technical education project, we would not require, as a condition of that, a general tax reform, but we would expect, as a condition, that whatever the situation indicates for self-help by the country in connection with that project, and in connection with technical education in general. With respect to a land project, on the other hand, we would not, ourselves, permit the Bank and the Bank would not, under the trust agreement be permitted to extend a loan unless the right kind of self-help measures by that country in connection with that land settlement project, had, in fact, been undertaken.

Mr. ALEXANDER. There is a very shady area here regarding self-help and self-reform. It can be a little bit or it can be a great deal. Do you have any guidelines that would have to be met prior to any help? What are those guidelines?

Mr. GORDON. Mr. Alexander, I do not think it is possible to state an objective, uniform minimum that would be applicable to all 18 countries concerned in all of these fields. As I think I said yesterday in connection with a question on self-help in projects, virtually all of these projects, as they have come in, do indicate direct contributions to the project itself by the governments concerned. In some cases, those run as high as 75 or 80 percent of the total cost, and in many cases they are about 50-50. In some cases, in a very poor country, they represent a smaller share, but that is a matter of the circumstances of the particular country.

With respect to things like tax and land reform, these are, as you can imagine, exceedingly difficult political actions within the countries concerned. A number of countries, as I mentioned yesterday, have already undertaken such measures. The outstanding ones in recent years being the Venezuelan program and the program just voted by the legislature of the state of São Paulo in Brazil. It took the governor of that state, who is a very able man, some 4 or 5 months of struggling with his own legislature to persuade them to enact this. What came out was not precisely what he asked for at the beginning, although it is a close approximation of it.

That is a natural result of the democratic process in democratic countries.

I think that the judgment as to whether the self-help is adequate is, of course, a delicate and difficult judgment. This is one which has to be in the discretion of the administrators of the fund, so far as the United States is concerned, and we certainly intend these conditions very seriously and through our voice in the Bank which is a very powerful voice, and we expect to make it clear we mean these seriously.

Mr. ALEXANDER. Does self-help, itself, meet the criteria that President Kennedy has set up?

Mr. GORDON. The language that appears in this document is, "Self-help and related institutional improvements."

If I can give one or two examples, in the housing field, we refer to two types of housing; one is the aided self-help construction and there the self-help is built into the very nature of the project because it is aid to self-help by the people who, themselves, are building the houses. We would expect there that the financial contributions that are necessary would come, not only from the Bank, but also from the government concerned.

It might be a national government or a local government depending on the arrangements.

With respect to the other type of housing assistance which is essentially seed capital for the savings and loan type of mortgage financing institutions, or some other types of home financing bodies, there we would certainly expect the bulk of the capital to come either from the governments concerned or from savings of their own citizens.

One of the things we particularly want to encourage is the habit of private saving and putting private savings into constructive purposes, something which has not adequately happened in most of Latin America to date.

Mr. CONTE. Mr. Chairman?

Mr. ALEXANDER. I yield.

PRESIDENT'S MESSAGE ON FOREIGN AID

Mr. CONTE. Mr. Gordon, I am in favor of this program but I am concerned about certain political statements that are made by the administration and which statements have hit the press and which I'm sure will be responsive to the public. In reading the President's message to the Congress today on foreign aid, on page 6 he says that the instrument of primary emphasis, or the single most important tool, will be the long-term development loans at low or no interest rates, repayable in dollars.

On page 7 he says that such long-term loans are preferable to outright grants or soft loans repayable in local currency that are of little benefit to the American taxpayers.

I agree with him wholeheartedly on that. It is a fine statement, but here today asking for \$500 million of which the greater part would be repayable in soft currency. This loan idea, repayable in hard currency is a popular one, but actually he is advocating repayment in soft currency in this program. It is disturbing to me.

Mr. GORDON. May I say two things to that, Mr. Conte: First, the terms under which the Bank may make loans are said to be flexible to terms including repayment in local currency and certainly would not exclude the possibility of low interest or no interest dollar repayable loans. Secondly, I think there is a major difference between repayments in local currency to an international organization, of which the countries concerned are members, and repayments in local currency simply bilaterally to the United States, which is what the President's message refers to, I understand.

Mr. CONTE. I wish he had spelled it out a little more clearly. On bilateral agreements, he said it will be hard currency, and on multi-lateral, soft currency.

Mr. GORDON. I wish the statement had been more specific.

Mr. CONTE. When I go back home, my people may say to me, "For goodness sake, you are advocating loans repayable in soft currency."

"Yet here is the President of the United States who advocates that the United States wants hard cash for these loans."

Mr. RHODES. Will the gentleman yield?

Mr. CONTE. Yes.

Mr. RHODES. Do you not think the President meant more than that by his statement? You are saying now that this type of loan is repayable at the borrower's option in dollars. The President is saying in his message that all of the loans in the category discussed will be repayable in dollars. I do not think there is any comparison. Mr. Conte is absolutely right that there is a departure from the program here.

Mr. GORDON. Well, Mr. Rhodes, I am not fully familiar with this program by any means. My understanding is that this is a clear departure from the present practice with respect to the Development Loan Fund which generally does most of its lending in repayment in local currency.

Mr. RHODES. Is that a departure from this program? This is almost completely, as you must admit, a local currency program?

Mr. GORDON. That is right. This shift—

Mr. FORD. May I ask a question there?

Mr. RHODES. Yes.

Mr. FORD. Is there to be a change in the Development Loan Fund program for repayment from soft currency to hard currency?

Mr. GORDON. Mr. Ford, I am not really competent to testify on the President's new program. That will be before you in due course.

Mr. TABER. The message came in at noon?

Mr. GORDON. That is what Mr. Ford was referring to and I am really not in a position to testify about the details.

Mr. ANDREWS. Mr. Ford, would that not require a change in the basic legislation creating the Development Loan Fund?

Mr. FORD. I do not believe so because they have the option in either case, but the practice as we all know, has been that it should be about 80 to 90 percent in soft currencies to be repaid in many instances in the countries where the projects are for subsequent loans in those areas when the repayments are made.

Mr. ANDREWS. And cannot be removed? We cannot buy raw materials in that country with soft currency and remove the raw materials.

Mr. PASSMAN. And it cannot be spent in any other country.

Mr. ANDREWS. Of course, it could not be.

Mr. FORD. This is what surprised me when Mr. Gordon said, as I remember his testimony, that you specified the Development Loan Fund. I do not see how the Development Loan Fund under the concept we have had for 2½ or 3 years, can possibly operate.

Mr. GORDON. What I said, Mr. Ford—and I think this is right although as I say I am not an expert on the new program—what I understand is that for the future the President contemplates loans of the type that are now made by the Development Loan Fund, repayable in local currencies, as you described, would in the future be discontinued and further loans for the sorts of purposes the Development Loan Fund makes loans, would be repayable in dollars, but over unusually long periods at either low or zero rates of interest.

Mr. PASSMAN. Would the gentleman yield?

Mr. FORD. Certainly.

Mr. PASSMAN. It could be that they would have an option in the contract. They no doubt could not afford to take care of the President's entire message until we get more details to follow. We do not know what kind of contracts. It may call for repayment in dollars with an option to repay in local currency.

This may be just—I say this respectfully—to catch the eye of the American public. We will have to read those contracts, because in the present contracts they tell you it is repayable in local currency or the borrowing country may, if it wishes, repay in dollars. This simply means that if the time should ever come that the dollar is worth no more than the local currency, maybe it will be desirable to pay it that way.

Would it not follow that you would need to read the fine print in the contract?

Mr. FORD. Yes.

Mr. PASSMAN. Do you want to pursue that?

Mr. ALEXANDER. I have another question or two.

U.S. CONTROL OVER LOAN APPROVALS

Doctor, under the Inter-American Bank, if I understand it, we would have one man on a seven-man board of control?

Mr. GORDON. That is right.

Mr. ALEXANDER. The other six men would be men representing Latin American countries on the Bank?

Mr. GORDON. That is right.

Mr. ALEXANDER. There has been some trend in the Latin American countries toward neutralism with regard to Cuba and with regard to communism. It has been suggested that Brazil may become the India of the Americas and may seek development loans from both the United States and from Russia. Suppose that a country turned absolutely neutral and was playing both sides, one against the other? What control, if any, would we have, were this money to be appropriated, and put into the Inter-American Bank?

Mr. GORDON. I would like to answer the specific question and also to ask Mr. Berle to comment on the Brazilian situation because he is very familiar with that.

The specific answer is that no loans can be made out of these funds without the concurrence of our Executive Director who, in turn, takes his instructions from the National Advisory Council, of which the Secretary of the Treasury is the Chairman, and is an entirely U.S. Government body.

Mr. ALEXANDER. I hate to interrupt you but do you mean we have absolute veto on any loan?

Mr. GORDON. Out of this fund we have an absolute veto on any loan. It states under the trust agreement a two-thirds vote and we cast over 40 percent of the votes ourselves.

Mr. PASSMAN. Would the gentleman yield before Mr. Berle comments?

Mr. ALEXANDER. Yes.

POSSIBILITY OF COUNTRIES ACCEPTING RUSSIAN AID

Mr. PASSMAN. But there are instances at present where we are making grants to a nation and Russia, likewise, is making grants to the same nation?

Mr. GORDON. Yes.

Mr. PASSMAN. If that is the policy, would it follow that it might also be the policy as far as the United States is concerned in Latin America?

Mr. BERLE. No, Mr. Chairman, if I may speak to that. I do not think that is a worldwide policy, although I respectfully defer to my superior, Secretary Rusk.

Mr. PASSMAN. Could you cite a nation that Russia is in which we are not assisting? That is, that has been one of the nations we were in, and then later Russia came in? For instance, India and Pakistan?

Mr. BERLE. India is certainly the great exception.

Mr. PASSMAN. Burma?

Nations where we have been in with an aid program and later Russia came in.

Do you know of any instances where we pulled out simply because Russia came in?

Let us think about Laos, Burma, Pakistan, India, and so on.

Mr. JOHNSTON. How about Cuba?

Mr. PASSMAN. We have broken off diplomatic relations with Cuba, and you would not want to fortify yourself with Cuba. We do not even have diplomatic relations with Cuba, but I am speaking about governments with which we are on a friendly basis.

Mr. GORDON. I think it would be an exceedingly unwise policy for us to withdraw because a country accepted some sort of a loan from the Soviet Union. I think this would weaken our position very rapidly all over the world.

Mr. PASSMAN. Would we want the record to indicate that we are going to pull out if Russia comes in with a grant or loan program? There is nothing to back us up in other parts of the world where Russia came in.

Worldwide, we are in some 87 of the nations with our aid program, and Russia is occasionally hitting over the world maybe seven or eight nations. It is just spotty to say the least, is it not?

Mr. BERLE. Yes.

Mr. PASSMAN. Russia is very strong on promises and extremely short on deliveries; is that a matter of fact?

Mr. BERLE. That is a fact.

Mr. PASSMAN. Thank you very much.

Mr. GORDON. Mr. Chairman, I think that the number of countries the Soviets are extending aid to is very much larger than seven or eight.

I have a list here which seems to add up to 21 countries. These, except for Cuba, exclude countries in the Soviet bloc as such.

This list for Latin America includes Argentina, Brazil, Chile, as I mentioned yesterday in reading Mr. Ball's statement on Latin America.

Then in the Middle East we have Afghanistan, Greece, Iran, Iraq, Pakistan, Turkey, Egypt, Syria, and Yemen.

In Africa we have Ethiopia, Ghana, Guinea, Morocco, Sudan, and Tunisia.

In Asia we have Burma, Cambodia, Ceylon, India, Indonesia, and Nepal.

In Europe, we have Iceland and Yugoslavia.

Mr. PASSMAN. Are we not in every one of those nations, with the exception of Cuba?

Mr. GORDON. I am not a specialist on the worldwide program, Mr. Chairman.

Mr. PASSMAN. Then it would only follow that the same type of situations might possibly exist with other Latin American countries, since some of them now participate?

Mr. GORDON. It could exist.

Mr. PASSMAN. I think we just agreed that Russia is strong on promises and weak on deliveries.

They have a system, in many instances, where those countries you referred to are giving something in return?

Mr. GORDON. Yes.

Mr. PASSMAN. I think we have always had trade between nations, so I think you should think in terms of actual grants and gifts, against this other thing. Sometimes they get in return something

just as valuable to them as what they supposedly "give"; is that a matter of fact?

Mr. GORDON. I believe so.

Mr. PASSMAN. Our system is trying to help countries help themselves, and that is certainly not Russia's aim and purpose.

Mr. BERLE. Not the slightest in the world.

Mr. PASSMAN. That is true. I have always known that sometimes our hearts are bigger than our pocketbooks.

Mr. RHODES. Mr. Chairman?

USE OF CONTINGENCY FUND

Dr. Gordon, is there any possibility that any part of the projects mentioned as being desired but not necessarily earmarked to be spent in this year, will be financed from the mutual security contingency fund.

Mr. GORDON. I do not believe there is anything left in the mutual security contingency fund, Mr. Rhodes, but I am not an expert on that. Perhaps one of my colleagues can say.

Mr. MCPHAIL. The contingency fund is programed for this year.

Mr. RHODES. Completely?

Mr. MCPHAIL. Yes.

Mr. FORD. How much has been obligated?

Mr. GORDON. Mr. Chairman, it has been suggested to me we might put this table of bloc credits and grants in the record in connection with Soviet aid figures.

Mr. PASSMAN. Provided you can also come in with a table of recipients of American aid. We are not trying to make a case for Soviet Russia. In fact, we already have it in the record of last year's hearing.

Mr. GORDON. Very well.

Mr. FORD. Mr. Chairman, could I have the information on the obligation status of the contingency fund?

Mr. MACPHAIL. The total of the contingency fund was \$250 million, and \$193 million has been approved for implementation of which actual obligations against that are \$70,944,000 for ICA-administered programs; \$36,895,000 for U.N. programs; and \$1,138,000 for the Cuban refugee program administered by HEW.

Mr. FORD. The remainder, or the difference between the \$193 million and the \$250 million is programed?

Mr. MACPHAIL. That is programed as well.

Mr. FORD. Will you submit for the record what withdrawals or what commitments have been made against the contingency fund, not only those obligated but those programed?

Mr. MACPHAIL. Yes, sir. They are classified, but we can submit them to you because the countries may not know what we programed for them.

Mr. FORD. Prepare a table on that and if it is not submitted for the record, make it available to the committee.

Mr. MACPHAIL. Yes, sir.

(The information was supplied to the committee.)

SELF-REFORM CRITERIA PRIOR TO FINANCIAL ASSISTANCE

Mr. RHODES. Doctor, we have been talking at various times about the fact that these nations are expected to institute certain reforms before they participate in these funds. Suppose a nation institutes part of a reform but refuses the rest? Suppose another nation institutes three-fourths but does not institute the rest, and then suppose another nation does everything it is asked to do? Where do you draw the line? In other words, where do you say that there has been sufficient compliance so that a nation might be eligible for participation?

Mr. GORDON. I do not think one can draw a sharp line because many of these things are not definable that way. For example, if one is talking about a tax reform, which institutes a tax on land that has not existed before, one cannot say that the ideal tax is 7 percent and if they get 5 percent, that is five-sevenths of that particular reform. I think this is a matter where judgment has to be exercised in each case by intelligent men who understand what the nature of the problem is in the country, and what kind of reform will really come to grips with it.

Mr. RHODES. As far as we are concerned, the one to exercise that discretion is the man who casts that 40-percent vote in the Bank?

Mr. GORDON. That is right, with guidance from agencies of the United States and a great deal of help from the staff of the Bank itself. I think it is a very important consideration here.

There are actually two important considerations. First, the staff of the Bank also has a considerable number of North Americans on it. They do not work for our Government but for the Bank. The Latin American staff of the Bank has, as indicated in the brief biographies we submitted for the record, very competent people. They want to see these things get done as much as we do, and in many cases, more so, because they know how much it means to the future of their countries. These are people who understand the nature of the land problems, tax problems, and other kinds of problems which exist. They understand the difficulties and it is our hope that they will understand and will be most persuasive in their arguments, and better than we as outsiders with quite different backgrounds might be able to do this. There is every indication that Latin American component of the Bank, which, in terms of personnel, is the majority of the Bank, will participate effectively and enthusiastically in this.

Mr. ALEXANDER. Will the gentleman yield?

Mr. RHODES. Yes.

LAND REFORM PROGRAM

Mr. ALEXANDER. Doctor, how many of the agricultural projects contained in your justification will result in a breakup of vast estates of the present landowners of Latin America?

Mr. GORDON. Most of these, as I recall, Mr. Alexander, which involve land resettlement, are for settlement in open lands which, in some cases, are already held by public authorities.

Mr. ALEXANDER. The Government?

Mr. GORDON. That is, Government authorities. In some cases, they are open lands which the Government is buying up from private owners under a land reform program. The breaking up by expropriation is a very drastic type of land reform and in general I think

we would hope that the necessary changes in land tenure could be done by less drastic means than that, of which the tax means is one of the most effective. The essence of this reform in the State of Sao Paulo is a progressive tax on landholdings on which the rate increases as the size of the holding gets larger. In the case of a large estate, a demonstration, if it can be made, that this land is really being utilized to the greatest effectiveness, then a portion of the extra tax is remitted. This is designed to encourage the sale of unused land because the man does not want to pay taxes on it if he is not getting anything out of it.

It is designed to encourage the better use of land if the landowner wants to hold on to it.

I would say that in most cases, this is the type of land reform which we would like to encourage.

In the case of Venezuela, the program includes the buying up by the Government for redistribution in these resettlement projects something akin to our own Homestead Act basis. The small farmer who gets a plot has to farm it for a couple of years to show he knows how to do it properly, just like your man under the Homestead Act.

Then he gets title to it.

In some of these cases, he gets title but only with a long-term debt and he has to pay that off out of the proceeds of his farm over a period of years.

MAJORITY OF PROPOSED LOANS TO BE TO GOVERNMENTAL ENTITIES

Mr. ALEXANDER. How much of this \$394 million do you figure would be loaned to governments of Latin America?

Mr. GORDON. I would think the loans would be to governmental agencies in the great majority of cases, not all, because in the housing field, for example, there are some savings and loan institutions, that type of thing, which might be set up on a wholly private basis. The agricultural credit agencies, for example, which would be an important part of this, are typically set up as governmental agencies. The Government will provide the bulk of the credit and the Inter-American Bank would make supplementary loans to those agencies. Generally, they would not just be to governments in the sense of loans to treasuries, or to ministries of finance. I do not think, in any case, they would be a loan of that type, but they are typically to governmental agencies which are set up for the specific purpose of carrying out the type of program which this envisages.

Mr. PASSMAN. Would the gentleman yield?

Mr. ALEXANDER. Yes.

Mr. PASSMAN. I believe you forgot to give a percentage.

Mr. GORDON. I cannot give a precise percentage.

Mr. PASSMAN. That is why I brought up the matter.

Mr. GORDON. I said I thought the vast majority of them would be to governmental agencies.

Mr. PASSMAN. I thought you forgot to give that figure, and I intended to ask for it.

DEGREE OF SELF-REFORM PRIOR TO LOAN APPROVAL

Mr. ALEXANDER. In all of your granting of loans, how much positive action are you going to require in justification before you make a grant or a loan? In other words, will a promise be enough or are you going to have a prerequisite of certain things that must be done before a loan is approved?

Mr. GORDON. No; I think it is a combination of certain prerequisites and certain commitments for the future, depending on the particular case. The idea is not to commit funds until one is sure that the project can move ahead successfully. What is required to be sure of that, obviously depends on the particular case. In some cases legislation will have to be passed before you can do anything because a new agency might have to be set up by legislation. In that case, there would be no money and no loan would pass until legislation had been forthcoming and the agency were set up.

In other cases, there may be a combination of some prior action and some promises and then the two things would march hand in hand.

HOUSING PROGRAM

Mr. ALEXANDER. The thing that disturbs me is that when I visited Spain a couple of years ago, I was amazed at the many beautiful apartment buildings that were being built. I learned that in Spain most of the people were investing their money in apartment buildings. This kind of thing is fine for people who live in them, but it was not the type of thing that would make for more work or make for more production, the things that would bring in more money. The thing that disturbs me in this is that many of the projects which we would make loans for would be wonderful and fine in themselves, but whether or not that particular thing is bringing about self-reform or self-help is the thing that disturbs me.

Mr. GORDON. Mr. Alexander, this phenomena of a lot of money going into luxury apartment houses can be seen all over Latin America, too. It is a very disturbing thing and it happens especially where there is severe inflation because the people who have money think this is a very good way of hedging against losses that might otherwise come from inflation. The kind of housing we are talking about here is not that sort of housing. This is housing for the low-income groups.

I have here a very interest document, a little brochure, put out by the Housing and Home Finance Agency which is a manual designed for low cost and aid self-help in housing, which has cost figures in it and which indicates the proportion of the total cost which is contributed by the labor of the people.

Mr. ALEXANDER. I think you misunderstood me. I did not mean for that to be a criticism of them using their money in that way, but if we are putting up this money for a purpose, then the thing that I am interested in is to see that prerequisites are set up and are enforced so that self-reform will take place.

Mr. RHODES. Will the gentleman yield?

Mr. ALEXANDER. Yes.

Mr. RHODES. I think the gentleman from North Carolina will agree with me; in Spain we discovered that the construction of these luxury-

type apartments was actually very inflationary to the economy. That is the thing that bothers me in contemplating the effect these programs can have on Latin American nations. As you know, low-rental housing can be as inflationary to their overall economy as luxury-type housing can.

Mr. GORDON. That is right, Mr. Rhodes. Here we come to the question of the general kind of economic programs which the \$6 million, the small part of this \$500 million, is intended to try to encourage. This is an effort to try to get sensible national development programming which will maintain domestic monetary balance so that you do not have the sort of inflation you have had in Brazil, Chile, or Bolivia, which is the worst case, or Argentina, during the last 10 or 20 years.

Mr. RHODES. Where do we tie that down to \$6 million?

Mr. GORDON. The \$6 million is the amount proposed for the Organization of American States. That is for assistance to the governments in their general development program.

I would like to submit for the record, if I may, an indication of the way this \$6 million is spent.

Mr. PASSMAN. Would you wait until we get to the questioning on that point?

Mr. GORDON. Certainly.

Mr. RHODES. Are there any figures as to the amount of money which might be spent on housing in the various countries?

Mr. GORDON. Well, what there is is a figure on the proportion of this total \$800 million which is in the housing field and that figure is 156 out of the 800 which falls in that category.

Mr. RHODES. \$156 million?

Mr. GORDON. Yes, out of the \$800 million. In other words, a little under 20 percent. Whether that would be a precise portion of the 500, I do not know.

Mr. RHODES. Could that be broken down by country?

Mr. GORDON. That is shown on page 3 of the projects book.

Mr. CONTE. Would the gentleman yield?

Mr. RHODES. Yes.

Mr. CONTE. You spoke about land reform, Doctor. Are they planning to institute a land reform similar to that which they have in Formosa and Egypt?

Mr. GORDON. I am not, unfortunately, familiar with the Formosa nor the Egyptian reforms in detail. I have read a little bit about both of these. The kinds of measures which exist in Latin America are certainly very different from those in Egypt because in Egypt you have a limited area of arable land irrigated by the Nile and tremendous overpopulation. I distinguish between South and Central America.

In most of South America you have large tracts of good land which are not being used at all at the present time because there isn't proper access to them or because the title is held by people who do not want to put them to proper use.

Mr. CONTE. In Formosa they have one of the best land reforms in the world. I visited there. I brought up the one in Egypt because you mentioned a reclamation project in the desert of Argentina.

Mr. GORDON. That is right.

Mr. CONTE. There is a great reclamation project going on in the western desert in Egypt which I visited. It is a very excellent land reform.

Mr. GORDON. One of the things which we want the OAS to do through its general work here is to see that experience from all over the world, which is relevant to the problems of Latin America, is brought to bear on these problems and is made available to the people who are working on the particular measures. We will certainly see that these Egyptian and Formosan experiences are called to their attention if they do not already know about it.

Mr. PASSMAN. Doctor, I wonder if the leaders in the Americas understand our procedures of obtaining funds? I am talking about the Governors and the legislatures. Do they understand the procedures of our Congress, the procedures we go through to obtain funds?

Mr. GORDON. I would guess, Mr. Chairman, that those who happened to have lived in Washington as Ambassadors—

Mr. PASSMAN. How about those who did not live here as Ambassadors? If you will let me ask that question again, I wonder if the average government which participates in the program, the Governors and legislature, understand the procedures we go through in the Congress to make an appropriation?

Mr. GORDON. I doubt it very much.

Mr. PASSMAN. I can understand then, why there could be some repercussions if they did not get this money immediately. I had a purpose in asking the question because I certainly recognize that there is a pressure drive on. If they do not understand our processes, I could see where there would be some room for alarm if we did not appropriate the money relatively soon.

I am going to yield to Mr. Taber while we are waiting for the files from downtown and before we get into some of the other matters.

Mr. TABER. I have only two or three questions.

ICA TECHNICAL ASSISTANCE PROGRAM

I do not know whether you know it or not, but this technical assistance administration has been a complete failure. Last year they spent 25 percent of their \$150 million appropriation for illegal purposes, in an illegal manner. If I were going to let you have money myself, I would be very squeamish about letting it go to that agency or to its successor if it had the same kind of people running it. I do not know what you have got to say on that, but I do not propose to be a party to that. I would rather just be a lone wolf, all alone against it, than to be for it and have it turn out to be a fraud like the other has.

Mr. GORDON. Mr. Taber, I would like to make one comment and ask Mr. MacPhail to make another. I do not know about the record of last year. I have seen, however, in the field, dramatic examples of very successful results from our technical cooperation program so I would find it impossible to agree that the program has been a complete failure. As to the use of funds last year in a particular country, Mr. MacPhail may have some observation.

Mr. MACPHAIL. I am not aware of the particular instance you cite, Mr. Taber.

Mr. TABER. We had nearly the whole ICA crowd up here and we could not get any answers out of them for a long time.

Finally, we found that they were running some schools. They told us where they were running them, and when they were running them. We sent people down to check upon the thing and found out that there was nothing going on at all and nobody was there. That was at a time when they were supposed to be there. That kind of business does not have any appeal to me at all.

Mr. GORDON. As you described it, sir, it does not have appeal to me, either. The kind of example I had in mind is the business administration school in São Paulo which I happen to know very well because most of the young Brazilians who are teaching there, I have had some hand in training myself. This school was set up with point 4 assistance and technical assistance from Michigan State University. It has already had adequate remarkable impact on business methods and business attitudes in this leading industrial city of São Paulo and I regard it as a dramatic success of this form of technical cooperation.

I have lived with these people.

Mr. TABER. I have looked to try to find something that was intelligent and forward looking in the whole picture.

Mr. GORDON. I cite you this as a very good example.

Mr. TABER. I haven't been happy about it at all. I never have been happy about it since it started.

Mr. MACPHAIL. Mr. Taber, if I may comment: As you know, we have some 6,000 people overseas and over 70 missions administering a TCA program, of an approximate level of \$150 million. I think we will all agree in terms of the discussion we have had around the table here, even with respect to the Latin American countries, many of which are relatively sophisticated in their governmental structures, that it is extremely difficult at times to work with them, to reach agreements which we as American citizens would want to reach. At times there are political reasons that you do have to reach an agreement, which is somewhat less than the perfect agreement we would reach as, let us say, between two Americans. There have been mistakes in the program but I think we can conclusively prove that over the years there have been far more successes than there have been mistakes. In terms of waste of the taxpayer's money. I only need to remain you there are 30 auditors from the GAO who are constantly auditing and reviewing our program.

Mr. TABER. If we undertake to go ahead and start this program—

PURPORTED DETAILED JUSTIFICATION OF INDIVIDUAL PROJECTS

Mr. PASSMAN. Excuse me, but is this what the messenger brought here?

Mr. JOHNSTON. Yes.

Mr. PASSMAN. You are dealing with a period prior to Bogotá.

Mr. JOHNSTON. Maybe they misunderstood you.

Mr. PASSMAN. Yes. They misunderstood. If this is what they brought, I do not think we can get the job done.

Mr. JOHNSTON. We need more time. We got on the phone and they tried to get up here.

Mr. TABER. If we are going to go ahead and spread ourselves out so thin, we haven't got the money in the Treasury and our taxpayers cannot be taxed any more than they are and have this a successful operation. I have great fears for the United States if we follow along through the spending program on top of what has already been spent. The books are filled up with it.

Frankly, I recognize that we have got to do some things to help these people. At the same time, when we get into this on such an elaborate scale, it almost makes you feel as if we have passed up entirely the responsibility of trying to help run the American Government in a way in which we would not be running behind all the time.

Plenty of us in this room have given of ourselves. Frankly, I have hung on here probably longer than I should because of the urge I had to see what I could do to maintain fiscal responsibility. I think that this country would have been better off if we did not get in so deep.

If you have got anything to say on that, all right.

Mr. GORDON. Sir, I can only say that obviously among patriotic Americans there are legitimate differences of opinion. I happen to have been involved myself very deeply, as I said yesterday, in the Marshall plan. I regard that as an extraordinarily successful venture on our part. I feel that there are very grave risks involved in this one but I am also convinced that the risks of not going ahead on this basis are very much greater than the risks of going ahead. This is unfortunately a world which is full of danger. I think that the dangers to the future of the Republic from sources outside our borders are very much greater than the dangers of any kind that I can see from within. I am very concerned, as you are, about our own fiscal and economic situation, but it is a fact that we have become a \$500 billion country, by far the richest in the world. I believe that we can find the resources necessary to do this without endangering our own internal economy and beyond that I feel that we must do so.

Mr. TABER. I do not think I have anything else to say right now.

Mr. PASSMAN. Thank you, Mr. Taber.

First, I think we should thank—

Mr. MACPHAIL. Mr. Chairman, may I comment briefly on this whole matter?

Mr. PASSMAN. Let us match to determine who comments first. I was going to make a statement. I believe we requested the information, so I want to thank the gentleman for the trouble that he has gone to in endeavoring to assist the committee. The first file, dealing, I believe, with the U.S. technical aid program, has arrived. This is one of them, I believe?

Mr. MACPHAIL. I haven't had a chance to look at them, sir.

Mr. PASSMAN. Have a look and pass it back, please, so we may discuss it briefly.

Mr. MACPHAIL. These five projects do form part of the rough data that we have had in on the basis of which we have included these projects in the presentation.

Mr. PASSMAN. These are similar to other files that will justify the appropriation; is that correct?

Mr. MACPHAIL. Yes.

Mr. PASSMAN. Do you realize you are dealing with projects here, and papers, that were worked up prior to the Bogotá Convention?

Mr. MacPHAIL. We do.

Mr. PASSMAN. And that you are dealing with projects here which were proposed for financing out of special assistance?

Mr. MacPHAIL. May I give you the background affecting these projects?

Mr. PASSMAN. You certainly may, if you answer my questions. You are attempting to justify this appropriation for a "new scope" to technical aid, separate and apart from the regular technical aid. Yet you are fortifying yourself, or attempting to do so, and to justify the appropriation, on projects created and financed out of other funds, including special assistance.

Mr. MacPHAIL. These projects were never proposed to be funded from special assistance as we now have it.

Mr. PASSMAN. You have on the sheet here that the U.S. contribution is in two parts: (a) Contribution from special assistance funds to be supplemented by GON and local community sources.

That is written right on the top of the page.

Mr. MacPHAIL. That is right.

Mr. PASSMAN. Let us not make it more confusing than it already is. It says this specifically. This is something that was copied 1 day after Bogotá. You do not work that fast on firming up contracts and projects, do you?

The next project:

(a) Total U.S. contribution of \$540,000 from special assistance funds would be required to complete the project in 3 years; \$180,000 for each fiscal year.

This was all entered into, and firmed up, even before the Bogotá conference.

Mr. MacPHAIL. There was nothing firmed up whatsoever on those projects. There were no agreements with the Governments. If the chairman would let me respond to this, I will do so.

Mr. PASSMAN. You are not going to have to defend this bill on the floor.

Mr. MacPHAIL. May I give you the background?

Mr. PASSMAN. I ask specific questions. We have been trying for 3 days to find out. You have no firm contracts or agreements on any part of the \$100 million, do you?

Mr. MacPHAIL. That is correct.

Mr. PASSMAN. Then, why should we sit here and waste your time trying to justify what you are going to do here with projects that you entered into out of a different appropriation; or that is you considered doing out of a different appropriation? You are working on old estimates that would have been funded, had you initiated these projects, out of a different bill altogether.

Mr. MacPHAIL. We are not working on old appropriations.

Mr. PASSMAN. Let us call it a current appropriation, not an old appropriation, but out of a different appropriation altogether?

Mr. MacPHAIL. At that particular time the administration was considering the utilization of a certain portion of special assistance funds which would be presented to Congress and justified to the Congress for a special Latin American program of somewhat more modest proportions. In late June the Coordinator of the mutual security program, Mr. Dillon, in his annual guidelines to the field governing the preparation of the 1962 program, requested the various missions

in Latin America to explore the possibility of projects in this social development field, in the broad nature and these projects were submitted in accordance with the request to the Coordinator of the mutual security program. They were never presented to the Congress nor were they intended to be presented to the Congress in that particular form.

Mr. PASSMAN. Why did you type them like that? You say specifically here that you would, and you use percentages and exact amounts.

Mr. MACPHAIL. That is the form required in our so-called E-1 sheets, of which that is an example, which the missions use to submit proposals and projects to Washington for review and for change or for omission, as the case may be.

Mr. PASSMAN. Is it correct to assume that you followed directions in establishing the criteria by which these projects would possibly be constructed or initiated at some future date? All of this happened prior to Bogotá, did it not? Would you tell us, yes or no? Did this happen prior to the Bogotá Convention?

Mr. MACPHAIL. These particular projects were submitted prior to Bogotá in accordance with some general specifications which ultimately emerged as quite similar to those at Bogotá.

Mr. PASSMAN. You answered my question. That is all I want you to do, because we are not trying to sell each other. We are trying to establish some facts here.

Now, then, did the plans call for requesting of the Congress an appropriation under ICA or mutual security in the fiscal 1962 bill?

Mr. MACPHAIL. These were never to be presented.

Mr. PASSMAN. What did you type them for, if they were not to be presented? Where were you going from here?

Mr. MACPHAIL. They were typed in the field in response to an early request respecting the 1962 proposed program, which never came into being. It was supplanted and replaced by the act of Bogotá so that these—

Mr. PASSMAN. That is exactly what we are saying, that you are expecting to substitute Bogotá for the very plans that you would have submitted to the Congress if there had not been a conference at Bogotá.

Mr. MACPHAIL. These are some of the projects that will be submitted in the same form here, or they will be explored in further detail with the countries.

Mr. PASSMAN. But they would have operated out of ICA, if there had been no Bogotá Convention?

Mr. MACPHAIL. If the coordinator had determined to request special authority within the "Special assistance" appropriation, which he did not; therefore, these particular papers have absolutely no value with respect to special assistance.

The executive branch never reached a decision on it.

Mr. PASSMAN. Let us deal with ICA. Somewhere along the way, had the plans materialized, and the recommendations at the several levels been approved, then you would have submitted these plans to the Congress to be financed out of some appropriation under the Mutual Security Act, or through ICA?

Mr. MACPHAIL. If in the development of the 1962 program the executive branch had determined that it would seek some special authorization to utilize special assistance projects similar to that probably

would have been included in the presentation. However, by the time those projects were submitted the situation in Latin America had changed to a point that the original proposal called for in the Coordinator's guidelines changed.

Mr. PASSMAN. Why, then, are you trying to show your case up with something that you now admit is obsolete, and with which you are trying to justify an appropriation?

Mr. MACPHAIL. Mr. Chairman, these particular projects which are here in rough detail and about which we have assured you again and again there has been no commitment, no contract, are still in our judgment, with changes and as brought up to date, worthwhile projects within the context of this presentation that you have here and we have indicated, Mr. Gordon has indicated, we are prepared to start with the first project, here, and go through them seriatim with you.

Mr. PASSMAN. I asked you for a specimen. You have submitted a specimen, and on that the committee will rest its case. You are now using what you now admit are nothing more than obsolete worksheets, something that has been in part abandoned, to justify this \$100 million appropriation.

Mr. MACPHAIL. These particular projects—

Mr. PASSMAN. I am not quarreling. Am I correct or not?

Mr. GORDON. No, sir.

Mr. PASSMAN. These are up-to-date worksheets?

Mr. MACPHAIL. May I—yes—

Mr. PASSMAN. Are these up-to-date worksheets, or are these obsolete worksheets?

Mr. MACPHAIL. These are worksheets which have been brought up to date in many instances through the following—

Mr. PASSMAN. Are these up to date that we are looking at here? Have another look.

Mr. TABER. There is "November 7" on one of them.

Mr. PASSMAN. "August" appears on some of them.

Mr. MACPHAIL. These projects in general do form the basis for the illustrative projects, which are in here. Now, in addition, some of them have been modified, based upon discussions here and in the field. We had a meeting with all the program officers in Latin America in Panama 3 weeks ago. These projects were under discussion. We have had subsequent discussions with our mission chiefs of our Ambassadors who have come in so that these form rough worksheets upon which these projects in here have either been based directly or modified. As I indicated earlier, we are prepared to go through each of these projects and discuss the amount of detail—

Mr. PASSMAN. You and I are going to have an understanding. You are attempting to justify an appropriation upon the basis of worksheets that you are now giving to us as a specimen by which to consider whether or not you could obligate \$50 million in funds if you should get them? Is that a statement of fact?

Mr. GORDON. I am afraid that cannot be answered yes or no, Mr. Chairman.

Mr. PASSMAN. Why can it not be answered yes or no? I have either made a statement of fact, or I have not made a statement of fact. I repeat: You have brought some 1960 worksheets, some of

them going back to August, with which you had proposed to acquire funds out of an ICA appropriation, special assistance or some other fund. Now you bring those worksheets, and you are using those in support of your statement of this morning that you could obligate \$50 million and that if you should get this money you would obligate it by June 30.

Mr. GORDON. These are the worksheets that describe the projects or proposals as they were on the dates indicated, some of which, as Mr. MacPhail has just said, have been further refined by discussions with our officers in the field.

Mr. PASSMAN. Where are the refined worksheets that we asked for 1 hour and 20 minutes ago? Do you have them?

Mr. MACPHAIL. We have not prepared what you would normally call a refined worksheet or an E-1 with all the details because we have not—repeat—not negotiated with the countries to the point we can have—

Mr. PASSMAN. If you have not negotiated with the country, and you have no agreement, no contracts, do you think there is any need, Mr. Taber, for us to proceed along this line, where we are working from a specimen?

Mr. GORDON. Mr. Chairman, what we were endeavoring to do, in response to your question before lunch, was to explain to the committee precisely what the status is of these proposals, some of which could be obligated in our judgment before June 30 of the current year. If you would give us an opportunity to describe to you precisely what the status is, I believe it would be very helpful to the committee in considering what action it should take.

Mr. TABER. There isn't any use to spend any time looking at those papers, Mr. Chairman.

Mr. PASSMAN. If we are all in agreement, strictly on the basis of trying to help each other, that you have no further justification other than obsolete worksheets, most of them typed—not all of them, however—prior to Bogotá, and that you have not entered into any agreement, you have no contracts with the recipient nation, but that is to come subsequent to the appropriation, we shall just go along from here and pick up some of the other items. If you want to insert any of this material in the record, without objection of the committee, you may do so.

Mr. TABER. What good would it do to put that in the record?

Mr. PASSMAN. I do not know that it will do any good.

Mr. MACPHAIL. Going into the record would be completely out of context with what we have explained, the background of these projects, the fact that we have not negotiated them and have no contracts outstanding on them.

Mr. PASSMAN. All right. We are in complete agreement that it is a blank check, and we have to trust you. If we do, we trust you; but please don't try to make black look white, or white look black. I say that respectfully.

Mr. MCPHAIL. We want to be as helpful as we can.

Mr. PASSMAN. I know, but you are not giving much help.

Mr. MACPHAIL. We would be prepared to go through the projects in here and give you insofar as possible the background, why they have the particular figures, what we think is good about them, and

what we think is bad about them, and what we would want to look at before we ever negotiated.

Mr. PASSMAN. What purpose would that serve when Dr. Gordon has already stated specifically, and to the point, that these are examples. They may or may not be followed. You may do it all, you may do 50 percent of it by this example, you may not do any of it. Do you think that we are going to sit here and be ridiculous and waste your time, when we have said over and over that these are examples that may not be followed at all, or they may be followed in part?

Mr. TABER. One of those sheets was a program for the planning of a school of some sort for \$540,000. It will cost \$2,700 a unit. It is supposed to take care of 500 classroom units by the end of fiscal year 1964, which is 3 years ahead.

That is going pretty strong. There cannot be any greater urgency for providing funds to take care of anything of that character.

Mr. GORDON. I think there is, Mr. Taber. The only way you can begin on a long-range program is to begin, and if you are going to have a program for building 500 classrooms at the indicated cost—

Mr. TABER. Five hundred units.

Mr. GORDON. Five hundred units, which will take a period of $2\frac{1}{2}$ years to complete, obviously you have to start it. If you are going to finish it in fiscal year 1964, you will have to start it very soon.

Mr. MACPHAIL. I would like to supplement Mr. Gordon's remarks that this country has a literacy rate of only about 40 percent. There are 300,000 children of elementary school age and only 34 percent of them are now in school. The program here, we think, is a pretty good proposal. It is quite good, we think.

Mr. TABER. It would take $2\frac{1}{2}$ years to do and my friend here, who is an engineer, tells me that it ought to be done in 6 months.

Mr. MACPHAIL. It could be done in 6 months, Mr. Tabor, if we wanted to do it under forced-draft construction.

Mr. TABER. You would not have to have that.

Mr. MACPHAIL. This is self-help school construction. This is done by the local communities by people who go out after they get through work and put up the building themselves with their own labor.

In this particular project, which has a proposed U.S. cost of \$540,000, you would have an equivalent contribution on the part of the government of the country of another \$540,000, plus a \$270,000 contribution by the local communities who want these schools in land and labor and local supplies. This is one reason that we have included this particular project in this list because we think it does represent both a national need of increasing the literacy and providing elementary schooling, and it does have a good component of self-help in it.

ALLOCATION TO PAN AMERICAN UNION

Mr. PASSMAN. Gentlemen, the present plans under this appropriation request call for an allocation of \$6 million to the Pan American Union; is that correct?

Mr. GORDON. That is right, sir.

Mr. PASSMAN. What is the present budget of the Pan American Union?

Mr. GORDON. I have that here somewhere, Mr. Chairman. The total budget of the Pan American Union, which is the executive arm of the Organization of American States, for fiscal year 1962—

Mr. PASSMAN. We are dealing with 1961, please. This is an appropriation that will be applicable to fiscal year 1961, is that correct?

Mr. GORDON. These funds, the \$6 million—

Mr. PASSMAN. No. You did not get my question. You are requesting \$6 million for the Pan American Union out of this appropriation request. What is the present budget of the Pan American Union for 1961?

Mr. GORDON. I have before me, sir, the budget for fiscal year 1962; if you want the budget for 1961—

Mr. PASSMAN. We want 1961, because this will be an appropriation applicable to fiscal year 1961.

Mr. GORDON. I shall have to get the budget for 1961.

Mr. PASSMAN. Does ICA have that?

Mr. GORDON. The total budget for the Pan American Union for the current fiscal year?

Mr. PASSMAN. Yes.

Mr. GORDON. We will get that, Mr. Chairman.

Mr. MACPHAIL. We do not have the total budget.

Mr. PASSMAN. While he is getting the figure, what appropriation did the United States make to the Organization of American States for the present fiscal year?

Mr. GORDON. I haven't got the amount because we have to have the budget for that.

Mr. PASSMAN. My question is: What amount did the United States appropriate to the Organization of American States under the technical aid program for fiscal year 1961?

Mr. MACPHAIL. I think it is \$1.3 million, sir.

Mr. PASSMAN. In this proposed plan, you are requesting an appropriation more than four times as great as the appropriation for this fiscal year for the Organization of American States; is that correct?

Mr. GORDON. That is right. It is for quite different purposes from those that they have used it for in the past.

Mr. PASSMAN. But you are requesting an additional appropriation, over 400 percent above the amount that the Congress appropriated last year?

Mr. GORDON. That is right.

Mr. PASSMAN. What does the United States contribute annually, in total, to the Pan American Union?

Mr. GORDON. I have the budget figure for 1962.

Mr. PASSMAN. Would you put that in later? We would prefer to deal with 1961. It is my understanding that you want to get this through so it will be made available in fiscal year 1961. If we get into future years on this, we could get it more complicated.

Mr. GORDON. May I give you the figure that I have now and we will be getting the other figure. The figure I have now concerns the budget for fiscal year 1962, which is a total of \$9,775,000, of which the United States contribution is 66 percent, or \$6,451,500. This will be requested under the Department of State's appropriation under the heading, "Contributions to international organizations."

Mr. PASSMAN. Are we dealing now with the future or the past?

Mr. GORDON. At the moment we are dealing with the future.

Mr. PASSMAN. Could we possibly deal with the present and past? You are going to accept the appropriation, you are going to start allocating applicable to 1961. If we deal with what is now before us, it would be better.

I am afraid we are muddling this up by placing in the record what appears to be an unreasonable request for 1962. It was \$1.3 million that the United States appropriated to the Organization of American States for fiscal year 1961.

Mr. GORDON. For technical assistance.

Mr. PASSMAN. For technical assistance. Now you are requesting \$6 million to the Pan American Union also for fiscal year 1961.

Mr. GORDON. That is right.

Mr. PASSMAN. What is the amount put up by the others in the Pan American Union for fiscal year 1961 already?

Mr. GORDON. We will have to get that when we get the budget, sir.

Mr. PASSMAN. Get what budget?

Mr. JOHNSTON. He is on the phone getting the budget figure.

Mr. PASSMAN. We are talking about something that was already appropriated and assigned to the fund.

Mr. JOHNSTON. Do you want it broken down?

Mr. PASSMAN. Give us the total. That is all right.

Do you think that would be an appropriate question dealing with this item?

Mr. GORDON. I am sorry, I do not have the item here.

Mr. PASSMAN. I understand that it would be impossible to get all that information. It would take a 10-ton truck to get it down here, if you should bring all of the material you have had dealing with this and related subjects. So you could not have all of it here. We understand that.

Mr. GORDON. What I do have, Mr. Chairman, is a description of—

Mr. PASSMAN. I do not think as fast as you do. Let us exchange pleasant visitations until we get that information. You would not purposely throw me off my line of questions, but if we get out on some other field we will be playing volleyball rather than basketball before we get through. Explain that, if you will, after we get that information.

Mr. TABER. Has that gentleman the information?

Mr. MACPHAIL. He has gone out to get it, sir.

Mr. PASSMAN. While we are waiting for that, the next question would be: What will be the amount of the contribution of the other members of the Pan American Union when or if we allow the \$6 million? As this has been on a matching basis in the past, what will be the contribution of the other members of the Pan American Union?

Mr. GORDON. The contribution of the other members will be to the budget of the Pan American Union.

Mr. PASSMAN. In what amount?

Mr. GORDON. That is the figure which you have just asked for, sir.

Mr. PASSMAN. That is dealing with 1961. Now I am dealing with this as a new item. You do not have this money yet. I am dealing with what they put up against our \$1,300,000. The next question, of course, is the amount that the other members of the Organization of American States would put up against our \$6 million. That is the question. Do you have that?

Mr. GORDON. For the purposes indicated for the use of the \$6 million, sir, this would be exclusively a U.S. contribution.

Mr. PASSMAN. No contribution by the other members.

Mr. GORDON. For these purposes, that is right.

Mr. PASSMAN. I do not see why we should be rushing into this when heretofore they have willingly put up their part. If we start picking up two-thirds, and in this case picking up 100 percent of it, I do not know where it will lead us. I do not think you have been able yet to spend what you received last year.

UTILIZATION OF \$6 MILLION ALLOCATION TO PAN AMERICAN UNION

Mr. GORDON. Would you like to explain, sir, what the purposes of the \$6 million are?

Mr. PASSMAN. You might as well, but that is not firm. There is no contract. This is still based upon what you hope you may spend it for. Is that correct?

Mr. GORDON. That is right.

Mr. PASSMAN. All right, sir. Take all the time you need.

Mr. GORDON. I can either read a paper or submit one for the record.

Mr. PASSMAN. We would prefer for you to read it.

Mr. GORDON. Very good. I will be happy to do so.

The specific fields of action for which the greatly strengthened economic and social arm of the OAS would have responsibility are as follows:

First, field investigations and studies, including such problems as agrarian reforms, housing development, education, and training, tax systems and administration, organization of national planning agencies.

Second, expert assistance to countries in the preparation of sound national development programs which emphasize institutional improvements, policies, and other self-help measures to stimulate growth, and priorities in public investment programs.

Third, action-oriented meetings of experts and high-level officials of Government to consider the results of the studies mentioned above.

Fourth, technical assistance to countries in the preparation of submissions for the annual consultative meeting of the Inter-American Economic and Social Council called for in section IV of the Act of Bogotá.

An estimate of the funds required for the activity noted above, based on a time period of about 18 to 20 months, that is, through calendar 1962, is as follows:

Under the first heading, field investigations and studies, seven studies averaging about \$185,000, for a total of \$1,300,000.

Under the second heading, assistance for programing, 18 countries averaging about \$200,000, a total of \$3,600,000.

Third, meetings I described above, 6 meetings averaging about \$80,000, \$500,000.

And fourth, assistance for the annual review advisory groups, 18 countries averaging about \$34,000, a total of \$600,000, for a grand total of \$6 million.

For these purposes, the United States may provide assistance under the terms of a general agreement with the OAS subject to the release of funds for specific activities in the fields indicated above.

That agreement does not now exist, as I indicated before. This is the plan.

Mr. PASSMAN. Certainly.

Mr. GORDON. Any funds made available to the OAS will be in the form of grants for specific activities and will not be used as general subsidies to the budgets of the Pan American Union or the other OAS agencies. The funds will be administered by the Pan American Union, which is the General Secretariat of the OAS, in accordance with policies approved by the Inter-American Economic and Social Council, which is being reconstituted at a high ministerial level.

The additional personnel needed to carry out the special investigations and studies and to provide the expert assistance to countries in planning and in preparation of submissions to the Inter-American Economic and Social Council would be employed for specific assignments on a consultant or contract basis. They would not be a part of the permanent staff of the Pan American Union.

Mr. PASSMAN. Thank you very much, Doctor.

Mr. GORDON. I have now the fiscal 1961 budget.

ANTICIPATED OBLIGATIONS OF ALLOCATION TO PAN AMERICAN UNION

Mr. PASSMAN. I think I had better comment on this just a little bit first. It could be expected that maybe none of these funds actually will be obligated during fiscal 1961, as you have to firm up these programs. It could very easily be that even though you had the money on a no-year basis, you actually would not obligate any of these funds during 1961.

Mr. GORDON. I think that is conceivable. I think probably if there were any obligated before June 30, it would be a very small proportion.

Mr. PASSMAN. I wonder how they could move over into the other technical aid part of the same appropriation and say that they could obligate 50 percent. I am just trying to associate the fact that you may not obligate any of this very small item, or if so, a very small part, and then your friend who is over on the ICA part believes that he can obligate \$50 million. Just as long as you see my point.

Mr. GORDON. Yes, I do.

Mr. PASSMAN. I think you understand that we are trying to be consistent about this—

Mr. GORDON. Certainly.

Mr. PASSMAN. Now do you want to give us these figures?

Mr. GORDON. Could I answer this last question, please, sir?

Mr. PASSMAN. What was the question?

Mr. GORDON. Why it is that I think the proportion of these funds that could be obligated before June 30 would be very much less than the proportion of ICA funds.

Mr. PASSMAN. I think you said it may not be any of them but, if so, a very small part. I am sure you are going to have some reason. May we hear it?

Mr. GORDON. Certainly. The reason for this is that the commitment of these funds to particular projects under these four headings does require the guidance of the Inter-American Economic and Social Council. The Inter-American Economic and Social Council has been in the past a rather inadequate body operating at a medium

official level here in Washington throughout the year. Its role in the whole field of development programing was reviewed at Bogotá, the same conference, and in chapter IV of the act of Bogotá, which is in our presentation book, you will see reference to reorganizing that Council, greatly strengthening its staff, and giving it the kind of functions which I have described here.

Now, the timing of the first meeting of that at the ministerial level has not been decided yet, our guess is that it will be in the spring. It will depend partly on the timing of action by the Congress on this request which is now before you. But as a result of that, I do not think that more than a very small proportion, if any, of these funds would in fact be committed against specific contracts of this kind during this fiscal year.

Mr. PASSMAN. Would this fall within the "new scope" of the Pan American Union activities, or would it be a continuation of present activities?

Mr. GORDON. No, sir; this would be new.

Mr. PASSMAN. This would be a new scope of activity?

Mr. GORDON. Very much so.

Mr. PASSMAN. The same as the "new scope" of activity under the technical aid program we have been discussing and which will be administered by ICA?

Mr. GORDON. I would say even more.

Mr. PASSMAN. Do you think there would be any great harm done if this should be postponed for a little closer scrutiny? We are considering an increase of more than 400 percent.

Mr. GORDON. Mr. Chairman, I think the important thing here is that there be enough funds so that when this ministerial level meeting takes place they can lay out a program along these lines in detail and know something about the kinds of resources which will be available.

Mr. PASSMAN. If you attempted to fix a percentage of duplication, since this is a technical aid program, and you have mentioned housing, I believe, in your brief résumé, how much duplication would there be of the many other technical aid programs now in effect and which will be put into effect if you get this appropriation in Latin America?

Mr. GORDON. I would expect these activities not to duplicate any existing activities.

Mr. PASSMAN. You are dealing with some of the same subject material, though, are you not, such as housing, and so on?

Mr. GORDON. Yes.

Mr. PASSMAN. Do you think people can work on these same types of projects without getting into some arguments? It has been evident in some instances that U.N. technical aid assistants were just a little bit jealous of the activity of the U.S. workers in the same field.

Mr. GORDON. This is not the same thing as the kind of technical assistance given in the field for specific types of building projects, for example, in the housing field, which is involved in the other program.

Mr. PASSMAN. Doctor, it has been established that under the U.S. technical aid program alone there are about 1,500 of those projects. Then, if you add the U.N. technical aid and this Organization of American States technical aid, how in the world are you going to find

new projects? How many projects or programs could be initiated? So many of these projects have been started and then abandoned because it was discovered that in cases where they should have started 20, for example, they started perhaps as many as 400.

(Off the record.)

Mr. PASSMAN. Do you envision this tremendous increase in this little item getting this organization out from under control?

Mr. GORDON. I do not.

AMOUNT OF CONTRIBUTION OF LATIN AMERICAN COUNTRIES TO OAS

Could I give you the fiscal 1961 figures?

Mr. PASSMAN. Please do, yes. The amount that is contributed by other members of the union.

Mr. GORDON. I have the total, and then the amount from us and the amount from them.

Mr. PASSMAN. The amount from us is \$1,300,000 in fiscal 1961. Give us the amount of the other nations.

Mr. GORDON. Excuse me, sir. But I understood the question to be, and the answer I have here is, the total budget of the OAS-Pan American Union.

Mr. PASSMAN. But first I believe you were supposed to tell us how much they put up on technical aid to match our \$1,300,000. Are we going to carry that in brackets?

Mr. MACPHAIL. Is this not the total budget of the OAS which is funded out of the State Department appropriation for contributions to international organizations?

Mr. GORDON. That is right.

Mr. MACPHAIL. This is the figure for that. Then there is, in addition, as I understand it, the U.S. contribution for technical assistance of \$1,300,000.

Mr. PASSMAN. We are dealing with that figure. We can close this briefly. You have \$1,300,000 for technical assistance. What did the member nations put up for the technical aid part of it?

Mr. GORDON. That is the other part.

Mr. PASSMAN. Let us keep them in brackets.

Mr. GORDON. They put up 30 percent of the total amount.

Mr. PASSMAN. What amount would that be?

Mr. GORDON. We put up 70 percent and they put up 30 percent, so theirs would be three-sevenths of ours. If ours is \$1.3 million, theirs would be about \$557,000.

Mr. PASSMAN. Let us move on now to the second category.

Mr. GORDON. On the general budget, the total in the current fiscal year is \$8.3 million.

Mr. PASSMAN. Where did you get that? You are talking about State Department appropriation now, are you not?

Mr. GORDON. That is right.

Mr. PASSMAN. We might as well mix it up. It will be a good "mulligan," anyway.

Mr. GORDON. Of this \$8.3 million, the U.S. contribution is \$5.5 million, and the other members, the Latin American members, contribute \$2.8 million.

Mr. PASSMAN. Would you distribute the \$6 million in both the items here, or would it be strictly technical aid?

Mr. GORDON. It would be separate from either of the present items.

Mr. PASSMAN. That is not a responsive answer. It is going to be for some type of technical aid that will come within this "new scope."

Mr. GORDON. That is right.

Mr. PASSMAN. Then, are you going to spend the entire \$6 million in this "new scope" of technical aid, diversified as it may be, or are you going to split that up?

Mr. GORDON. No, the \$6 million will be spent within the kinds of limitations that I described here, not in hiring people for the general activities of the OAS.

Mr. PASSMAN. It will be for technical aid as such, under the "new scope" formula?

Mr. GORDON. Technical aid of the kind which does not now exist; that is right, yes.

Mr. PASSMAN. You mean you hope that it does not now exist. You really would not care to wager your savings on that, would you?

Mr. GORDON. My belief is that it does not now exist.

Mr. PASSMAN. Your belief is in the record. Let us respect your belief. But if you check the record, you may want to do a little correcting. We established last year that there was duplication. I thought then that they had brought into the program every imaginable project. If you can come up with a new list they have not thought of before, then I am going to salute you.

To close this part of the examination, the other members of the Organization of American States are not putting up any money to match the \$6 million that we are contributing?

Mr. GORDON. That is right.

Mr. PASSMAN. It is a one-way street this time.

Mr. GORDON. That is right.

Mr. PASSMAN. Thank you, gentlemen.

THURSDAY, MARCH 23, 1961.

Mr. PASSMAN. The committee will come to order.

VETO POWER OF THE U.S. DIRECTOR OF THE BOARD OF THE BANK

Dr. Gordon, if I recall correctly, in your earlier remarks you stated that the Board of Directors of the Inter-American Development Bank, or those administering the trust fund, was comprised of seven; six representatives of the Latin American countries and one from the United States.

Mr. GORDON. Yes.

Mr. PASSMAN. The six Latin American representatives, together, could cast 60 percent of the total vote, and our representative 40 percent?

Mr. GORDON. Yes, approximately. It happens to be just under 60 and just over 40, but substantially that is right.

Mr. PASSMAN. At a later point in the hearings, something was said about requiring a two-thirds vote to approve a project which maybe was not acceptable to our representative.

Mr. GORDON. That is right. All projects under this trust fund require a two-thirds vote to be approved.

Mr. PASSMAN. It would never be two-thirds, then. It would be 40 percent, or zero.

Mr. GORDON. I can easily imagine a situation where we would be in favor and some of the Latin Americans would be in favor, and in that case it might be 70-30.

Mr. PASSMAN. Are you speaking of the number of votes the individuals have, or would it be two-thirds of the seven individuals?

Mr. GORDON. Two-thirds of the weighted votes.

Mr. PASSMAN. At no time will you vote on the basis of two-thirds, or a majority of the seven? In every instance it will be on the basis of the 40 plus the 60?

Mr. GORDON. Exactly.

Mr. ANDREWS. That simply means this country can deny any project?

Mr. GORDON. Yes, sir.

Mr. PASSMAN. It would be stated more clearly if we should just say that we have veto power as long as our representative casts his vote in the negative.

Mr. GORDON. Exactly.

LACK OF FIRM, DETAILED PROJECTS

Mr. TABER. How many of these projects do you have that have already been processed?

Mr. GORDON. Mr. Taber, none have been processed in the sense of having been negotiated to agreement or contract, because, as I pointed out yesterday, we have had no authority to do that. They are in varying stages of discussion.

In view of our discussion yesterday afternoon, and the chairman's suggestion to us we might supplement the record with a statement on the status of these various projects, we have prepared a paper which is being typed at the present time which we would like to file as an annex to the record if we can.

Mr. PASSMAN. It will be submitted to the committee. We do not want to go behind the testimony of yesterday. You submit it to the committee, and the committee will decide whether it will be put in the record. You were using a lot of obsolete forms yesterday in attempting to justify this request, worksheets that had been prepared prior to the Bogotá Conference. We are not going to have you offset your direct testimony of yesterday, but you may submit the statement to the committee, and the committee will decide. Then, if it is necessary, we will hold additional hearings.

Mr. TABER. If that schedule is what I expect it might be, it might be the committee would want to ask some questions about it. We are being asked to buy a pig in a poke anyway. You have nothing here today we can operate on, have you?

Mr. GORDON. Mr. Taber, what this paper consists of is simply an elaboration on the material already submitted to you in the presentation giving more information about the exact status of these various proposals.

I understood the committee would like to have this.



Mr. PASSMAN. Why do you have to now go out and create new support of your position? Why did you not come prepared in the beginning?

Mr. GORDON. Mr. Chairman, I gathered from some of the questions yesterday you did want supplementary information, and that is why we prepared it.

Mr. PASSMAN. What you said was an example of what the project could be, and also that you might not carry out the examples. You might abandon them in their entirety, and something else might be substituted for them. You may elaborate as much as you please. You could not pinpoint one single project that has been firmed up to the point of a contract or an agreement, or give the positive estimated cost, including the first allocation and the ultimate cost.

Is that correct?

Mr. GORDON. That is right.

Mr. PASSMAN. That is all we need for the record.

So, we must consider it on the basis of sympathy, rather than facts. We do not have any facts.

Mr. GORDON. Let me suggest we give you the paper and you consider whether it would be helpful if it should be in the record and let us know what your decision is.

Mr. PASSMAN. Just so we have an understanding that this is a departure from established procedure. If we have reasons for it, we shall consider it on that basis.

You cannot make black white. I am not saying you are trying to do so, but black is not white.

Mr. GORDON. I agree with that. I had the feeling a good many of these are in what I call a gray condition, in between black and white. They are not completed projects, but they are not just blue sky, and it was an endeavor to indicate to the committee how they stand, how black and how white.

Mr. TABER. Frankly, I do not understand how you came here with the idea the committee would not want any information at all on the subject of what this was going to be.

LEGISLATIVE AUTHORITY FOR CREATION OF INTER-AMERICAN BANK

To what extent has the organization of this Bank that you have set up been approved by legislative direction?

Mr. GORDON. Completely, Mr. Taber.

The Bank agreement was negotiated in 1959, and there is a statute, of which I can get you the name and the date, which approved the American membership in it and authorized the necessary appropriations for it.

Mr. TABER. I thought you told us yesterday this Bank was set up way back before the turn of the century?

Mr. GORDON. No, Mr. Taber.

Mr. Berle was referring to proposals for such a bank going back to that time. I have the citation here. It is the Inter-American Development Bank Act of August 7, 1959.

Mr. TABER. Have you submitted to the committee the language that you want us to consider?

Mr. GORDON. Yes. The appropriation language is printed in the presentation book at the very beginning.

Mr. TABER. Which book is that?

Mr. GORDON. The unclassified blue book, and it is the simple appropriation language—

for expenses necessary to carry out the provisions of sections 1 and 2 of the act of September 8, 1960 (74 Stat. 869D) \$500 million to remain available until expended.

It is under the tab "Program objectives and summary."

It is simply that one sentence, Mr. Taber.

The legislative language is in the act approved on September 8 of last year, so this is simply the appropriation language.

TRUST AGREEMENT WITH INTER-AMERICAN BANK

Mr. TABER. You have negotiated with the different countries the matter of a proposed agreement?

Mr. GORDON. We have negotiated that with the management of the bank itself.

Mr. TABER. The management of the Bank?

Mr. GORDON. That is right, and they in turn have submitted the draft to the board of the executive directors, and they have the approval of the board of executive directors. This is subject on our side to the appropriation, and subject on their side to the approval of the Board of Governors, which is the highest authority in the Bank.

Mr. TABER. What about the beneficiaries?

Mr. GORDON. The beneficiaries will only get money after the negotiation of specific loan agreements pursuant to the trust agreement between the Bank and each individual beneficiary.

The trust agreement is simply the agreement which would establish this trust fund and would provide for the Bank's administration of it.

Mr. TABER. There never has been any such operation as this, and on as large a scale as this, in the foreign relief operation down to this time.

Mr. GORDON. I would respectfully suggest that the very, very much larger program for the assistance to the recovery of Europe was also an exception.

Mr. TABER. No, because there the thing was developed by the committee. The committee started hearings and we found they did not have anything, and after we got going 3 or 4 days it got so bad we could not find out what the picture was and we had to start in on them; what program there was worked out in the committee and we had hearings on it for 2 months. I went through that period. It was not a joyride, but it was the only way we could get any facts to tie to.

This has come in in just about the same shape as the 1948 request came in. Frankly, I want to see this in shape so I can justify any action I take. If I go into anything of this kind the way it stands now, it would be just a guess, and not an intelligent guess. That is the situation I am in right now.

I would like to see the thing done in such shape the legislative representative can have some kind of a picture of what this is all about. I do not have any at the present time.

In the other case, we went right through the thing from beginning to end and they submitted for the record each country and what they

wanted. They did not do all the things, but we covered all they did do. That is the history of it.

I would like to see this in as good shape as that before I cast a vote on it, either for or against. We are not getting it that way.

I do not know what the powers that be are planning to give us, but if this is a sample, what we have had this week, it does not satisfy me at all.

Mr. GORDON. I am sorry, sir. We have endeavored to describe the situation as fully as we can.

Mr. TABER. Maybe you are not far enough advanced with your operation to where you should come here.

Mr. GORDON. As we said the other day, the problem is to break into a vicious circle and we believe the only way to do that is to proceed along the lines we have suggested.

Mr. TABER. I can see where this would not only leave a very unsavory taste in the mouth of a great many of the members of the committee, but of the Members on the floor.

Mr. GORDON. May I only say, Mr. Taber, the situation in Latin America leaves a very unsavory taste in the mouths of almost everyone.

Mr. TABER. You could have said that about the European situation 13 years ago. They asked us to put the thing through without any hearings, and without knowing anything about it, but when they found that the committee wanted to know what it was all about, as far as it was possible for them to, that was developed and presented.

That may not be the way to do things.

I have found it is almost impossible to turn over to the Executive the powers to handle such large volumes of funds without any legislative strings tied to them. We need to have a pretty definite understanding when they change their program on a lot of those things.

Here there seems to be nothing. We are just turning a great block of money over to a bank, and another \$100 million over to the ICA to whom the committee was exceedingly liberal last year, and they have already transferred \$200 million of what was in the nature of appropriations to the defense support setup. That leaves us where it looks as though the ICA would have plenty of money to do whatever it might reasonably be asked to do.

I know the committee was exceedingly liberal with them.

The difficulties of administration do not leave the committee in very good shape to take action on your proposals, or to present them to the Members on the floor. That is about what I have to say, Mr. Chairman.

LACK OF FIRM AGREEMENTS FOR COUNTRY PROGRAMS

There have not been any agreements with the other countries and the Bank to this point, have there?

Mr. GORDON. Not with respect to individual projects; no, sir.

Mr. TABER. Thank you. That is all.

Mr. PASSMAN. Would that fact apply also to the money requested which will be administered by ICA?

Mr. GORDON. No firm agreements with the individual countries.

Mr. PASSMAN. You would have the same answer for the \$100 million for ICA that you had for the Bank. Would that be equally true also for the Pan American Union, the \$6 million request?

Mr. GORDON. Yes, sir.

Mr. TABER. Have the other countries completed the actions they have to take on the formation and composition of the Bank itself?

Mr. GORDON. Yes. The Bank is a going institution, sir, and the other member countries, except for the Dominican Republic, have all contributed their first installments on schedule just as we have.

Mr. PASSMAN. Will the gentleman yield?

Mr. TABER. Yes.

Mr. PASSMAN. You are referring now to a different program altogether, are you not?

Mr. GORDON. I understood Mr. Taber's question to be about the Bank as an institution. Yes.

Mr. PASSMAN. It would not apply to this program in any way, shape, form, or fashion?

Mr. GORDON. Not to this trust fund.

Mr. TABER. This legislation setting up the Bank and putting it in position where money could be appropriated to it—

Mr. GORDON. The Bank itself is a going concern.

Mr. TABER. It has been approved?

Mr. GORDON. All member countries have ratified it. It is a going concern. We ratified it in effect through this statute which is before you.

Mr. PASSMAN. If the gentleman will yield.

Mr. TABER. Yes.

U.S. DIRECTOR ON BOARD OF DIRECTORS OF INTER-AMERICAN BANK

Mr. PASSMAN. We have a Director assigned to the Bank at present.

Mr. GORDON. Yes, indeed.

Mr. PASSMAN. What is his name?

Mr. GORDON. Robert Cutler.

Mr. PASSMAN. The same person who will be representing us on the trust fund is now a member of the Board of the Bank?

Mr. GORDON. Yes, the same Executive Board would be responsible for making the individual decisions under this trust fund as under the going operations of the Bank.

Mr. TABER. I think that is all.

Mr. PASSMAN. Mr. Natcher?

Mr. NATCHER. Dr. Gordon, since the opening statements on Monday, March 20, in justification of the inter-American program for social progress a number of questions have been asked by the members of the subcommittee concerning this matter.

You know the position that the committee has taken in regard to certain requests and I am just wondering if you have any observations that you would like to make at this time? Not pursuant to direct questions, but concerning this program. If you do, Dr. Gordon, I would like to have your proceed.

Mr. GORDON. Thank you very much.

URGENCY OF ICA ALLOCATION

I would like to make three points if I could. The committee has obviously been very much concerned with the question of the relationship between the ICA portion of this fund and the Bank portion. I hope that the testimony is made clear that the education and training and public health activities which are assigned for responsibility to the ICA are just as much an integral part of the Bogotá program as are the projects in the field to be administered by the Bank, which is in the land use, the housing, and the water and sanitation fields.

Indeed, if I were to establish priorities myself as to the areas which are most pressing from the political and social point of view, I would single out the agricultural and land use thing on the one hand and the education and training on the other.

The problem of mass education, the illiteracy, and the problem also of the right kind of vocational training so that these people can improve their productivity is one of the most important and really pressing problems in Latin America.

It is politically important, too, because this desire for educational opportunity for children is a very deep one. Masses of the people in many of these countries have been frustrated in this and of course it is a way of giving hope for improvement in the next generation even if for the present generation there isn't really very much hope in their present conditions.

Fidel Castro incidentally, has recognized the political appeal of this particular thing and as you know, he has talked about making this a year of education or the year of education in Cuba. Obviously, getting a decent educational system is not a 1-year job. It takes a lot longer than 1 year.

IMPORTANCE OF FULL \$500 MILLION APPROPRIATION

Secondly, I would like to say something about the significance of the \$500 million figure. Mr. Gary asked a couple of questions of several of us yesterday concerning this. The chairman asked whether people in Latin America generally understand the complexity of our own legislative procedures. I think it is fair to say that, except for a very small number of people who have lived in Washington in embassies or working with the International Monetary Fund or the World Bank, neither the man in the street nor the generally well-informed man in Latin America understands our procedures; perhaps no more than we understand the complexities of the legislative procedures of Colombia, Peru, Brazil, or any of the other Latin American Republics.

Now the \$500 million figure has come to achieve a very great symbolic importance in Latin American minds. The act of Bogotá itself mentions no figure. It simply talks about the offer of the United States to establish this social fund and then describes in detail the purposes for which it would be used.

Nonetheless, I think it is a fact all over the southern part of this hemisphere that this is regarded as almost an accomplished fact. It is, of course, a mistake so to regard it, but it is a fact of life that it is so regarded.

If the Congress fails to appropriate this amount, I think it will have a quite serious political and psychological letdown effect. It will be the occasion for charges once more, and we have heard many such charges, that the United States talks with great enthusiasm with respect to its interest in Latin America and its interest in this hemisphere, but when it comes to action, it is slow or halfhearted; in effect, too little and too late.

I think it is very important for us that we avoid charges of that kind.

This is one reason that the duration of this is open. We believe that the administrative machinery that we have proposed here will see that these funds are spent only efficiently, economically, and in conjunction with the right kind of self-help measures and the institutional reforms which are connected with the individual projects.

We have said repeatedly that we cannot predict the precise pace at which these funds will be expended and that is for those reasons. We have also said that this is contemplated as a first installment and that if the program is successful that we expect that the executive branch will be back, we guess probably during 1963 at some time—that is the best estimate we can make at the present time, about 2 years hence—for a further installment. By the nature of the program, what the amounts will be that will be requested at that time I do not know. The purposes I believe will be precisely the same purposes that we are talking about at the present time.

ESTIMATE OF DURATION AND TOTAL COST OF PROGRAM

Mr. ANDREWS. If the gentleman will yield, right at this point, Doctor, could you give us your best estimate as to what this program will cost and how long it will last?

Mr. GORDON. The total program—

Mr. ANDREWS. If you accomplish all the things you have set out to accomplish, if you achieve all the goals that you have in mind now at the beginning of this program, I would like for you to tell us your best estimated guess as to the duration of the program and the total cost to the U.S. Government.

Mr. GORDON. Well, sir, as to duration, as you know, the President in his speech, which preceded the message requesting this appropriation, talked about an alliance for progress lasting over a decade.

Mr. ANDREWS. That answers one of my questions.

The second question: In your opinion what will this program cost over a period of 10 years?

Mr. GORDON. The alliance for progress of course includes not only this program for social progress, which we are talking about today, but also assistance to Latin American economic development through hard loans from the Export-Import Bank and through soft loans or nonhard loans for economic development through either the DLF or whatever new agency may be set up.

Mr. ANDREWS. Just so the money gets there.

Mr. GORDON. Yes.

With respect to the social part, and this is purely a personal guess—

Mr. ANDREWS. That is all I am asking for. You are an expert in this field, and I want to know your best estimate as to the overall cost for the total program lasting over 10 years.

Mr. GORDON. The crystal ball is extremely cloudy and 10 years is a long time. I would expect that if this is successful and if the funds we are talking about here get committed over a couple of years, that for several years more funds for these purposes in these kinds of magnitudes would continue to be required. I would expect it to taper off and taper off rather sharply before the 10-year period is over because the nature of this animal, as I think I tried to make clear in response to a question of Mr. Rhodes the other day, is not for us to get involved in a permanent maintenance sort of operation, but to get institutions built up, to get productivity improved, so that countries can then continue to get these things accomplished out of their own resources.

To put a figure on this over the 10-year period, I must say I find very difficult.

I haven't made calculations and I really do not know what my guess would be worth. If you want me to make—

Mr. ANDREWS. That is all I am asking. That is all you can give.

Mr. GORDON. Well, sir, I would guess for these particular purposes over the 10-year period that something in the neighborhood of $2\frac{1}{2}$ billion or so might be indicated. That is a rate of \$250 million a year.

I would expect it to start a bit smaller, to get a bit larger in the middle and to taper off toward the end.

Mr. ANDREWS. The answer to my questions as to how long, in your opinion, this program will last and what will be the total cost, and you are giving your opinion only, is that it will last 10 years and cost approximately \$2 $\frac{1}{2}$ billion.

Mr. GORDON. Yes, sir.

Mr. TABER. Is that cost the limit as to what is expected to be done here in this particular territory that we have been talking about this week?

Mr. GORDON. That has to do simply with this area that we have been talking about this week and of course this is no promise on my part.

This is merely a guess, based on the shape of the thing so far as I can see it at the present time.

I hope I made it clear that this is purely a guess.

Mr. ANDREWS. That is all we can expect, Doctor. This \$2 $\frac{1}{2}$ billion figure does not include what will be spent under our regular DLF program or the ICA program, as we have known them for the last 5 years?

Mr. GORDON. DLF, no. With respect to ICA, there are certain technical assistance activities of ICA in fields other than these.

For example, in improving industrial productivity. These are very small.

Mr. ANDREWS. Your opinion of \$2 $\frac{1}{2}$ billion has to do with only this program that we are considering here now?

Mr. GORDON. That is right.

Mr. PASSMAN. If the gentleman will yield.

Mr. NATCHER. I yield.

Mr. PASSMAN. Would you also advance the same type of guess as to the total cost of all programs with respect to aid to Latin America within the next 10 years?

Mr. GORDON. Mr. Chairman, I really do not have a basis for that.

Mr. PASSMAN. Did you have any basis for the guess you just made?

Mr. GORDON. I have—

Mr. PASSMAN. I believe you said you did not have, or did I misunderstand you? If you want to advance a guess on one phase it appears you might also be able to advance a guess in terms of the total cost.

We must think in terms of the total cost of the program, rather than merely one small part of it.

Mr. GORDON. Mr. Chairman, the responsibility for the economic development part of this program is in other hands. It will be submitted to you as a part of the bill that the administration will be submitting in due course, pursuant to the President's message of yesterday and it seems to me that it would be much better to let the people responsible for that make guesses in that field than it would be for me to try to do so.

Mr. GARY. Will the gentleman yield?

Mr. NATCHER. I yield.

NEED FOR FURTHER AUTHORIZATION

Mr. GARY. No more than \$500 million can be spent without further authorization from the Congress and further appropriation; is that correct?

Mr. GORDON. That is right, Mr. Gary.

Mr. GARY. This particular program we are discussing now has only been authorized to the extent of \$500 million?

Mr. GORDON. Yes, sir.

Mr. GARY. And it cannot be extended beyond that without further authorization and without further appropriation?

Mr. GORDON. Yes, sir.

Mr. PASSMAN. If the gentleman will yield.

Mr. NATCHER. I yield, Mr. Chairman.

Mr. PASSMAN. Those of us who have read the presentations which were made to obtain an authorization, and who have read the statement of the chairman of the Foreign Affairs Committee on the floor of the House about this matter, are of the opinion that they obtained an authorization from the weakest type of justifications. The justification being presented for an appropriation is certainly no stronger.

Would it follow that notwithstanding the fact that you have an authorization for only \$500 million, it could conceivably be true that when you get this program started you might have only about 20 percent of the projects completed; and that then we would be in position where we would have no alternative but to pass a new authorization and make an additional appropriation?

Mr. GORDON. I do not think so, Mr. Chairman.

Mr. PASSMAN. If you go into Latin America for the sole purpose of helping those people in social reforms or with schools, and you take this \$500 million and you get this program advanced about 20 percent,

to the point that they see new hope for a new day and new progress, would that not give you more encouragement for a new authorization, beyond the blanket request made last year?

Mr. GORDON. Of course, Mr. Chairman, if it is successful, I said it was only a first—

Mr. PASSMAN. Let us say that it is successful. As far as I am personally concerned, however, let us not leave the committee under the impression that this is a one-time shot. You have said over and over, in fact, that this is not a one-time shot.

Mr. GORDON. That is right.

Mr. PASSMAN. Under this authorization you could spend only the \$500 million, but if this is successful in the eyes of the Board and it is only 12 percent completed, it is only natural that you would come in for new authorization and new funds; is that correct?

Mr. GORDON. It will have to be successful not only in the eyes of the Board, but in the eyes of the authorizing committees and in the eyes of this committee and the Senate Appropriations Committee.

Mr. PASSMAN. That has not always been true with respect to this committee.

Mr. GARY. And the eyes of the Congress as a whole.

Mr. GORDON. That is right.

Mr. PASSMAN. I am not going to get into an argument with my colleagues or the witnesses, either. But I do want to repeat, reading the authorizations or the justifications, I do not see anything but just the fact it was based upon faith and assurances that it will be well handled. This process will be a complete departure from the assurance given by the chairman of the Committee on Foreign Affairs as to how it would be handled.

I think we agreed this morning that you cannot make black white, but there is a gray field that we have to deal in, kind of a mingling of faith and confidence, but not justifications. I think it would be my responsibility as chairman of this subcommittee to keep the record straight that you have been consistent all the way through that if it is successful then you would come in again for additional authorization and additional funds.

Mr. GORDON. That is right.

Mr. PASSMAN. And this time you have no firm justifications for the money, but in all probability you will get funds. It would only follow that you will have a stronger case next time, if you have the projects underway.

Mr. GORDON. Mr. Chairman, I think obviously next time there will be a record of experience to put before you. Since we are proposing to start a new program, we naturally have no record of experience.

Mr. PASSMAN. And you expect that it will be successful?

Mr. GORDON. Yes.

Mr. PASSMAN. And you would expect additional appropriations?

Mr. GORDON. Yes.

Mr. NATCHER. Do you have any additional observations to make at this time in justification of the amount requested?

NEED FOR IMMEDIATE APPROPRIATION

Mr. GORDON. I did want to make a third point, Mr. Natcher, if I may. That has to do with the problem of timing. We have re-

quested this, as you know, as a supplemental appropriation for fiscal year 1961, and we have done this because we feel that it is extremely important to maintain the momentum which was started with the Conference of Bogotá and the action by this Congress just on the eve of the conference at Bogotá and which has been sustained by the President's statements in his inaugural address, in his state of the Union message, and then, of course, in the speech to the Latin American community here of last week and the message to the Congress requesting this appropriation.

As the evidence in the book has indicated, there are a number of countries where the right kinds of self-help measures to go along with projects in this field are actually underway, so that there are proposals which can be negotiated very promptly. Our feeling is that prompt action, first by the Congress and then by the administering agencies, to start the implementation of some of these projects in the better cases, will set a very important example for countries where legislation is pending in their congresses or the political forces are rather evenly balanced; will show that we mean business; will show where the right kind of self-help measures are being taken the outside resources can be found to complement them and get real action, transform some of these hopes into reality so that this example may then be followed by some of the countries where action is proceeding more slowly.

That is why we feel that action at the earliest possible time would be highly desirable.

Mr. NATCHER. Mr. Berle, as you well know, since the opening statements on Monday, March 20, a number of questions have been asked by members of the subcommittee concerning the amounts requested for the inter-American program for social progress.

I am just wondering if you have any additional observations to make in justification of this program, Mr. Berle, not in direct answer to questions, but observations that you might make that would help the committee in deciding this matter.

Mr. BERLE. Mr. Congressman, I think the position is fairly clear. I have only a couple of observations to make.

I think I can understand the concern of the committee for the start of a program which, if successful, unquestionably would need to be continued for a certain period of time. All this concern would, I think, be not only entirely justified, but what I myself would probably think if I were on the other side of the table today.

It is clear we are in for some developments in Latin America, and these developments may be dramatic. It is also obviously essential that the dramatic developments should be in the interest of the kind of world we hope to construct rather than the kind of world that some of our overseas "friends" are trying to construct. I do not go into it with more detail because anyone who reads any morning newspaper knows exactly what is going forward; that these developments can be swift and widespread is unhappily the fact.

I would prefer not to go into the names of the various situations for the record here. If you wish, off the record, I would be glad to discuss it.

Mr. TABER. Let it go off the record.

Mr. PASSMAN. Certainly. Off the record, if that is the way you prefer it.

(Discussion held off the record.)

Mr. NATCHER. Mr. Berle, do you have any additional observations to make at this time?

Mr. BERLE. I think not, though I will be glad to answer any questions.

Mr. NATCHER. That is all, Mr. Chairman.

Mr. PASSMAN. Thank you very much, Mr. Natcher and Mr. Berle.

AID TO CHILE

There is one Latin American country, Chile, with a population of, I believe, 7½ million people. Our total aid under the so-called mutual security program as of June 30, 1960, amounted to \$109,372,000, and in all probability before the sun sets today we will have considered another \$100 million outright grant to our good neighbor.

I wonder, with these large outlays of cash, helping our friends in Chile, if you see any major improvement in that country over and above what they had prior to these tremendous gifts?

Mr. BERLE. I do. That is one thing I can state. I have known Chile in days when its condition was less favorable than it is today and when in my judgment the prejudice to U.S. relations threatened even more than it does now, and that was at a period when our oversea "friends" had not undertaken to get in there.

Mr. PASSMAN. Can we call names when you say "oversea friends"?

Mr. BERLE. I mean the Sino-Soviet bloc. There is no reason why we should not refer to it, Mr. Chairman.

Mr. PASSMAN. When you say "friends," we might believe it to be some of the new foreign countries into which we are pouring money.

Mr. BERLE. There is no reason not to mention it. I am sorry I kept it off the record.

Mr. PASSMAN. I made the statement for that reason.

Mr. GARY. Will the gentleman yield to me?

Mr. PASSMAN. Certainly.

Mr. GARY. Is the request for Chile a part of the Bogotá agreement?

Mr. GORDON. No, sir.

Mr. GARY. That has nothing to do with the Bogotá agreement. Are there any commitments for that \$100 million?

Mr. GORDON. Mr. Gary, there are witnesses here specially who will testify on the Chilean earthquake item, and if we could wait until that I am sure they will give you a full answer to the question.

Mr. GARY. All I want to know now is whether or not we have made any promises of this amount to anybody.

Mr. GORDON. Mr. MacPhail, I think, can answer that.

Mr. MACPHAIL. Beyond the amount that is in the authorizing legislation; no, Mr. Gary. We are in the same position.

Mr. PASSMAN. You could not go beyond the authorizing legislation?

Mr. MACPHAIL. That is correct.

Mr. PASSMAN. But have you made a commitment more direct to Chile, for the \$100 million, than we have made to the other countries with respect to the \$500 million?

Mr. TABER. Do you mean you have actually made commitments as to things that were authorized where there has been no appropriation of funds?

Mr. MACPHAIL. There have been no commitments made to Chile whatsoever. The only matter in the record is the authorizing legislation for \$100 million.

Mr. PASSMAN. That is no different than the others; is it?

Mr. MACPHAIL. That is what I said.

Mr. GORDON. The only difference is it is for a named country and for a named purpose, earthquake rehabilitation and reconstruction, and in that sense it is focused on a particular place.

Mr. GARY. But you have a written agreement drawn up as a result of Bogotá.

Mr. GORDON. That is right.

Mr. GARY. Do you have a written agreement so far as Chile is concerned?

Mr. MACPHAIL. No; we do not.

Mr. PASSMAN. But you do have an authorization, and that indicates they are expecting the \$100 million.

Mr. GORDON. They are certainly expecting it; yes.

Mr. PASSMAN. And you would expect just as strong a case to be made within a few minutes for the \$100 million as you have made for the \$500 million, would you not?

Mr. GORDON. I hope it will be.

Mr. PASSMAN. Thank you very much, sir.

Mr. Rhodes?

LAND IMPROVEMENT PROGRAM

Mr. RHODES. Mr. Chairman, referring to those portions of this program that have to do with the improvements of the land, we had some testimony about 2 years ago concerning land in Peru. In fact, I think a highway was built to some land which we planned to develop. When the highway was completed, or almost completed, somebody finally got around to taking a sample of the soil and looking at the rainfall and apparently there was quite a bit of doubt after that as to whether or not the land was really arable, and whether much of anything of economic value could be grown on it. It was a rain forest.

Because of the type of security which is demanded for loans which we are now contemplating, I am wondering if we are going into loans which are very speculative, as far as chances of repayment are concerned, in the field of land improvement.

Mr. GORDON. Mr. Rhodes, I wonder whether I could ask someone from the ICA who is familiar with the actual experience in Peru to comment on the first part of your question and then I would like to comment on the second part, if I might.

Mr. JOHNSTON. Mr. Rhodes, I will try to answer your question.

The Peruvian Government, at the moment, through their resources and the past training that they have had in their technical assistance program, have trained a Corps of Engineers, et cetera, to try to comply with all of the regulations, et cetera, that go with some of their loan requests to make sure surveys are made in order not to make any mistakes.

We are led to believe and understand that we are making progress in this direction, as they have been trained engineers, et cetera.

Mr. GORDON. On the future aspects of it, Mr. Rhodes, the Bank is of course familiar with this problem. It has incidentally been borrowing heavily from the experience of the World Bank, which, of course, has been going for 15 years now.

The World Bank has been most helpful to the new Inter-American Bank in giving them advice, in helping them to organize and staff and giving the full benefit of their experience from these things.

I am sure that there have been mistakes made and, of course, one of the purposes is to profit by the mistakes and not to repeat them.

I had heard of an experience of this kind. I do not know the particular details. I can only say that the Bank is enjoined in this trust agreement to see that the necessary kind of technical work is done before it gets committed.

I would not try to guarantee there will be no more mistakes, but we will do what is humanly possible to try to avoid them in the future.

INCENTIVE OF BANK TO FINANCE SOUND PROJECTS

Mr. RHODES. I am also worried by the fact that we may be flying in the face of human nature. The Bank is a trustee.

Mr. GORDON. That is right.

Mr. RHODES. There is currently no great incentive to the Bank to be a good trustee. In other words, there is no penalty on the Bank if the Bank handles the trust fund carelessly. There is no reward to the Bank if it does not handle the funds carelessly.

Once again, referring to human nature, is this a good situation so far as safety of the investment is concerned?

Mr. GORDON. I can make two observations on this. First, the members of the Bank have a tremendous interest in this program being successful, and not just having money wasted. The Bank itself, for a young institution, is very proud of the fact that it is the first Inter-American Bank created, as Mr. Berle said yesterday, after 50 or 60 years of discussion of this kind of thing, I think they are very jealous of their reputation and want to keep it that way. They are enjoined in the trust agreement to handle these funds with the same responsibility they would handle the regular funds. I am sure from the point of view of accountability and all that kind of thing, there is no problem.

Mr. RHODES. There is no legal sanction possible.

Mr. GORDON. I don't know how a legal sanction could be applied.

Mr. RHODES. Would you agree, Mr. Berle?

Mr. BERLE. Yes; only that the individuals could be held for misappropriated funds in their own countries.

Mr. GORDON. With respect to the question of incentive for good behavior, and for administering this trust in such a way as to make it a success, I think there is one incentive of some importance. They are just as aware as we are, and as the members of the committee are, that this is supposed to be the first stage in a program that will last over a period of some years. They are aware, or they will be after they read this record if they have not been previously, that before any further funds are forthcoming for this sort of work there will have to be

a real factual demonstration of the right kinds of things having been done with the first installment, so I think there is a real incentive of that type.

LAND REFORM PROGRAM

Mr. RHODES. Have you any way of knowing what will be grown on the newly subjugated land?

Mr. GORDON. This varies enormously from area to area. We are talking about a continent that runs from temperate latitudes in the Far South to tropics and all kinds of rainfall and soil conditions. One of the things they need most is more food. As you know, in this area, which is primarily an agricultural area, most countries are not self-sufficient in food, which is an extraordinary situation.

Mr. RHODES. Throughout the statements there has been mentioned the term "land reform" from time to time. Will the ultimate result of land reform, in any case that you know of, be that the government of the country will own more land than it now owns?

Mr. GORDON. I would think not in the end result. The normal situation where the government is buying up land from private holders is that it then makes it available to small farmers on something like the Homestead Act type of procedure, so that in due course the small farmer gets a freehold title.

Mr. RHODES. Is it our intention that the government not acquire land for the purpose of becoming a large landholder but that it acquire land, if it does acquire it, for the purpose of dividing the land into economic tracts so that an average farm family can make a living?

Mr. GORDON. This is the whole concept of the land reform idea.

Mr. RHODES. Can we go further? Can we say the Bank will insist that that be the practice wherever land reform is undertaken?

Mr. GORDON. I think we could do that.

Mr. RHODES. I would hope we could.

Mr. JOHNSTON. If I may use a country as an example where this is going on at this very minute. Colombia is one of the countries. This is one of the things they are insisting on in their land reform program, the very thing you mentioned.

Mr. RHODES. I think you see my point. I do not want a lot of collective or state-owned farms in South America or anywhere else so far as that is concerned.

Mr. GORDON. I am completely in accord with that, Mr. Rhodes.

PARTICIPATION OF PEACE CORPS IN PROGRAM

Mr. RHODES. Will there be any participation by the Peace Corps in any of the projects we are now considering?

Mr. GORDON. We have discussed this in a very preliminary way with Mr. Shriver. I believe there will be some projects on which the Peace Corps can be most helpful.

Mr. TABER. Where would they get their money?

Mr. GORDON. The Peace Corps?

Mr. TABER. Yes.

Mr. GORDON. In whatever provision is made for financing the Peace Corps. It has nothing to do with these funds here.

Mr. RHODES. However, these funds could be made available by the Bank through the latitude we have given them in their agreement.

Mr. GORDON. The only case I can see would be where some members of the Peace Corps had some special technical qualifications to provide some of the technical assistance.

Mr. RHODES. Technical assistance money perhaps could be made available.

Mr. GORDON. That is right.

Mr. RHODES. In the construction of projects, and I am assuming I am right and you are wrong as to the wording of the agreement and that there could be reclamation projects, is there anything in the agreement with the Bank which would require feasibility tests similar to those we apply under Circular A-47 of the Bureau of the Budget, and which must be applied in other mutual security projects by law?

Mr. GORDON. I am not familiar with the Budget Bureau circular.

Mr. RHODES. Mr. Johnston might be.

Mr. JOHNSTON. I am not familiar with it in detail, sir.

Mr. MACPHAIL. I believe it is A-47. It is a requirement in the Mutual Security Act.

Mr. RHODES. That is right. However, it is not a requirement in the enabling legislation for this money unless we make it a requirement in the appropriation bill.

Mr. GORDON. My advisers tell me that that circular refers to estimates of cost-benefit ratios in connection with reclamation projects.

In our previous interchange I indicated we do not contemplate that kind of project being done with these funds. I do not think the case will arise.

I thought we agreed the other day legislative history would make it clear that kind of project was not contemplated.

Mr. RHODES. I wanted it even more clear.

Mr. GORDON. Very good.

Mr. RHODES. I think that is all, Mr. Chairman.

Mr. ALEXANDER. With regard to land reform, one of things that bothered me particularly, living in a textile area, is the fact that in some of our ICA programs we have encouraged the development of many of the things where we have an oversupply in this country, such as cotton, textiles, and that kind of thing.

Will there be any restriction to try to prevent oversupply of things which would come back into this country which would bring about problems in the field of textiles or cotton?

Mr. GORDON. I do not think there would be a formal restriction as to the kinds of crops that would be grown on land by farmers in newly settled areas. I think any sensible program would try to avoid adding to overproduction of things that are already in excessive supply.

There are, of course, some things in excessive supply in Latin America that we do not produce at all, notably coffee, which is in very great oversupply.

The first purpose is to try to get food. As I mentioned a moment ago, Latin America is not now self-sufficient in food. The population is growing at a rate of 2½ percent per year or more than that. It is the most rapid rate of population increase in the world, so this is clearly the most pressing need.

I think what gets grown in particular places will have to depend on the nature of the soil and the markets that are available.

Mr. ALEXANDER. Will we encourage them to plant those things even though their soil is suited for it which would come back to haunt us in this country?

Mr. GORDON. I do not think we could lay down legal restrictions which in turn would have to be converted in some kind of domestic restraint for all time on the particular farmer in the particular country.

Mr. ALEXANDER. We were given assurance under the Development Loan Fund that they would not make any future loans for the establishment of textile plants in any of these underdeveloped countries.

The point I am trying to establish here is that you in your loans under the Inter-American Bank will not make loans that would promote the type of products that would come back to this country and create more trouble and compound the trouble we are in.

Mr. GORDON. As far as industrial projects are concerned they are not in this program at all. That very wide range of goods, including textiles, would not figure here.

Mr. ALEXANDER. I am thinking more of the land development and the products grown on the land, such as cotton.

Mr. MONTROYA. I know there have been loans made by the Export-Import Bank for cotton gins in one of the South American countries, I believe Ecuador. That is certainly a loan which tends in the end to compete with our domestic products.

Mr. ALEXANDER. Did we establish the other day there were funds here for steel mills for Brasília?

Mr. GORDON. Mr. Berle referred to an Export-Import Bank project.

Mr. BERLE. That is right; yes, sir.

COMMITMENT TO APPROPRIATE \$500 MILLION

Mr. ALEXANDER. As I understand it, \$394 million has been committed at Bogotá for the Inter-American Bank, and \$100 million for the ICA type of project where a different criteria is used but which nevertheless will be handled through ICA.

Mr. GORDON. Not precisely, Mr. Alexander. There was no commitment as to a particular figure at Bogotá. There was a commitment to establish a fund, and the fields for which it would be used. These figures subsequently developed the \$394 million, the \$6 million, and the \$100 million. Those were developed by us as a proper division of the funds based on the evidence that we developed since Bogotá on the distribution of the needs among these classes of use.

Mr. ALEXANDER. Are we more committed to the \$394 million than we are to the \$100 million?

Mr. GORDON. I would say insofar as there is any commitment, which is a political and psychological one rather than a legal one, it really affects the entire \$500 million.

LOAN RATHER THAN GRANT OF \$500 MILLION

Mr. ALEXANDER. What would be your reaction to a suggestion that we approve this request in the form of a loan, say for 40 years, repayable to the U.S. Treasury?

Mr. GORDON. In dollars?

Mr. ALEXANDER. Make it in soft currency if you want to.

Mr. GORDON. Well, sir, if it were a loan repayable in soft currency I do not think it would do us much good, and I would think it would be better to have the repayments of the loans made by the Bank to the individual countries and agencies go back into the revolving fund to be reused for the same purposes as we have proposed here.

I think that the United States accumulating on a bilateral or unilateral basis large volumes of other people's currencies really creates trouble for itself and we would be much better off to have these funds in this revolving fund for use by the Inter-American institution for further relending for these purposes.

ADMINISTRATIVE EXPENSES OF THE BANK

Mr. ALEXANDER. Under your agreement with the Inter-American Bank as trustee for this fund, what would you pay them for the handling of the loan?

Mr. GORDON. The administrative expenditures here, Mr. Alexander, and the arrangements for those, are described in the annex to the agreement, page C-9 of the book.

What it provides is that the fund shall be charged for salary and the professional staff exclusive of division heads, and so on.

The fund also will be charged for all direct expenses clearly identifiable as being incurred on the fund's behalf, for example, staff travel and consultant costs on these particular projects.

Then there is a provision for overhead which is put in at the rate of \$1.80 for each dollar of the professional salary cost.

That figure was put in on the basis of the World Bank's experience over a considerable period of time.

There is also a provision for review of this at the end of each accounting period between the Bank and the United States and for adjustment either down or up as the case may be based on the actual cost.

The Bank is a little concerned that the figure may be low because, unlike the International Bank which does all its work in the English language, this bank works bilingually. All their documents have to be available in both languages. They have to be bilingual secretaries and a staff of translators, and it may be that the overhead costs will be slightly larger, but we thought that the wise thing to do would be to put this in now on the basis of World Bank experience, and then after we have had experience to review the actual costs and make an adjustment if necessary.

Then finally there is an exclusion, a provision that no charge will be made to the fund for the general costs, such as annual meeting of the Board of Governors, offices of the Executive Directors, personal services of the top officers, salaries of the division heads, or expenses incurred by the Bank primarily for its own benefit, such as travel, books and periodicals, and various fees and compensation costs, such as actuarial services.

Mr. PASSMAN. These same directors are directors of the regular bank organization, are they not?

Mr. GORDON. That is right.

Mr. PASSMAN. So it would only follow you would not want to pay them double.

Mr. GORDON. That is right.

Mr. PASSMAN. I think the record should show that they are the same directors who manage the regular bank, and there is no charity necessarily involved on the part of the directors that they are not collecting for attending these meetings.

Mr. GORDON. That is right.

The reason we put in this provision was not—

Mr. PASSMAN. I am not quarreling, but getting the record straight.

Mr. GORDON. I wanted to add one point. It was not to avoid double payment, which would be excluded in any case, but it was also to avoid having this fund charged rather than the regular funds of the Bank for those particular expenses.

Mr. ALEXANDER. There will be no percentage charge, as such, for services such as our banks would get here?

Mr. GORDON. No, sir. In connection with the individual project loans from the Bank to the recipient country they may well include in the interest rate, which is set on that loan, something to cover part of their costs. In that case, of course, the fund will be made whole out of the repayments in due course.

INTEREST RATE TO BE DETERMINED FOR EACH LOAN

Mr. ALEXANDER. What is the interest rate that a borrower would pay as an incentive for them to pay the loan back in the shortest possible time?

Mr. GORDON. There is no interest rate established in the agreement. This is to be negotiated in each case.

The ruling rates of interest in these various countries vary a good deal depending on how scarce money is.

Mr. ALEXANDER. Will the Inter-American Bank charge the borrower in the individual countries the prevailing rate in that country?

Mr. GORDON. This is subject to negotiations in each case.

In certain of the institutions, like agricultural credit institutions, and these low-income group housing institutions, one of the purposes of this program is to get the rates down because the rates that now prevail are much too high in many cases.

One of the difficulties is that the small farmer, if he gets access to credit at all, often has to pay inordinately high interest rates.

Mr. ALEXANDER. Could it be there will be loans made where no interest will be charged?

Mr. GORDON. That is perfectly conceivable under the terms; yes, sir.

Mr. ALEXANDER. Would you estimate as best you can what the first year operation charge will be for the handling of these funds?

Mr. GORDON. Administrative costs?

Mr. ALEXANDER. Yes.

Mr. GORDON. I have no estimate of that. If you want me to develop one I will do so.

Mr. ALEXANDER. Will you put it in the record, if possible, so we will have some idea of what that cost may be?

Mr. GORDON. We will have to discuss that with the bank, of course.

Mr. PASSMAN. In the event Congress, in its wisdom, should consider this as a moral commitment, but felt that by following estab-

lished procedures and providing this money we should request a reasonable estimate as to the maximum amount you would need to get the program going for the first 2 years, with a subsequent appropriation which would meet the needs—because it is yet to be determined, even though you have a ceiling of \$394 million, although you actually do not know whether it would require more or less than that amount, and as it is indicated very clearly it will be several years before you need the entire amount—do you see any merit to such consideration on the part of the Congress; do you think it makes any sense?

Mr. GORDON. The amounts we believe can be committed in specific projects during the first 2 years are the full amounts requested here.

Mr. PASSMAN. I do not know, then, how you will get over the barricade of Dr. Morgan's positive assurance that such is not the case, that the various projects would be fully justified to the Congress.

CHILEAN PRESS

Mr. CONTE. Some mention was made here with regard to the newspapers in Chile. It was my understanding there was a conservative press but the printers were Communist.

Mr. BERLE. May this be off the record?

Mr. PASSMAN. What was the question?

Mr. CONTE. With regard to the Chilean newspapers, it was my impression that the newspapers themselves were conservative in nature but the printers were Communist.

Mr. PASSMAN. If the Ambassador desires his comment to be off the record it is certainly all right.

Mr. BERLE. Off the record.

(Discussion held off the record.)

POSSIBLE INFLATIONARY EFFECT OF PROGRAM

Mr. ANDREWS. Mr. Berle, I have a good friend from Alabama who is now a banker, a graduate of the School of Business Administration at Harvard. He is somewhat of a world traveler. Last year he traveled through South America—hired a boat and went from one end of the Amazon to the other. He did a good job of observing the different countries.

Last year he appeared before the Foreign Affairs Committee and made a statement in opposition to the pending bill for the foreign aid program for fiscal 1961.

He made this statement and I would like you to comment on it:

As to inflation, being a banker I have made it a point to keenly observe the effects of inflation in some of the foreign countries I have visited. I will confine my remarks to Brazil, Argentina, and Chile, all of which are suffering acutely. Their money is practically worthless because the Government has spent more than it took in. The value of their money has declined steadily and prices have therefore risen in proportion.

I would like you to discuss that statement and tell me what in your opinion the effect of this program will be on inflation in those countries, if they do have that inflation.

Mr. BERLE. Your correspondent is right with respect to some countries.

Mr. ANDREWS. He mentioned Brazil, Argentina, Chile.

Mr. BERLE. One of the reasons for wishing to have this legislation is that it does provide the possibility of assisting these countries that the currency situation be reduced to order, and that is already going forward.

I have on my desk now three plans, one in Venezuela where it is a question of resisting inflation. The second is the Brazilian plan which, without stimulus from this fund, the new President is putting into effect; and, of course, there is the third, the Argentine plan which already is in effect, sometimes known as the Austerity plan. I know no plans as yet from Chile.

National economic plans are called for under this program. Some of these are already in process of formation. In all of them an attempt has been made to try to bring an orderly development in the currency situation, and we hope these will be successful.

As I say, there are three such plans I have seen already, some in the process of formation, and some which have been put into effect before where the real problem is to ease the austerity burden a little as the plans themselves go into effect.

Mr. ANDREWS. Do you think that spending this sizable sum of money in these countries will add to that inflationary situation?

Mr. BERLE. The sum is not large enough, Mr. Congressman, to inflate the currency as such. It takes more than \$500 million to inflate the currency in Latin America.

What it does do is to make it possible to give incentives toward putting your own house in order.

In referring to national economic plans, and that was one of the considerations the Bogotá group had in mind—

Mr. ANDREWS. One of those had to do with the land reform program and the other was the tax problem.

Mr. BERLE. That is right.

Mr. ANDREWS. The countries which participated in the Bogotá Conference did make certain commitments to take action with reference to land and taxes?

Mr. GORDON. Yes.

Mr. ANDREWS. Do you plan to make any loans in countries which have taken no action in connection with tax reformation or land programs?

Mr. GORDON. Mr. Congressman, loans related to these things, that is, loans for land use, would be made only where the right kind of action in the land field had been taken. We would not say that a loan in the educational field would be contingent upon reform in the land structure, but in each case the loan is supposed to be made on the basis of self-help for the project concerned and institutional improvement related to that particular field of action.

Mr. ANDREWS. Let us take a country which has no income tax. I understand several have no income tax.

Mr. BERLE. As a matter of fact, they all do. I think without exception there are those which do not administer their income taxes very well nor collect them very much. The problem is much more one of actually assuring that their tax systems are enforced. Of course, in many cases the rates should be shifted.

Last night, in response to a question from the chairman, I believe, we looked up the list and it developed that there is on the books some

sort of income tax provision, however elementary, in all of the 20 Latin American countries.

This does not mean that it works well in all cases.

Mr. GORDON. If I may add a word on the inflation situation generally.

Mr. ANDREWS. Surely.

Mr. GORDON. This is a problem I have studied with some care. In two of the three countries mentioned by your friend, that is to say, in Argentina and Chile, there have been strenuous efforts made in the last couple of years for monetary stabilization, and they have had considerable success.

With respect to the exchange rate in Argentina it has been stable at the rate of about 83 pesos to the dollar since 1959.

That compares with the previous experience from 1957 to 1959 when the currency depreciated from 37 to 83. It has been held at 83.

In 1959 there was a doubling in the cost of living.

In the year 1960 there was an increase of only 10 percent. In short, from a rate of inflation of 100 percent a year they got it down to 10 percent in a year, which is some very considerable improvement.

With respect to Chile, the exchange rate also has been stable since 1959 at the rate of 1.05 escudos to the dollar. They used to have an escudo which was 1,000 pesos.

Likewise there in the years 1955 to 1959, which were all years of very bad inflation, the rate depreciated from about 200 pesos as it was known then to over 1,000 pesos before they were converted to the new unit of the escudo.

For a period of over 2 years the exchange rate there has been stable.

Likewise the cost of living, although still going up somewhat, has been greatly stabilized compared with the previous experience.

In the Brazilian case, inflation has averaged around 30 percent a year for the last 10 years or so, and that situation actually got worse in the last year or two rather than better, and it got worse because of the very things that your friend pointed out.

Mr. Quadros, the new President of Brazil, who took office on the 31st of January this year, regards this as problem No. 1.

As he said in his own message to his Congress a few days ago, he inherited a country which was close to bankruptcy and he proposes to put his house in order.

He was Governor a few years ago in the State of São Paulo, the richest state in the country. He inherited a similar fiscal situation there, and by the end of his 4 years of tenure as Governor the budget was in the black instead of in the red. A large number of employees who should not have been on the state payroll were off the state payroll, and in fact the house was put in order.

All of us hope he will do the same for the nation as he did for the state.

Mr. PASSMAN. More presidents of that type are needed in Latin America.

Mr. GORDON. Indeed we are fortunate we have, or they are fortunate they have—

Mr. ANDREWS. My friend, when testifying before the committee said, "The peso, thought of as an Uruguayan dollar, is now 8 and a fraction cents."

He said he tipped a waiter 50 pesos in Argentina. I can see my friend now, who said the waiter nearly fell over. This formerly was thought of as their dollar and it cost him 40 cents.

If you have a chance I would like you to read the statement he made.

One further question of the ICA people.

Off the record.

(Discussion held off the record.)

ICA HOME DEMONSTRATION PROJECT

Mr. ANDREWS. In his testimony he stated :

In this connection, and as one real example, I recall visiting the town of Iquitos, which is in eastern Peru at the headwaters of the Amazon River. Iquitos has been a dead town since Brazil lost its monopoly on rubber a generation ago. I was at the leading hotel there in the dining room. I introduced myself to a woman of rather advanced years.

She told me was an ex-schoolteacher and an employee of our point 4 program. This woman had at our country's expense boarded a plane over the Andes from Lima, Peru to this small town.

She said she had come to lecture some women on domestic economy. I was invited to the lecture, which was held in a small room with about 15 or 20 women, mostly of Indian blood and practically no education. Their expressions were incomprehensible as she talked in Spanish. The best I could get out of it was that she was describing the use of modern household electrical aids, for instance, automatic washing machines, et cetera. This was in a town which had practically no electricity.

After staying at this expensive hotel 2 or 3 days she flew back to Lima.

It seems to me ICA could initiate better projects than that.

Mr. BERLE. I am very sure you could. I can only connect it with something which occasionally goes on on the other side, and this was not a project.

While I was Ambassador in Brazil a number of Brazilian women, with the help of Mrs. Berle, formed what would be the equivalent here of the Hospital Aid Society. Children come into the clinics practically naked and you have to do something to try to give them ordinary care.

That technical aid took the form of getting a great many women, now there are 150,000 throughout Brazil, doing a certain amount of sewing once a week to take care of hospital sheets, and so forth.

The American contribution, which we might have gotten out of ICA today, but at that time we did not have, we got the Singer Sewing Machine Co. to give us the use at a low rate of several hundred sewing machines. We got the local people to contribute the textiles and the women to do the work. That is how many of the hospitals in Brazil get the kind of dry goods they need to take care of their really poor patients.

I am merely trying to say that unquestionably there are cases of the kind you mentioned, but I myself also have traveled in the Amazon and I have seen many things done which were of the utmost use with the least possible expenditure of money and largely done through the dedication of people who work.

Mr. PASSMAN. You are speaking of free enterprise accomplishments, not ICA?

Mr. BERLE. I do not think that would have been done except for the fact the United States did give some help on this particular thing. I contributed some overhead by allowing the use of the Government installations wherever there were any. I do not know if I had congressional approval.

I have no apologies. We were able to get a little money to go for the organization. It did require a certain amount of help.

The private enterprise feature would be the equivalent of the self-help which is intended in this bill.

That from a small unit grew to something like the Red Cross in Brazil.

Mr. ANDREWS. We had a former Member of Congress testify before our committee 2 or 3 years ago. He had served with ICA in Peru. He came before the committee and said he was so disgusted with the program that he had resigned. Before resigning, however, he came to Washington in an effort to see the head of ICA to complain about conditions that existed in Peru. He spent a week here in Washington and never was able to see the Director and make his complaint, so he went back in disgust and resigned. His testimony is in the record. I wish you ICA people would read it.

POORLY PLANNED PROJECTS

Mr. PASSMAN. Certainly this would not apply to any one individual. I am not saying this in the vein of ugly criticism, but I think Mr. Taber has come nearer putting his finger on the situation than any member of the committee that it is the most wasteful and mismanaged program ever conceived by the mind of man.

If you read the hearings of this subcommittee, which I doubt that many of you do—some say they do not even read our reports—you will learn there have been literally thousands of ill-conceived projects that had to be abandoned altogether.

Do you not think it would be better if we would go into a country and have 100 good projects, carefully worked out, than to undertake 600 projects haphazardly?

In one country there were 1,200 projects underway, and they abandoned more than 400 of them.

Mr. MACPHAIL. We are trying to develop with the countries soundly conceived projects. In many of these countries, as indicated yesterday, you are dealing with governmental institutions and people who lack training and many of whom lack education. It is an extremely difficult job to get projects carried out by people who lack the training, lack the education, lack the ministerial skills.

That is the problem in part of working overseas. As I said yesterday to Mr. Taber, we have made some failures, but we have had a great number of successes, and we feel in ICA over the past few years we have developed the human skills, the governmental institutions, and the local institutions which will make these projects be soundly conceived and developed when they are negotiated.

I cited a project yesterday, the self-help school in Nicaragua.

There you have a cadre of small people who are in the municipalities who are prepared to go out and work in the afternoons, nights, Sundays, and holidays to build their own schools. We think that is a good thing.

Mr. PASSMAN. Thank you. That is, and I say this respectfully, a typical ICA answer.

The committee will now stand adjourned.

FRIDAY, MARCH 24, 1961.

Mr. PASSMAN. While waiting for Mr. Conte to resume his examination, we shall direct a few questions to the representative of the ICA.

UNOBLIGATED FUNDS IN U.S. TECHNICAL ASSISTANCE PROGRAM

What amount did you request for the U.S. technical aid program for fiscal 1960?

Mr. MACPHAIL. 1960?

Mr. PASSMAN. Yes; worldwide.

Mr. MOSSLER. \$211 million in fiscal 1960.

Mr. PASSMAN. What amount did you get?

Mr. MOSSLER. \$181,200,000.

Mr. PASSMAN. What amount did you obligate out of the total available?

Mr. MOSSLER. All but \$5,400,000.

Mr. PASSMAN. Had the committee recommended and the Congress appropriated all the money you requested you would have wound up with a much larger unobligated amount, would you not?

Mr. MOSSLER. We will lose some, anyway.

Mr. PASSMAN. Under the same conditions, with the same program, if we had appropriated the total request, instead of having \$5 million unobligated, you would have had a larger amount?

Mr. MOSSLER. It is almost impossible to say.

Mr. PASSMAN. Then don't try to say it. How about for fiscal 1961?

Mr. MOSSLER. Total request, including bilateral and multilateral—

Mr. PASSMAN. The U.S. technical aid program, just the one.

Mr. MOSSLER. It includes the UNTA program.

Mr. PASSMAN. We want the U.S. technical aid request.

Mr. MOSSLER. Both of them are. The figure I have here combines the two.

Mr. PASSMAN. Please separate them.

Mr. MACPHAIL. \$172 million was requested for the bilateral technical assistance.

Mr. PASSMAN. How much did we allow?

Mr. MACPHAIL. \$150 million.

Mr. PASSMAN. What amount have you obligated?

Mr. MOSSLER. We have not yet reached the end of the year.

Mr. PASSMAN. What amount do you contemplate having unobligated at the end of fiscal 1961?

Mr. MOSSLER. As the result of a loss of a deobligation—reobligation authority we probably will have something slightly in excess of what we had last year. This is our best guess.

Mr. PASSMAN. How much is it?

Mr. MOSSLER. My guess is that we will have about \$7½ million this year.

Mr. PASSMAN. Do you have anything sounder than your guess? Have you an estimate made by the Department?

Mr. MOSSLER. This was our estimate, \$7½ million.

Mr. PASSMAN. Did you have an estimate of \$20 million a few weeks ago?

Mr. MOSSLER. Not from the technical cooperation program.

Mr. PASSMAN. Had the Congress appropriated the total amount you requested under the same program, you would have had a larger amount unobligated.

Mr. MOSSLER. Not necessarily. When we are doing business in 60 countries, and as a result of the loss of the right to reobligate—

Mr. PASSMAN. Did you not have the right to reobligate in 1960?

Mr. MOSSLER. Not in 1961. Even without that right we are bound to have some amount unobligated when operating in some 60 countries.

Mr. PASSMAN. You will have approximately the same amount unobligated. How much did you request, what amount was appropriated, and how much did you have unobligated for fiscal 1959?

Mr. MOSSLER. We requested \$171.5 million.

Mr. PASSMAN. What did you receive?

Mr. MOSSLER. You gave us that amount.

Mr. PASSMAN. What amount did you have unobligated?

Mr. MOSSLER. We had unobligated \$7.7 million.

Mr. PASSMAN. Are you ready to forgive us for not appropriating all the money you wanted?

Mr. MOSSLER. You will recall during that year—this was the year we had the special oversea training program and we deliberately set aside that amount which was not needed for this purpose.

Mr. PASSMAN. Is that not the year Secretary Dillon stated before this subcommittee, and we have the testimony here if you want to read it, that they requested an amount in excess of what they could prudently obligate? Did you read that?

Mr. MOSSLER. I kept up with the hearings and we did admit that year since we could not use it for the purpose for which we said we wanted it, we did not feel it was a good idea to use it for something else.

Mr. PASSMAN. Anyway, almost without exception, even after making reductions in this appropriation, you wind up with unobligated funds.

Mr. MOSSLER. We have wound up with some unobligated funds in the last few years.

Mr. PASSMAN. Which means the larger the program the more uncontrollable it is.

Mr. MOSSLER. No. The "Defense support" appropriation, for example—

Mr. PASSMAN. We are talking about U.S. technical assistance.

Mr. MOSSLER. I want to show that the size of the appropriation does not necessarily influence the amount you have unobligated at the end of the year.

Mr. MACPHAIL. A great deal depends on the countries where you tentatively program the funds. I am sure you would not want us to program technical assistance funds for a new African country, for example, and attempt to obligate them at the last minute unless we had firm projects and proposals in which to obligate them.

Mr. PASSMAN. You are prohibited by law from doing that, of course.

If you read the hearings, and review the tremendous amount of money you have hastily obligated, and just as soon as we make the appropriation you start deobligating—you have had the right to reobligate—I think it is well to have those facts in the record, so we shall not make the mistake of recommending more money than you can wisely obligate.

INADEQUACY OF INCOME TAX LAWS IN LATIN AMERICA

Dr. Gordon, did you ever bring us a list of the Latin American countries that have no income tax laws?

Mr. GORDON. You asked us to file some information for the record. We discovered there are no Latin American countries that do not have some kind of income tax law.

The other detail which was on the estate taxes and on the rates of the income taxes either has been supplied or——

Mr. PASSMAN. Does Costa Rica have an income tax law?

Mr. JOHNSTON. Yes, sir.

Mr. PASSMAN. I say respectfully that you were under the impression a few days ago some Latin American countries did not have income taxes. Is that correct?

Mr. GORDON. It was. I expressed an absence of knowledge on this subject.

Mr. PASSMAN. You understood that was one of the most important things to know, whether or not these countries had adequate tax laws, to provide a reasonable portion of their own revenue, before requesting the American taxpayer to provide these funds?

Mr. GORDON. In general I believe that the tax systems of the Latin American countries are inadequate. Whether they have an income tax law or not is only part of the question.

Mr. PASSMAN. That is where we get a large share of our money, is it not?

Mr. GORDON. Certainly, the largest share.

Mr. PASSMAN. Where is the detailed information?

Mr. JOHNSTON. We submitted for the record——

Mr. GORDON. You asked us to submit it for the record and we did that.

Mr. PASSMAN. There is certain information we asked you to give the committee. We shall decide when and where it is to be inserted.

You have copies of what you will put in the record on the tax structure?

Mr. JOHNSTON. No, sir.

Mr. PASSMAN. Do you know whether or not you established the top brackets on income taxes in the information you put in the record?

Mr. JOHNSTON. No, sir. We will give you that information.

Mr. PASSMAN. We go up to 91 percent of the income. Let us know the top bracket for each country in Latin America which may have an income tax law.

And, too, give us the same information on the estate, or inheritance, tax.

(The information follows:)

A number of Latin American countries have a schedular system of taxes, with different rates levied on different sources of income. The maximum rates levied on wages and salaries have been noted in column I of the attached table. Where rates are higher on other types of income, the maximum rate is noted under column II and the type of income to which this rate is applied is found in column III. In five of the countries—Bolivia, Brazil, Chile, Peru, and Venezuela—an additional "complementary" tax is levied on all sources of individual income. The maximum rates for this tax are found in column IV.

Almost half of the countries have a general tax rate that is applied to individual income derived from all sources. The maximum tax rates for these countries is found in column V.

Inheritance taxes of some sort are levied in all of the countries. The rates charged depend on the closeness of the relationship of the inheritor to the deceased and on the size of the inheritance. The lowest rate is usually charged for the children or the spouse of the deceased and the highest for distant relatives or unrelated persons. The maximum rates for the closest relatives are given in column VI and the maximum rates for the most distant relatives or unrelated persons are given in column VII.

It should be pointed out that the attached table does not provide any clear indication of the tax burden on individuals. The table does not indicate allowable deductions or the income brackets to which the rates apply. Nor does it include certain types of business taxes applicable to individuals. Most important, it gives no information on the relative effectiveness of tax collection or enforcement. Valid conclusions of the incidence of taxation can only be made if these other factors are taken into account.

Maximum rates on individual income and inheritance taxes for Latin American countries

[In percent]

Country	Individual income taxes					Inheritance taxes	
	Tax on wages and salaries	Tax on other income	Type	Overall complementary tax	General income tax	Paid by closest relatives	Paid by most distant relatives or non-related persons
	I	II	III	IV	V	VI	VII
Argentina					45	20	50
Bolivia	21	25	Liquid capital	36		10	33
Brazil	1	28	Dividends	50		25	¹ 64
Chile	4.5	15	Professions ²	30		14	40
Colombia					³ 48	9.6	31
Costa Rica					30	9	18
Ecuador ⁴	20	22	Capital			7.8	⁵ 52
El Salvador					⁶ 44	20	50
Guatemala	(?)	43	Capital			12	25
Haiti					40	1	16
Honduras					30	1	10
Mexico	50					37	64
Nicaragua					30	7	⁸ 15
Panama ⁹					35	32.25	¹⁰ 33.75
Paraguay ¹¹						12	50
Peru	5	6	Professions	30		12.5	36
Uruguay	¹² 17					35	62.4
Venezuela	1	2	Professions	45		13	30

¹ The inheritance tax is a state tax. The rates given are for the State of Sao Paulo.

² Income from professions is subject to a complementary tax of 10 percent.

³ In addition there is an excess profits tax graduating to 51 percent of the value of the patrimony.

⁴ Income from capital is subject to a 7 percent surcharge; special surcharges on income from capital or capital and personal services received until 1962 reach a maximum of 33 percent.

⁵ Grandparents and grandchildren pay a 10-percent surtax and other descendants pay a 20-percent surtax. Some municipalities levy a surtax on inheritances, with a rate of 25 percent in Guayaquil.

⁶ An annual tax of the equivalent of \$400 is also paid by professionals.

⁷ Not taxable.

⁸ Includes real estate only.

⁹ There is a 20-percent surcharge which is figured on the regular tax payable for all types of income other than earned income.

¹⁰ Since 1954 there has been a discount of 30 percent on the amount of the tax.

¹¹ There is no general income tax; however, private income derived from business is taxed up to 35 percent.

¹² Withheld for old age.

Sources: The major sources are Diamond, Walter H., "Foreign Tax and Trade Briefs", Fallon Law Book Co., New York, N.Y., and a series of country studies published by the Pan American Union entitled "A Statement of the Laws Affecting Business."

Mr. GORDON. If I may answer one question to Mr. Alexander.

Mr. PASSMAN. Let me first yield to Mr. Conte, and he may yield to Mr. Alexander.

Mr. CONTE. I will yield, Mr. Alexander.

ADMINISTRATIVE EXPENSES OF BANK

Mr. GORDON. You asked if I could estimate the administrative costs for the Bank part of this program. I said I had no figure in mind.

We have discussed this with the Bank. They do not want to file an official estimate, but on the basis of that discussion it looks as if the figure in a year would be somewhere between \$1½ and \$2 million, which is something under 1 percent of the amount of loans anticipated.

Mr. ALEXANDER. Thank you.

Mr. ANDREWS. Doctor, is it true there is no serious effort made in any of the countries in this area to collect taxes even though they have tax laws?

Mr. GORDON. I think that would be a very substantial overstatement of the situation, Mr. Andrews. After all, a good deal of tax revenue is collected.

The efficiency varies enormously, all the way from Bolivia where the administrative arrangements for the tax system have been very primitive indeed, where some work is being done with them at the present time to try to strengthen this, to cases like Argentina, Chile, Mexico, where they have a good administrative setup. I would not say there is no tax evasion or avoidance, there is certainly that, but it really varies all over the map.

A lot of revenue is collected. I doubt whether in all but a handful of cases the administrative system is adequate.

There already has been set in motion a project which Mr. Dillon mentioned in his opening statement last Monday afternoon which is done cooperatively between the OAS, the Economic Commission for Latin America in Chile, which is a United Nations regional body, and the Harvard Law School which has had a large international tax program going for several years to make specific case studies of the tax administration and the weaknesses which are involved in them and to develop specific recommendations country by country as to what they should do in order to tighten up their whole tax collecting system.

Mr. ANDREWS. Thank you, Mr. Conte.

Mr. CONTE. Dr. Gordon, I wish to straighten this out in my own mind.

Of this \$600 million, \$394 million will be in a trust fund in the Inter-American Development Bank.

Mr. GORDON. Yes, sir.

ALLOCATION OF \$100 MILLION TO ICA

Mr. CONTE. \$100 million will be for technical assistance?

Mr. GORDON. I would not say that; \$100 million will be for the Act of Bogotá fields assigned for administration by the ICA. They will include technical assistance, but a good deal more in the form of assistance for construction. This is in education and training,

instructional materials, laboratory equipment, and other capital grants of that kind which are really much wider than technical assistance as now defined.

Mr. CONTE. I want to be certain we do not have a multiplicity of programs. Some of it will be technical assistance, some for laboratory equipment, classrooms, and so on, which we do now under the special assistance fund?

Mr. GORDON. There are some cases where that has been done under the special assistance fund. All that will cease. From now on all work of this kind will be done under this program and this program alone.

Mr. CONTE. That is what I want to make certain of. This is one of the weaknesses of the program, that there is this multiplicity.

ALLOCATION OF \$6 MILLION TO ORGANIZATION OF AMERICAN STATES

Then you will have \$6 million for OAS?

Mr. GORDON. That is right.

Mr. CONTE. Is this an adjunct to what OAS has at the present time?

Mr. GORDON. Yes, Mr. Conte. If I may I would like to say a little more about that because we had only very brief discussion of it the other day. It is covered rather briefly in the presentation book. I did want to say a word or two more about it because this is not a large fraction of the money involved here but it is a substantial amount in terms of the OAS budgets up to the present time. It is, as the chairman pointed out, a very large amount compared with the annual technical cooperation program budget. If this is spent in something like 2 years it is still a large part of the budget.

This proposal for greatly strengthening the role of the OAS in promoting economic and social progress through these field studies of basic problems, and through assistance in the development of national programs, is really an integral part of the proposed alliance for progress and the Bogotá Conference program which underlies that.

It is in our mind one of the major means of assuring that countries undertake maximum advance consideration and preparation of intensified self-help measures and the institutional improvements in such fields as land and tax improvement and reform, mobilization and use of domestic resources, so this is really, although small in dollar size compared with the program aspects of the entire effort, a very important part.

The chairman raised with me the other day the question of whether these activities of the OAS would overlap or duplicate those which the OAS now carries on.

I indicated they would not, and I wanted to say one word more about just what the OAS does now.

Mr. CONTE. Will you request in the regular budget money for the OAS, or is this it?

Mr. GORDON. The OAS now gets financing from the United States under two headings. It gets our regular contribution to the administrative budget, of which we finance 66 percent, under the State Department appropriation for contributions to international organizations. This would come in again in the normal way as it does each fiscal year.

Mr. PASSMAN. You are getting ready to tell us what the OAS has been doing in previous years.

Will this supplement the work you have been doing in the past 7 years?

Mr. GORDON. No, sir.

Mr. PASSMAN. We are supposed to know something about it. I thought you had some additional information, as you were going to tell us the purpose of the organization and what it had done in the past.

Mr. GORDON. I wanted to indicate the difference between what they are doing now, which you are fully familiar with, and what is proposed for them to do under this program.

Mr. PASSMAN. I am not fully aware of what they do with any of the money given to them.

Mr. CONTE. Sixty-six percent is for administrative expense which we contribute, or we contribute 66 percent to administrative expenses.

Mr. GORDON. The latter is right.

Mr. CONTE. That will be a recurring budgetary item in the regular budget?

Mr. GORDON. That is right.

Mr. CONTE. What else?

Mr. GORDON. The ongoing technical cooperation program, to which we contribute now about \$1.3 million a year out of mutual security funds, and they match this on the ratio of 7 to 3, they match it by roughly \$600,000, this is a separate thing. I believe we contemplate asking for it again in the usual way in the mutual security program.

Mr. CONTE. Have you contemplated trying to consolidate these two items?

Mr. GORDON. I had not thought of it, Mr. Conte.

This \$1.3 million is such a small item, a well-established item—

Mr. CONTE. I realize that but this is the difficulty you will have. You will have two budget items for related subjects. If you came in with one you would save yourself a lot of headaches.

Mr. GORDON. I can very well see how that might be and it seems to me on a future occasion it might be well to consider that.

At this particular moment the \$6 million, if appropriated, is earmarked for these new purposes and we would be very unhappy if the \$1.3 million had to come out of that. This is certainly a good idea to consider for future years.

As to what the present program does, the program which costs roughly \$1.9 million a year, to which we contribute \$1.3 million and the other members \$600,000—

Mr. PASSMAN. Giving us what percentage of the total?

Mr. GORDON. We are 70 percent of the total.

Mr. PASSMAN. Against 100 percent of the present request?

Mr. GORDON. That is right.

OAS TECHNICAL ASSISTANCE PROGRAM

That is almost entirely concerned with conducting technical training at various inter-American centers or through seminars. There is also some research, particularly in a hoof and mouth disease program.

The amounts budgeted and the training center projects as they exist in fiscal 1961 are as follows:

There is a statistical center, Chile, \$152,000.

Rural education, Venezuela, \$170,000.

Natural resources, Brazil, \$75,000.

Agricultural and rural life center, Costa Rica, \$535,000.

Hoof and mouth disease, Brazil, \$521,000.

Social welfare, Argentina, \$75,000.

Applied social sciences, Mexico, \$120,000.

Business administration, Brazil, \$54,000.

In that case it is a question of providing funds to bring some people from other countries in Latin America to the business school in Brazil which has been financed largely with the help of point 4 funds and also Brazilian funds which I mentioned the other day.

Agricultural credit, Mexico, \$59,000.

Urban and regional development, Peru, \$73,000.

These items are items all related to social progress but they are essentially technical training centers, to try to develop some qualified Latin American personnel in these various fields through regional centers. You can see the budgets are very small in each case, but this does get some interchange of information and some technical training of people on a continuing basis.

There is also a fellowship program financed by the Department of Technical Cooperation of the Pan American Union. This is out of the administrative budget which is financed through the State Department appropriation and not through the technical cooperation program I already described.

That administrative budget also finances the permanent staff of the Department of Economic and Social Affairs of the Pan American Union.

That Department will organize the studies, meetings, expert assistance missions for the development of national plans and for the submission of these annual progress reports and reviews of progress proposed for the Inter-American Economic and Social Council under the Act of Bogotá.

As I said yesterday, this \$6 million appropriation we are requesting now will not finance an expansion of that staff.

Insofar as any expansion of that staff is concerned that would be done on the same 66-34 basis that the present administrative budget is organized.

PROPOSED OAS PROGRAM

As to the new program, the field investigations and multilateral studies, we will treat them in a comprehensive manner. This refers to land resettlement problems, organization of credit facilities for housing for low-income families, impediments to and incentives for private enterprise, tax systems and tax administration, national planning and programming agencies, vocational training requirements for manpower with special skills, agricultural credit facilities, and so on. This is a new element. This is especially true with respect to assistance by this multilateral organization in planning national programs and in preparing country submissions for the annual review meetings of the Inter-American Economic and Social Council.

As I said at the beginning, we are relying heavily on this effort to spread the best experience and self-help measures from the stronger

countries to the weaker countries, countries such as—perhaps I had better not name names—but they have made a tremendous amount of headway. We want to make a strong example of the better ones and we hope to borrow personnel from the better ones to work with the weaker ones.

Mr. CONTE. It would seem to me there is some duplication between this program under OAS, which is a topnotch program, and the \$100 million for which you are asking as a result of the Conference at Bogotá, which part of the \$100 million will be for technical assistance.

Mr. GORDON. In these fields such as housing, and so on—

Mr. CONTE. That is right.

Mr. GORDON. Well, Mr. Conte—

Mr. CONTE. You mentioned land reclamation.

Mr. GORDON. Agriculture.

Mr. CONTE. That is right.

Mr. GORDON. There are these inter-American training centers which have been organized by the OAS over a period of years. Most of these have been established for a considerable length of time. These are training personnel in the same kinds of fields that some of the bilateral technical assistance activities are working. This is perfectly true.

As a matter of fact, the local personnel who work on the Latin American side of these projects, ICA financed, are often people trained in these centers.

There is no direct duplication in the sense that these training centers are OAS centers, and they are not themselves ICA projects.

If there is duplication it is only in the sense—I would not call it duplication—that the trained manpower that comes out of the centers is available.

Mr. CONTE. Are the people in these centers all natives of Latin America, or are there some Americans from North America?

Mr. GORDON. We have North Americans participating in the teaching faculty. I think the trainees are all Latin Americans.

Mr. MACPHAIL. That is right.

Mr. CONTE. With regard to the \$100 million, we spoke of the veto power that the United States would have in some of these funds.

Mr. GORDON. That is right.

Mr. CONTE. In one area we have a 40-percent vote.

In another area it requires a two-thirds vote before a loan can be made. I believe in the soft currency field it required a two-thirds vote.

Mr. GORDON. You are referring now to the present operation.

Mr. CONTE. Yes. In the trust fund of \$394 million I want to know what vote we will have and what vote is required to make a loan.

Mr. GORDON. If I may resummairize the position it is this: In the present operations of the Bank there is the regular lending thing, hard loans, for which nominal capital is \$850 million, but since a sizable part of that is in soft currencies, the dollar part, as Mr. Dillon explained, is actually about \$450 million.

For loans under that regular lending operation a majority vote in this weighted voting system of the Board of Executive Directors suffices.

Then there is presently established what the Bank calls the fund for special operations, to which we contributed two-thirds, and on which

a two-thirds weighted vote is required to make any loan. That is the soft loan part of the existing operation.

On this, since we always have a vote of 40 percent, we have a vote.

VETO POWER OF UNITED STATES ON LOAN APPLICATIONS

Then there is the third operation of the Bank which is what is now proposed under the trust agreement for the \$394 million, and on this likewise a two-thirds vote will be required for any loan, and since we cast over 40 percent there again we will have a veto over any loan made out of that fund.

Mr. PASSMAN. That is not true with the \$100 million and the \$6 million.

Mr. GORDON. The \$100 million, Mr. Chairman, is entirely bilateral, so obviously the United States controls that 100 percent.

Mr. PASSMAN. Let me try again. The directors have no supervision whatsoever over the \$100 million and the \$6 million. That is administered under the present ICA, or the present OAS organization in Latin America?

Mr. GORDON. That is right.

Mr. PASSMAN. There is no veto at all as it applies to the Board. They have nothing to do with the allocation as such, and they would have no veto power over the expenditure. Is that correct?

Mr. GORDON. The Bank Board is not involved in the \$100 million or the \$6 million at all.

SELF-HELP PRIOR TO FINANCIAL ASSISTANCE

Mr. CONTE. I want to be absolutely sure, Dr. Gordon, that these countries which have participated in the Bogotá Conference understand that before these funds will become available to them from this Bank or from ICA projects that they have properly demonstrated that they will take measures of self-help to correct the situations they experience at the present time.

Will there be anything in writing? Will this be just a verbal promise?

Mr. GORDON. With respect to the Bank loans, the trust agreement itself, which will be a public document, contains explicit language to this effect. It contains it in two places though it is essentially in article II. The criteria for the administration of the fund is shown.

Section 2.02, in considering applications for loans and for technical assistance, the Administrator shall be guided by the following criteria.

A. Consideration shall continuously be given to the institutional improvements which a country is initiating or expanding consistent with article I, section 1.03 of this agreement. Accordingly, assistance shall be made available to those projects or programs which are related to effective self-help measures in countries which demonstrate their determination to achieve the purposes there set forth, and a willingness to employ their own resources efficiently to the end of meeting social needs and strengthening economic development. Special consideration shall be given to proposals which are part of a soundly conceived national development program, taking into account the review and analysis of social and economic progress and problems in each country undertaken at the annual consultative meetings of the Inter-American Economic and Social Council.

The last sentence I read indicates the way in which we expect the work I was describing before to mesh in with the loans.

Then there is (B) :

Before acting favorably on a loan request, the Administrator shall be satisfied that measures necessary and appropriate for the success of the particular project or program have been or will be undertaken.

Mr. Rhodes asked about a Budget Bureau circular concerning a reclamation project. I explained we did not expect reclamation projects, so those particular requirements would not apply.

But this language is intended to refer to such things as engineering work, assurance that effective management will be available. This is B on page C-4. This assures the right kind of soil survey work, if necessary, to see that the new land being opened up is land worth opening up, and the like.

Finally, in (C), it states :

Loan requests shall be granted only for projects or programs in which the applicant bears an appropriate share of the total costs. Loans may be granted to cover the total cost of a specific project, provided such project is an integral part of an expanding program in the same field financed to an appropriate extent by the applicant. The Administrator shall also be satisfied that the borrower or another appropriate entity is prepared to assume the costs of the continued support of the project or program, including the costs of maintenance and operation of any structure, installation, and equipment connected therewith.

This language also is written with the particular point in mind that Mr. Rhodes asked about the other day, were we going to get into things where there would be continuing maintenance costs and no provision made for the country to carry them on. This language is here for the specific purpose of warning the Bank against getting itself involved in any such situation.

With respect to the \$394 million, therefore, I think we have given the basis for as clear a public notice to these borrowing countries as can be done in a reasonable number of words.

In addition to this the President's message itself, as you know, emphasizes this aspect of the program very, very strongly. There will be coming up next month the first annual meeting of the Board of Governors of the Inter-American Bank to be held in Brazil. Mr. Dillon will be our representative. I don't know yet what Mr. Dillon will say in his formal address there but I am sure it will again reemphasize the U.S. concern with this aspect of the program.

Of course, at the first council meeting at the ministerial level, which presumably will be organized some time within the next 2 or 3 months, the date has not yet been set, but the one called for in the President's speech a week ago Monday, there again this aspect of the program will be the central burden of the U.S. point of view that will be expressed, and the machinery which is worked out there will be for the purpose of putting teeth into that and making it more than a mere pious declaration.

Mr. CONTE. Was there anything in the minutes of the meeting—did you have minutes?

Mr. GORDON. I was not present, Mr. Conte.

Mr. MANN. There were no minutes.

Mr. CONTE. I wondered whether the countries who participated in Bogotá had agreed among themselves to take these self-help measures and to improve the institutions. I wondered if something was stated for the record concerning that.

Mr. MANN. Actually the negotiations revolved around the text of the Act of Bogotá itself. We took down a draft. We sat with the delegates of all of the countries present for about 3 days and went over this thing word by word and discussed it in the room, a room about this size.

Every country there made suggestions for changes, and paragraphs dealing with measures of the kind you are talking about were discussed and fully understood and everybody signed the agreement.

Mr. CONTE. There was no stenographer there?

Mr. MANN. No, sir.

Mr. GORDON. The text of the act itself as given in annex B to this book goes a long way, it seems to me—I was myself very much impressed when I first read it with the extent to which it is in specifics—toward the kinds of things meant by this term “measures of social improvement” under each heading, rural living, housing, education, and public health. There is a rather considerable specification of the sorts of measures which are intended.

Mr. CONTE. They all signed this piece of paper?

Mr. MANN. Yes, sir.

Mr. GORDON. Except Cuba.

Mr. MANN. All those that were there at the end signed it.

Mr. CONTE. Is Guevara the real threat in the Latin American and Caribbean country rather than Castro himself? Is Castro the front man and Guevara the real culprit who threatens the freedom of Latin America?

Mr. MANN. I wouldn't want to say that anybody there is the peer of Fidel Castro in terms of his power and appeal and ability to do damage. Guevara has been associated in Guatemala and Mexico and in Cuba with the Communist Party.

Mr. CONTE. Has he not also extended his influence to Argentina?

Mr. MANN. Not that I know of. There is a Communist Party in Argentina but I do not know that he is particularly influential in Argentina. He has been away many, many years.

Mr. CONTE. I have no further questions.

PROPOSAL FOR AID PROGRAM TO AFRICA

Mr. PASSMAN. If we are not careful, sometimes the exception becomes the rule.

I am reading an article from the Washington Post, an AP article from the United Nations:

But the chief U.S. delegate clashed immediately with Jaja Wachuku, Nigerian economic minister, who demanded concrete proposals “that are not intended to hoodwink anybody, that are not intended to mesmerize us.”

Wachuku said he was disappointed because Stevenson failed to say just how many dollars the United States is willing to put up.

If we start this program off without firm justifications, I wonder if these African nations might not come in, too, and insist on getting a similar program.

Did you read this?

Mr. GORDON. I read the piece in the Star last night. Essentially the same dispatch.

Mr. PASSMAN. These things travel. They are likely going to want a similar program.

Mr. CONTE. Doctor, if this committee in its wisdom saw fit to grant you the money for the Inter-American Bank, could not the other \$100 million come under the present technical or special assistance program?

Mr. GORDON. Special assistance funds, if there are enough appropriated. As I understand the term "special assistance", it can cover almost any type of actual activity.

Such funds have not been appropriated and do not exist at the present time in fiscal year 1961.

Technical assistance as presently defined would certainly not be adequate to cover the kind of things which are envisaged in the ICA part of this program.

Mr. CONTE. You do not think the language is broad enough to cover this?

Mr. GORDON. Definitely not.

LACK OF FIRM PROGRAM AND DETAILED JUSTIFICATIONS

Mr. MONTROYA. Dr. Gordon, the thing that disturbs me most in this presentation is that it appears to me that the Congress last year was led to believe that the requests to be submitted under the authorization, or pursuant thereto, would be justified completely before the Appropriations Committee and in turn justified to the Congress before action on any recommended appropriation.

First of all, I would like to quote from the Congressional Record of August 31, 1960, wherein Dr. Morgan, the Chairman of the House Foreign Affairs Committee, stated as follows:

Any requests submitted to the next Congress would be based on a carefully worked out program, and would only be for such amounts as may be fully justified.

Now we have listened to your testimony, and the only justification I see is that there is a dire need in Latin America for this type of program, but this general statement, in my opinion, does not bring the anticipated assurances that Dr. Morgan gave the Congress into reality.

What do you have to say on that subject?

Mr. GORDON. Mr. Congressman, I commented on this problem I think on Tuesday morning. I can only repeat in substance what I said at that time.

We have in the period since the authorization developed the program as far as we believe that the realities of the situation permit it to be developed at this stage.

Mr. MONTROYA. May I interject at this point, I am fully aware of the statements that have been made along those lines, that you weeded out certain projects and you came down to, I believe, \$700 million.

Mr. GORDON. \$800 million roughly.

Mr. MONTROYA. In what you thought were worthy, or workable projects?

Mr. GORDON. Yes.

Mr. MONTROYA. But this committee has not received any details of the projects that remained and are the subject of this appropriation. That is my contention right now, there has been no justification up to now.

Here is the problem we face—when we go to the floor to justify any appropriation recommended by this committee, we are going to have to rely on the very assurances made last year in the authorization bill debate.

What answer could we possibly give the Members on the floor in view of the scant justifying evidence which you have presented before this committee?

Mr. GORDON. Mr. Congressman, it is entirely true that the projects which are the basis of our requests here have not been developed in the detail that I think was probably implied by the language that you read from the record last year.

Mr. MONTROYA. There was no implication, because I will read you another further assurance which elaborates on the first general assurance.

Dr. MORGAN. Both the authorizing committees and the appropriations committees will have a look at the program next year, and as I just said, every project must be justified.

Mr. GORDON. It is clear, Mr. Congressman, that has not been done in the presentation before you in those terms.

What has been done is to show you the administrative machinery intended, the criteria that will be applied moving from programs to specific projects, the kind of restraints and limitations that will apply to that administrative machinery, and to show you also a series of serious proposals which we believe are worth prompt attention, which meet the purposes which are specified in the "Act of Bogotá" which are clearly in these fields, many of which we believe, if the funds are appropriated, will be carried to fruition.

As I said the other day, we have this vicious circle problem that since many of these projects involve intense negotiation with the recipient countries of adequate self-help measures, not only with respect to the particular project, but with respect to the related institutional improvements or reforms, we have been persuaded after examining the situation carefully that the Bank, which we think is the best instrument to do the negotiating in most of these fields, cannot effectively do it unless it knows funds are available; that the ICA likewise in its field cannot do it effectively without assurance of the funds because we cannot move to the stage of individual contract agreement without funds in hand.

Mr. PASSMAN. Will you yield?

I want, in response to what you have just said, to say that this program, overall, is 15 years old. This is a departure from the normal procedure in justifying funds, and I certainly hope that in the future you will have to justify these items by projects.

You just said you could not do it until you got the money, but in the past you have presented justifications for the projects.

Mr. GORDON. Mr. Chairman, first, this is a new program.

Secondly, there have been programs in the past—I refer to the initiation of the Development Loan Fund when it was new, the Export-Import Bank to which Mr. Berle referred the other day, and to some extent, at least, although I obviously bow to Mr. Taber's superior knowledge of this one because he was the chairman of the committee at that time, but my recollection, to some extent the Marshall plan itself.

Mr. PASSMAN. The Export-Import Bank is not the ICA program. So far as the Development Loan Fund is concerned—and that is controlled here in Washington—the understanding has been that the projects would be firmed up.

But in this case, you have asked for a blank check to go into another country, and out of the control of Washington. If this is a new approach, and in the future ICA is going to ask for an appropriation before attempting to firm up what the money will be spent for in the technical aid field, it will mean we will have a much harder job ahead of us.

We have agreed that this is a departure from established procedure. If you are saying ICA must have \$100 million before it can even attempt to enter into contracts, or agreements, it simply means that you expect to set a new pattern which we may be expected to follow in the future.

I think the record is clear that this is a departure from the past, but I just wanted the record at this point, again, to indicate the difference.

Mr. MONTOYA. Here is the thing that disturbs me also: I do not believe that it was contemplated last year when this authorization was before the Congress that any of the funds to be appropriated under the authorization would be administered through a trust agreement with the Inter-American Bank.

Mr. GORDON. Mr. Congressman, if I may respectfully differ, Mr. Dillon's testimony in support of the authorization stated quite clearly that the bulk of the funds, he thought—80 to 85 percent—and 80 percent is almost exactly the percentage now before you—would be administered by the Inter-American Bank. He did not mention the term "trust agreement," which is a question of the method, but he did speak of the administration by the Bank.

LACK OF IDENTIFICATION WITH UNITED STATES IN ADMINISTRATION OF PROGRAM

Mr. MONTOYA. Now, I believe one of the unstated objectives of providing these funds to Latin America is to promote good will and better economic relations between countries in Latin America and the United States; is that not correct?

Mr. GORDON. That is certainly so, sir.

Mr. MONTOYA. Now, I think the funds are losing their identity of origin when they are mingled into the funds of an international bank where the policy is to be decided mostly by members on the directorate of that bank from other countries.

How can we carve out any benefits for ourselves if those funds lose their identity?

Mr. GORDON. There is clearly some loss of U.S. identification when one chooses to go the route of regional agencies for administration. There are some gains, too.

As I indicated the other day, we feel those are particularly important with respect to working out these measures of social reform and institutional improvement.

That is, of course, not a purely Latin American bank, it is an inter-American bank, literally an inter-American bank. It is a hemispherewide institution, except, of course, that Canada is not a member, and most of us wish it were. Maybe someday it will be.

But it is our feeling—and Mr. Mann may want to comment on this—that the strengthening of these inter-American institutions which are working in the direction of free societies will in fact improve our relationships, both in terms of a feeling of good will and, perhaps even more important than the feeling of good will, the practical relationships among these people—economic, political, and others—more effectively than would be the case with a purely bilateral program.

Mr. MONTOYA. Here is another thing I want to bring out along those lines.

While the 40-percent voting power, or 41-percent voting power, that the United States retains on the Inter-American Bank may look very beautiful in theory and on paper, whenever a project is before the Bank Directorate, I can just imagine 18 out of the 18 countries there passing on the project and the 40-percent vote not doing any good in rejecting it.

Mr. GORDON. If I could make one observation on that, each country represented there—and of course these six Latin American directors each have to represent several countries by the nature of the thing—each country represented there will have an interest in seeing that funds are not wrongly applied for the projects of other countries because the resources are limited as a whole, and what is used for one country will not be available for the others.

Mr. MONTOYA. Eighteen of those countries are going to be lined up at the "grab" counter and they are going to deal with each other, so they will not be excluded.

Mr. GORDON. I do not think the process will actually work out that way. The funds are less than the felt needs. I think, myself, they are less than the real needs.

Mr. MONTOYA. The reason I bring this out is because I wish a better means would be devised so not only the officials in Government would know what the United States is doing, but the people all over the country would know. There is no approach in that direction in the plans that have been outlined before this committee.

I believe that is what is wrong with our Latin American program—that the people in the hinterlands do not know the United States is trying to do something for them. All these grants are siphoned through the Government, at the central point of government, and they lose their identity when they reach the hinterlands.

Mr. GORDON. I agree with that point.

This is, of course, a job mainly for the U.S. Information Agency, whose Latin American program, I believe, has been much too weak in the past. The USIA also believes that, and is proposing steps for its strengthening.

I am not familiar with the details of those.

Mr. MONTOYA. That is our trouble. We have been depending too much on USIA.

Most of those people in the hinterlands do not have a radio and would not know how to operate one if they had one.

Mr. GORDON. Well, sir, what the best techniques are for having the people whose lot is improved realize this is in part because of the generosity of the United States, what the best method for doing that is I do not know.

Mr. MONTROYA. Let me give you an example.

I was in Lima, Peru, last year, and I saw a monument in the center of one of the plazas which had been donated by Germany at a cost of about \$65,000. Everyone in Lima was pointing out the gift by the German people. I did not hear one iota of conversation about what the United States was doing for the people of Peru. I went into the hinterlands of Peru and visited some huts and I found some cans which indicated that some surplus food had been delivered there, and these cans had in English "Donated by the United States of America."

I asked those people in Spanish if they knew how to speak English and they said "No, Senor."

Enough for that. I am just interested in disseminating the proper information so we can get credit. I think that is one of the weaknesses of the entire program.

LOANS RATHER THAN GRANTS

Going back, I have heard quite a bit about the program in the discussions, and I cannot help but conclude that while the objectives of justification are to make a loan program out of this, it seems to me that all the justifications lean more toward the words "gifts" or "grants."

Mr. GORDON. With respect to the field of activities assigned to the Bank, this will be, except for the very small technical assistance component, in loans. They are not loans from the point of view of the United States, but they are loans from the point of view of the relationship between the Bank and the recipient government or agency.

Mr. MONTROYA. So then, it is reasonable to assume that when the funds leave the Treasury of the United States, as far as we are concerned they are considered as grants or gifts?

Mr. GORDON. The chairman asked me that question the other day. I said "Substantially so."

He asked me why I said "substantially," and the only reason for that is, on the ultimate liquidation of the trust fund, we may get something back, but I would say for all practical purposes, that is so.

Mr. MONTROYA. That is what they said when they started this mutual security program, and started lending money and requiring repayment in local currencies in the hope that the local currencies would be strong enough; they would be convertible into dollars. We have not gotten one dollar yet, have we?

Mr. GORDON. I do not know what the practice has been there. I thought we have had some dollar repayments.

Mr. PASSMAN. They are plowed back into the fund, not back into the Treasury. It is a revolving fund.

Mr. MONTROYA. Except in those agreements which require part payment in hard dollars.

Mr. GORDON. That is right.

Mr. MONTROYA. But in those loan agreements where they require payments in local currencies, there has been no conversion into dollars, and no realization of dollars by the U.S. Treasury.

Mr. GORDON. I know of no such case.

Mr. PASSMAN. Under the Development Loan Fund, for the amount of funds collected in dollars they have the right, under the law, to plow them back into the program. I do not know of any instance where any money has been paid back into the U.S. Treasury.

Mr. MACPHAIL. We have had some loan agreements under the mutual security where they had the option of paying in local currency or dollars where the countries have taken the option of repaying in dollars.

Mr. MONTOYA. Have they ever exercised that kind of option?

Mr. MACPHAIL. Yes, Japan—

Mr. MONTOYA. I mean in Latin America.

Mr. MACPHAIL. I do not know of any.

Mr. PASSMAN. How about in the Far East, other than Japan?

Mr. MACPHAIL. That is the only one I know of.

Mr. PASSMAN. I do not think Japan has qualified for any DFL dollars.

Mr. MACPHAIL. I am talking about mutual security program loans.

LACK OF ANTICIPATION OF ANY REPAYMENT TO U.S. TREASURY

Mr. PASSMAN. The very able doctor has been testifying from the statement, I believe, of the Honorable George W. Ball to some extent during these hearings, and there is a question whether your interpretation is the same as that of Mr. Ball's. He said:

The United States, in advancing funds to the Inter-American Development Bank, will not expect repayment of funds to the United States. Our hope and expectation is for repayment in the increased strength and growth of the domestic institutions, in the free societies of our Latin American neighbors.

Mr. GORDON. That is right.

Mr. PASSMAN. You say substantially. He indicates none.

Do you not think that discrepancy should be reconciled, so we shall not confuse the record?

Mr. GORDON. Mr. Chairman, for the reasons I indicated yesterday in responding to a question I think from Mr. Andrews, our present expectation is, this will go on for 10 years. What residue of dollars there might be at liquidation I do not know. I do not suggest there will be any significant repayment whatever.

Mr. PASSMAN. You still place that emphasis on hope?

Mr. GORDON. No, sir.

Mr. PASSMAN. I think Mr. Ball should reconcile his statement to your way of thinking, then, if there is any hope, because he does not indicate one iota of hope that anything will come back.

I am not complaining if we do not get it back, but I do not think it should be partially implied that we may, when the official who ordinarily would have appeared before the committee states there is no expectation of getting the money back.

Mr. GORDON. I am certainly in accord with Mr. Ball's statement. This is simply a technical point.

Mr. PASSMAN. Thank you very much.

Mr. MONTOYA. At the present time, as I understand, these countries have available to them funds from, first, the World Bank, the Inter-American Bank, the United Nations special funds, the Export-

Import Bank, the Development Loan Fund, and the ICA program under mutual security.

Mr. GORDON. That is right.

Mr. MONTROYA. This will constitute another program other than those?

Mr. GORDON. That is right.

Mr. MONTROYA. In view of the trust agreement you will enter into with the Inter-American Bank?

Mr. GORDON. That is right.

Mr. MONTROYA. Thank you.

Here is a thing that disturbs me, and I want to bring this out.

AID TO BOLIVIA

I notice E-6 of the annexes, last year Bolivia had in domestic revenues a total of \$21 million, total assets.

Mr. GORDON. Yes.

Mr. MONTROYA. And I notice where they were not suffering any paucity of funds because of such small revenues because last year Bolivia, under the mutual security program, received \$23 million in special assistance. That is \$2 million more than their total revenues. They received \$8,870,000 in technical assistance, or a total of \$31,870,000. But let us go further with respect to Bolivia.

They received a loan from the DLF of \$4 million. That far exceeds their total revenues.

But now let us go further than that. This is what adds to the shock—the Export-Import Bank loaned them during 1958 and 1959 \$47.3 million, or approximately, in total U.S. funds, a ratio of about 3 to 1.

Do you think that it is wise to espouse a program which gives to a country two or three times more in gifts than it realizes in revenue?

Mr. GORDON. Mr. Congressman, could I make two comments?

I think that the ratio you have calculated in dollars is somewhat high, quite a lot high in fact, because you have taken their revenue figure for the one year 1959 and matched against that grants and loans which cover a different period of time, or a longer period of time.

It is true, however, we have made, relative to the Bolivian Government revenues, enormous financial assistance in loans and grants together. The Bolivian case is, as I think I mentioned the other day, a particularly tragic case. None of us are happy with what happened there, either with respect to their own financial situation, or with respect to the failure so far of our aid program really to get the Bolivian economy even approaching getting on its feet. This is a unique case.

There has just returned from Bolivia a very highly qualified group of three, appointed by President Kennedy to go down there and advise us on what the future policy should be. I am sure that the future policy should differ very substantially from the past policy in the Bolivian case.

Mr. MONTROYA. I think this committee has been told that every year.

Mr. FORD. Differ in what way?

Mr. GORDON. Essentially in this way, I think, Mr. Ford.

First, I am not an expert on Bolivia. I know something about the economic situation. Different essentially in that in the last several years we have been providing budgetary support which has prevented total collapse, which has permitted some stabilization of the currency after one of the worst inflations that has ever taken place in any country in the world. We have prevented total political collapse, and so far the country is not under Communist control.

What we have not succeeded in doing is getting constructive economic development going. These very large budgetary deficits that Governor Montoya has referred to are largely the result of the huge deficit in the tin mines which were nationalized some years ago, as you know.

Those tin mines are extraordinarily badly operated at the present time, and they lose in operating expenses on every pound of tin they mine. The payroll is grossly overloaded with people. The tin miners are highly organized, and represent a political force of no mean significance.

I hope this mission that has just been there will have some keys to this. The possibilities in that country which are quite large—there are only $3\frac{1}{2}$ million people in a very, very large country, including a tremendous amount of unexploited mineral resources and unexploited good agricultural land. They have got the natural resources to get somewhere.

Mr. MONTÓYA. I was not sure from what you said whether you meant we should spend more or less money in Bolivia.

I also could not help but come to the conclusion after listening to you add to what you said originally, maybe the situation there is an area where, before we gave anything more, some suitable reforms, dealing with the inefficient operation of these tin mines might be a way to straighten out some of these things.

Mr. GORDON. That is precisely what is being worked out at the present time.

Mr. MONTÓYA. Do you think we will be hardheaded enough to say, "These mines are inefficiently operated, these are reforms that must be necessary, and if you do not, nothing will be made available"?

Mr. GORDON. May I ask Mr. Mann to comment on that?

Mr. MANN. Off the record.

(Off the record.)

Mr. MONTÓYA. Just one more question, Mr. Gordon.

Mr. GORDON. Yes, sir.

Mr. MONTÓYA. Have you developed any criteria or standards of participation on these projects that you intend to loan money for through the Inter-American Bank?

Mr. GORDON. Only the criteria which are stated in the trust agreement itself, the principal ones being the ones I read before in response to Mr. Conte's question.

Because of the tremendous variation from country to country and the conditions which Mr. Mann has been referring to, we do not believe that there can be uniform criteria. A country like—

Mr. MONTÓYA. Do you expect financial contributions by the different countries?

Mr. GORDON. On every project; yes, sir.

LOANS AVAILABLE TO PRIVATE ORGANIZATIONS

Mr. MONTROYA. Are these projects going to be strictly under the sponsorship of the government of the particular country through the Inter-American Bank, or will these funds be made available to private organizations also?

Mr. GORDON. The loans in some cases can be to private organizations. For example, we expect the savings and loan associations in the housing field to take advantage of these loans.

Mr. MONTROYA. I notice that the program encompasses recommendations for agrarian reform to promote individual ownership, which is very admirable, of course.

Mr. GORDON. Yes, sir.

Mr. MONTROYA. But, are you not treading on tradition a little when you are trying to exact from different countries a revision of their internal affairs?

Mr. GORDON. Yes, sir; this is, indeed, a delicate and politically very sensitive matter, and this is the principal reason, or a principal reason, that we believe that administration by the Bank, which is an inter-American institution of which these countries themselves are members, is better than bilateral administration.

Mr. MONTROYA. Have you given any thought to this type of financing where you will, more or less, act as an FHA insurer of loans for housing projects, let us say?

Mr. GORDON. I do not think that the FHA analogy would be precisely applicable here.

With respect to the loans to home financing institutions this is more in the form of what we would call seed capital; that is to say, if a country through its housing agency, whatever it may be, or if a group of private sponsors want to set up such a home-financing institution, and seem to be well set up with proper arrangements for management and the like, the Bank may make a loan to help them get started.

Mr. MONTROYA. In that way we could get our repayment in dollars eventually, would we not?

Mr. GORDON. There is the difficulty, of course, of conversion. The rents, of course, are in the local currency, whatever it is.

LOAN PROGRAM IN COSTA RICA

Mr. MONTROYA. Here is what I had reference to:

In Costa Rica the Government has a federal agency or a particular agency which lends money to the farmers so that they can, in turn, buy land or equipment.

Mr. GORDON. Yes, sir.

Mr. MONTROYA. The Costa Rican Government borrows this money from banks in the United States.

Mr. GORDON. Yes, sir.

Mr. MONTROYA. And pays these banks in dollars.

Mr. GORDON. Yes, sir.

Mr. MONTROYA. And, that program is very successful. Its only failure is that the Costa Rican Government cannot get enough money to finance the demands, but the record of payments by Costa Rica has been good.

I presume you are acquainted with that setup?

Mr. GORDON. I have heard of it in general terms; yes, sir. Costa Rica, of course, is relatively well off as the Latin American countries go. The Bank, incidentally, in this connection is enjoined here, too, before permitting resources of the fund to any project or program, to take into account whether the financial and/or technical assistance required can be obtained from national or international agencies, or from private sources on terms which in the opinion of the Bank are reasonable for the recipient, considering all pertinent factors.

This was intended to keep the Bank out of direct competition with private sources like the American commercial banks where the credit worthiness exists and where the purposes can be accomplished through such financing.

Mr. PASSMAN. You mentioned a moment ago the advantages of a multilaterally operated program, rather than the bilateral program. I have noticed that Senator Humphrey, of Minnesota, has commented as follows:

Congress is going to take a look at a possible duplication of economic aid activities under President Kennedy's Latin American program.

Mr. Humphrey, the assistant Senate Democratic leader, says that he is anything but satisfied that four-fifths of the \$500 million program would be administered by the Inter-American Development Bank. I quote him:

I have some concern about placing most of the emphasis in the future to complete the revolution of the Americas in the hands of a multilaterally operated Bank.

Mr. GORDON. Well, I would hope for an opportunity to try to persuade Senator Humphrey of the wisdom of this approach.

Mr. PASSMAN. Thank you.

This one question should have been asked at the beginning, but I neglected to ask it:

FIRMNESS OF PRESENTLY PROGRAMED ALLOCATIONS

In the event that the Congress, in its wisdom approves all, or a part, of the \$394 million, but denies the part that would be administered by the ICA, as presently operated—which Agency will be operating with an unobligated balance in its own account—would you then take any part of the amount that has been recommended for the Bank and give it to ICA, or would you use it all for the Bank?

Mr. GORDON. This is a question that has not occurred to me, Mr. Chairman. I would suppose that if the appropriation were clearly made with the intention of covering only the fields of activity intended for Bank administration, that we would act in accordance with that.

Mr. PASSMAN. But you would have the right under the act itself, although there is some question as to whether we have any clear legislation to appropriate the funds. But if the Congress should appropriate for one portion and not the other, would you then take from, we shall say, the \$394 million to apply it to the technical aid program under the ICA?

Mr. GORDON. Mr. Chairman, from the legal point of view, if the committee simply appropriated \$394 million without mentioning what it is for and without any specification, if the committee simply did that, the legal right would exist for us to redivide it.

Mr. PASSMAN. You could redivide?

Mr. GORDON. Yes, sir. If, on the other hand—

Mr. PASSMAN. If it were spelled out specifically in the report to you, how would you interpret that?

Mr. GORDON. We would follow the injunction of the Congress.

Mr. PASSMAN. You would follow such a report if it were adopted?

Mr. GORDON. Assuming that the other House concurred with you; yes, sir.

Mr. PASSMAN. Of course, I think that this would go to conference, and the final agreement in conference would be what would prevail as far as the intent of Congress is concerned.

Mr. GORDON. We would, naturally, be guided by the intent of the Congress as expressed in its report.

Mr. FORD. As I understand this, in the inter-American loan program, where we are talking about the \$394 million, we are the only country which is putting up any funds?

Mr. GORDON. Yes, sir.

PRIORITY POSITION AS TO REPAYMENT

Mr. FORD. When the loans are made by the Bank, will the recipient country, or a State within a country, make a cash contribution?

Mr. GORDON. A cash or kind, or both, yes, sir. On every project there will have to be contributions of resources by the recipient, the amount to be negotiated in each case, depending on the situation of the recipient, but in each case there must be contribution.

Mr. FORD. How will you handle the repayment where there is this joint contribution? Will the repayment be divided, part to repay the country that put up some and part of the repayment to go to reimburse the Bank?

Mr. GORDON. The local agreement between the Bank and the recipient will, of course, provide for the repayment of what the Bank has loaned. The country's contribution may be on whatever basis the country wants, and I should think this would depend on the type of project involved. If it were a new housing credit institution and the National Government made a loan to it and the Bank made a loan, each would have to be repaid in accordance with the technical terms.

Mr. FORD. Whatever the repayment loan agreement would provide would prevail, but what are your ideas on what those repayment agreements ought to be? Should there be a priority of repayment to the country that put up some of the cash or materials, or should the priority go to the Inter-American Development Bank?

Mr. GORDON. Well I would certainly believe that the Bank would make loans only where the arrangements provided for the proper kind of security for repayment of a loan.

Mr. FORD. I am not concerned about that. I am wondering, in the repayment by the country, if they repaid over a period of 20 years, would the recipient country share in the same proportion in repayment, or would they get repayment first, or what is the philosophy that you have in mind in these repayments?

Mr. GORDON. It is very hard to generalize about this, Mr. Ford, because there are so many types of institutions which might be the borrowers. In many cases I would envisage the country getting no repayment of its contribution whatever, but the Bank getting repaid and only the Bank getting repaid, in which case, obviously, the Bank has a priority.

Mr. FORD. That would be more advantageous to the overall program and, certainly, to the Bank itself.

Mr. GORDON. That is right. There are other cases where it would be a combination of some private loans on a loan basis from within the country concerned and the Bank's resources. I would suppose that some arrangement might be made in order to induce the private capital to come in. I think if you always put the other lenders in a deferred position, you might find it hard to get them to come in.

Mr. FORD. If you always put the Bank in the deferred position of getting repayment, there might be some reluctance in the United States to make its contribution, too.

Mr. GORDON. I would agree, and I think it would be most unwise to get in that position.

AUTHORIZATION FOR TECHNICAL COOPERATION PROGRAM

Mr. FORD. Could you put in the record the authorization language for the technical assistance program which we now have?

Mr. GORDON. Yes, indeed; that can be done.

Mr. FORD. I want this information just for reference—the basic authorization language for your technical assistance program.

Mr. GORDON. Yes. I think that is section 302, if I remember correctly, the Mutual Security Act, as amended.

(The information follows:)

TITLE III—TECHNICAL COOPERATION—MUTUAL SECURITY ACT OF 1960

"SEC. 302. GENERAL AUTHORITY AND DEFINITION.—The President is authorized to furnish assistance in accordance with the provisions of this title through bilateral technical cooperation programs. As used in this title, the term 'technical cooperation programs' means programs for the international interchange of technical knowledge and skills designed to contribute primarily to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas. Such activities shall be limited to economic, engineering, medical, educational, labor, agricultural, forestry, fishery, mineral, and fiscal surveys, demonstration, training and similar projects that serve the purpose of promoting the development of economic resources, productive capacities, and trade of economically underdeveloped areas, and training in public administration. The term 'technical cooperation programs' does not include such activities authorized by the United States Information and Educational Exchange Act of 1948 (62 Stat. 6) as are not primarily related to economic development, nor activities undertaken now or hereafter pursuant to the International Aviation Facilities Act (62 Stat. 450), nor activities undertaken now or hereafter in the administration of areas occupied by the United States Armed Forces.

"SEC. 303. PREREQUISITES TO ASSISTANCE.—Assistance shall be made available under section 302 of this Act only where the President determines that the nation being assisted—

"(a) pays a fair share of the cost of the program;

"(b) provides all necessary information concerning such program and gives the program full publicity;

"(c) seeks to the maximum extent possible full coordination and integration of technical cooperation programs being carried on in that nation;

"(d) endeavors to make effective use of the results of the program; and

"(e) cooperates with other nations participating in the program in the mutual exchange of technical knowledge and skills.

"SEC. 304. AUTHORIZATION.—There is hereby authorized to be appropriated to the President to remain available until expended not to exceed \$172,000,000 for use beginning in the fiscal year 1961 to carry out the purposes of this title.

"SEC. 305. LIMITATION ON USE OF FUNDS.—Funds made available under section 304 may be expended to furnish assistance in the form of equipment or commodities only where necessary for instruction or demonstration purposes."

Mr. FORD. Could we have for the record the technical assistance authorization request for fiscal year 1961? What was that?

Mr. GORDON. The amount for Latin America, Mr. Ford, or the total amount?

Mr. FORD. At this point, the overall request.

Mr. JOHNSTON. That would be section 302 of the Mutual Security Act.

Mr. GORDON. You want the amount requested for technical cooperation on a worldwide basis for fiscal year 1961?

Mr. MACPHAIL. That was \$172 million for bilateral technical assistance for 1961.

Mr. FORD. In the authorization and/or appropriation do we break that down by country as a matter of law, or is there a lump sum?

Mr. MACPHAIL. That is the lump sum appropriation. Last year the appropriation ultimately was \$150 million. The programs are presented to the Congress on a regional basis against individual country projects and illustrative projects which are contained in their proposals for financing.

Mr. FORD. But the point 4 authorization is in one paragraph in the law?

Mr. MACPHAIL. That is right.

Mr. FORD. And the technical assistance appropriation is in one place in the appropriation?

Mr. MACPHAIL. That is correct.

Mr. FORD. However, in submitting the appropriation programs to the Congress, you break them down on a regional basis?

Mr. MACPHAIL. Yes, sir. You remember these big unclassified books, I am sure.

Mr. FORD. Yes, sir.

Did the Congress authorize \$172 million in technical assistance for fiscal 1961?

Mr. MACPHAIL. Yes; it authorized \$172 million for technical assistance.

Mr. FORD. How much was appropriated for technical assistance?

Mr. MACPHAIL. Appropriated—I am sorry.

Mr. FORD. Let us start all over again.

Mr. MACPHAIL. I am sorry, sir. It authorized \$172 million for bilateral technical assistance.

Mr. MACPHAIL. And that was the President's request for authorization in fiscal 1961?

Mr. MACPHAIL. Yes, sir; that is correct.

Mr. FORD. And \$150 million was made available in obligational authority in fiscal 1961?

Mr. MACPHAIL. In the new appropriations; yes, sir.

Mr. FORD. So, in fiscal year 1961 there is \$22 million in unused authorization in technical assistance?

Mr. MacPHAIL. Yes, sir; that would be correct.

Mr. FORD. Have there been any transfers into this account in fiscal 1961 from any source—the contingency fund or otherwise?

Mr. MOSSLER. There has been no appropriation transfer, pursuant to section 501. As you know, it does not take a transfer to use contingency money for TC purposes, and we would have a few cases of an emergency nature where contingency funds were used.

Mr. FORD. In the technical assistance account?

Mr. MOSSLER. Yes; for technical assistance purposes.

Mr. FORD. In other words, you do not have \$22 million worth of unused technical assistance authorization?

Mr. MOSSLER. This was done pursuant to the contingency fund authorization.

Mr. GORDON. As I understand it, Mr. Ford, if the contingency fund is used for technical assistance purposes, this does not reduce the unused authorization for that purpose.

Mr. FORD. So, you will still have \$22 million in unused authorization?

Mr. MOSSLER. That is right.

AUTHORIZATION ACT FOR LATIN AMERICAN PROGRAM

Mr. FORD. Will you please put in the record the authorization legislation which permits you to use any money in the program which we are now talking about for technical assistance? That is a different authorization from the one which relates to mutual security?

Mr. GORDON. The only authorization I can think of, subject to, of course, the better-informed colleagues of mine here, would be where the contingency fund itself, which, of course, is very broad, or the special assistance authorization, which is likewise broad in scope—

Mr. FORD. What I am talking about is the basic authorization law that authorizes this new Latin American program.

Mr. GORDON. Certainly, sir. That is what is here in annex A, and that is Public Law 86-735, of September 8, 1960.

Mr. FORD. That authorizes not only your technical assistance program which is before us now for \$100 million, but also the Inter-American Development Bank program?

Mr. GORDON. It authorizes \$500 million for the broad purposes which are stated in section 1 of that act.

Mr. FORD. Could you specify what part?

Mr. GORDON. It does not specify the subdivisions at all. It is simply the one authorization figure.

Mr. FORD. Can you specify in that act in the record what part of that law authorizes technical assistance?

Mr. GORDON. The authorization, sir, which is in section 2, is stated to be, "In order to carry out the purposes of section 1."

(The information follows:)

AUTHORIZATION, PUBLIC LAW 86-735

"SEC. 2. In order to carry out the purposes of section 1 of this Act, there is hereby authorized to be appropriated to the President not to exceed \$500,000,000, which shall remain available until expended, and which the President may use, subject to such further legislative provisions as may be enacted, in addition to other funds available for such purposes, on such terms and conditions as he may specify: *Provided*, That none of the funds made available pursuant to this section

shall be used to furnish assistance to any country in Latin America being subjected to economic or diplomatic sanctions by the Organization of American States. The Secretary of State shall keep the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House currently informed about plans and programs for the utilization of such funds."

Mr. GORDON. Section 1 has a considerable number of subsections, of which the principal ones, or the principal one which is relevant here, is (b) (1) which speaks of the cooperative programs on a bilateral or multilateral basis which set forth specific plans of action designed to foster economic progress and improvements in the welfare and level of living of all the peoples of the American Republics on the basis of joint aid, mutual effort, and common sacrifice.

Mr. FORD. It is very broad?

Mr. GORDON. Yes, sir; it is.

ICA LATIN AMERICAN PROGRAM FOR FISCAL YEAR 1961

Mr. FORD. Turning precisely to Latin America in your technical assistance program, the budget request last year was \$41 million?

Mr. MACPHAIL. \$39.5 million, I believe.

Mr. FORD. In the justification book before me it is listed as \$41 million.

Mr. MOSSLER. I think I know the reason for that, Mr. Ford. It is \$39.5 million bilateral and I think the other is the OAS, if I am not mistaken.

Mr. MACPHAIL. That is right.

Mr. FORD. What is the program you are executing in this area in fiscal 1961?

Mr. MACPHAIL. The current program which we are executing for Latin America against the \$39.5 million request is now \$36.7 million.

Mr. FORD. Does that include the OAS as well?

Mr. MACPHAIL. No; it excludes it.

Mr. FORD. How much OAS do you expect to execute?

Mr. MACPHAIL. \$1.3 million.

Mr. GORDON. \$1.350 million was actually the figure, as I recall it.

Mr. MACPHAIL. \$1.35 million, then.

Mr. FORD. So, you actually will execute \$38 million against a budget request of \$41 million?

Mr. MACPHAIL. That is right.

AUTHORIZATION FOR FISCAL YEAR 1961 SPECIAL ASSISTANCE APPROPRIATION

Mr. FORD. Please put in the record the authorization legislation covering special assistance so we will have right before us what it says.

Mr. MACPHAIL. Yes, sir. We have it here.

Mr. FORD. Just put it in the record.

Mr. MACPHAIL. Yes, sir.

(The information requested follows:)

TITLE IV—SPECIAL ASSISTANCE AND OTHER PROGRAMS—MUTUAL SECURITY ACT OF 1960

"SEC. 400. SPECIAL ASSISTANCE.—(a) There is hereby authorized to be appropriated to the President for the fiscal year 1961 not to exceed \$256,000,000 for use on such terms and conditions as he may specify for assistance designed to maintain or promote political or economic stability."

Mr. FORD. What was the budget request for fiscal 1961 for special assistance worldwide?

Mr. MACPHAIL. \$268.5 million.

Mr. FORD. What was the authorization?

Mr. MACPHAIL. \$256 million.

Mr. FORD. What was the appropriation?

Mr. MACPHAIL. I am sorry, sir.

Mr. MOSSLER. It was \$230 million appropriated also. We ought to add onto that \$1.5 million for the purchase of local currencies which were in addition to the \$230 million.

Mr. MACPHAIL. That was a special appropriation for a Polish hospital.

Mr. PASSMAN. Do you own local currencies?

Mr. MACPHAIL. This latter appropriation for \$1.5 million was dollars to purchase local currencies.

Mr. FORD. What do you expect to execute in this area in fiscal 1961?

Mr. GORDON. In Latin America?

Mr. FORD. No; in this worldwide program.

Mr. MACPHAIL. The entire program of \$230 million which was appropriated has already been programed and it has been necessary in addition to utilize some contingency funds—a rather large amount of contingency funds—to supplement the special assistance program.

Mr. FORD. Will you please insert in the record the total of the contingency funds transferred to this account?

Mr. MACPHAIL. Yes, sir.

(The information follows:)

FISCAL YEAR 1961 CONTINGENCY FUND PROGRAMED FOR SPECIAL ASSISTANCE

Of the amount available in the fiscal year 1961 contingency fund, \$185,487,000 has been programed for special assistance purposes.

Mr. FORD. Now, in Latin America what would you contemplate on the basis of the original request for Latin America?

Mr. GORDON. Mr. Ford, could I make one remark?

Mr. FORD. Surely.

HOUSE FOREIGN AFFAIRS COMMITTEE REPORT ON AUTHORIZATION BILL

Mr. GORDON. In connection with the breadth of the authorization language for this particular program, my attention has been called to the language in the House Foreign Affairs Committee report which, of course, is an important part of the legislation history. This is Report No. 2163 of August 25, 1960. It states as follows:

The authorization of \$500 million is an essential step toward the planning and implementation of a social development program in Latin America, which includes the Caribbean area. It is anticipated that this program will give

primary attention to four broad areas: (1) Improvement in the conditions of rural living and land use; (2) improvement of housing and community facilities; (3) improvement of educational systems and training facilities; and (4) improvement in basic sanitation facilities.

So, this legislative history is squarely in accord with what became the Act of Bogotá and what is now before you.

Mr. Ford. That you will execute?

SPECIAL ASSISTANCE PROGRAM IN LATIN AMERICA

Mr. MACPHAIL. The amount requested originally for "Special assistance" for Latin America for 1961 in the presentation last year was \$23.1 million.

Mr. Ford. What are you executing in this program?

Mr. MACPHAIL. At the moment we are executing a program which may reach as high as \$81,470,000. I say, "may reach as high," because there are some items in here which are still in the planning stage. They are earmarked, if you will, against possible use from the contingencies, but they are not definitely firm yet.

Mr. Ford. In other words, you are going to possibly obligate and eventually spend in "Special assistance" in Latin America \$50 million more than what you contemplated last year when the budget was submitted?

Mr. MACPHAIL. Yes, sir. May I point, Mr. Ford, to three or four of the larger items in that?

Mr. Ford. Surely.

Mr. MACPHAIL. First, there is in this figure for 1961 an amount of a \$20 million grant out of "Special assistance" for the Chilean earthquake.

There has been, in addition, in some of the Central American Republics, due to political and economic pressures which were not foreseen at the time, budget support for Panama, Guatemala, and Honduras. The amount for Guatemala is a figure of \$10 million in "Special assistance"; Panama is \$6 million and Honduras is \$1.5 million.

Mr. Ford. Are those items which you have just indicated out of the "Contingency fund" or out of "Special assistance"?

Mr. MACPHAIL. These were taken from "Contingencies" and put into "Special assistance" and administered under the "Special assistance" category.

Mr. Ford. Your "Special assistance" authorization is extremely broad, is it not?

Mr. MACPHAIL. Yes, sir; it is.

Mr. Ford. It is practically as broad as the basic legislation for your program which you are submitting here for the Bank and related matters?

Mr. MACPHAIL. Well, it is appropriated to the President, to quote the authorization:

*** for use on such terms and conditions as he may specify for assistance designed to maintain or promote political or economic stability.

It is a broad language, but it has been in the past used very selectively in a few countries and not in the broad context of a program such as this, which has specific social objectives. It has been used in many cases for short-term political and economic emergencies. We

have used it principally in the past in Latin America for Haiti and Bolivia, both of which have been discussed earlier today.

Off the record.

(Discussion off the record.)

SIMILARITY OF SPECIAL ASSISTANCE PROGRAM TO PROPOSED LATIN
AMERICAN PROGRAM

Mr. GORDON. Mr. Ford, if I may comment on this, I would say, if you take the legislative history into account, that the authority under which this present \$500 million program is proposed, it is a good deal narrower than the authority for "Special assistance," because this is for designated purposes.

Mr. FORD. It seems to me that when you look at the things you have done under "Special assistance" and when you look at the things that you are intending to do under "Technical assistance" in this program which we have before us today, they are virtually identical.

Mr. MACPHAIL. I think you probably have to look at it from a somewhat slightly different optic, because many of the things we do under "Special assistance" are in response to a particular emergency which has to be met which is of a political or economic nature, and it does not allow you the ability to negotiate on a broad basis against the purposes which have been set forth in the Act of Bogotá and, really, to attempt to extract legitimate and meaningful self-help measures against the appropriation.

Mr. FORD. I have just been reading the "Special assistance" authorization and many of the words and phrases are identical with the words and phrases which Mr. Gordon read here a minute ago.

Mr. GORDON. I did not hear the word "social" in that at all. Am I wrong?

Mr. FORD. That may be the one word that is left out, but the rest of them are very similar.

Mr. GORDON. Of course, that is the most important word in this description. I would not suggest for a moment that there cannot be done under the terms of the "Special assistance" authorization the things which are contemplated here, and some of them have been. But, "General budgetary support," for example, which is possible under the "Special assistance" authority, could not be done under this program.

Mr. FORD. In your "Special assistance" authorization for fiscal 1961, you do not have any unused authorization?

Mr. MACPHAIL. No; we do not.

Mr. FORD. Are your "Special assistance" funds no-year funds?

Mr. MACPHAIL. No; they are annual appropriations.

Mr. FORD. They are annual appropriations?

Mr. MACPHAIL. Yes, sir; annual authorization and annual appropriations?

Mr. FORD. Your "Technical assistance" appropriations are 1-year funds?

Mr. MACPHAIL. That is correct.

Mr. FORD. This technical assistance program which we have before us at the present time, however, is a no-year fund operation?

Mr. MACPHAIL. That portion of the special Bogotá fund which would go to ICA would be a no-year appropriation.

Mr. GORDON. Could I comment, Mr. Ford, that the ICA part of this, while it includes technical assistance, is by no means limited to technical assistance. So, this \$100 million which I presume you are referring to, I think, is not properly described as a technical assistance program. It is a very much broader program of which a portion would be what has been by tradition now called technical assistance.

ANTICIPATED OBLIGATIONS BY JUNE 30 OF ICA ALLOCATION

Mr. FORD. If \$100 million was made available for this program within the next 10 days or 2 weeks, how soon could you obligate the funds?

Mr. GORDON. We indicated the other day that we thought that up to \$50 million might be obligated before the end of this fiscal year.

Mr. FORD. And, the remainder when?

Mr. GORDON. All during the course of the next fiscal year. I would not put a date on it, but I suppose over the next year.

Mr. PASSMAN. I should not like to interfere with your line of questioning, but would you yield to me at that point?

Mr. FORD. Yes, sir.

Mr. PASSMAN. Did we not later establish that was more or less a guess, that you may or may not obligate the \$50 million? It was just a guess, and there were no firm projects or programs?

Mr. GORDON. We described it, Mr. Chairman, as an "informed guess."

Mr. PASSMAN. You may not obligate any of it and, again, you may obligate \$50 million?

Mr. GORDON. That is right.

Mr. PASSMAN. That is all, Mr. Ford.

Mr. FORD. That is all I have, Mr. Chairman.

DEOBLIGATIONS OF CERTAIN MUTUAL SECURITY PROGRAM APPROPRIATIONS

Mr. PASSMAN. Could you tell the committee, Mr. MacPhail, the amount of funds that will be available from deobligated projects for fiscal 1961 out of special assistance, the President's Asian fund, the President's contingency fund and the technical bilateral fund? Give us the total amount that you estimate you will deobligate out of those several categories for fiscal 1961, and insert the information in the record.

Mr. MACPHAIL. Yes, sir.

(The information follows:)

The following breakdown reflects the deobligation activity during the period July 1, 1960 through January 31, 1961 for the project segment of the specific appropriations requested together with the current estimate of deobligational activity for fiscal year 1961:

Categories	Deobligations as of Jan. 31, 1961	Revised estimate of deobligations for fiscal year 1961
Special assistance.....	\$258,640	} \$500,000
President's Asian fund.....	30,222	
Contingency fund.....	15,417	
Bilateral technical cooperation.....	3,011,397		5,000,000
Total.....	3,315,676	5,500,000

Funds deobligated during fiscal year 1961 are not available for reprogramming during this fiscal year in accordance with the provisions of the Mutual Security Appropriations Act of fiscal year 1961.

Although deobligations become a part of unobligated balances, they represent unobligated balances of prior year appropriations only and do not include estimated unobligated balances from current year appropriations.

Mr. PASSMAN. Gentlemen, are there any other questions?

STATUS OF PRESIDENT'S CONTINGENCY FUND

Mr. ANDREWS. Could any of these projects planned under the ICA program be financed from the contingency fund for this year, 1961?

Mr. GORDON. Under the authority; yes, sir, because the authority is quite comprehensive, but as I understand it, there are no unearmarked contingency funds.

Mr. ANDREWS. What is the condition of the 1961 contingency fund?

Mr. GORDON. Could I ask the ICA representatives to respond to that?

Mr. ANDREWS. What unexpended balance do you anticipate for July 1, 1961?

Mr. MOSSLER. Unobligated or unexpended?

Mr. ANDREWS. Unobligated.

Mr. MOSSLER. We at this time have it all programmed. So, as of this particular moment, in fact, we are overprogramed, sir. We do not expect to have any of it unobligated.

Mr. ANDREWS. You would not be in a position to finance any of these programs under the contingency fund?

Mr. MOSSLER. It does not appear that way now, sir.

POSSIBLE USE OF U.S.-OWNED LOCAL CURRENCIES FOR PROGRAM

Mr. ANDREWS. Could you spend any local currencies down there for these projects under ICA, and do you have any local currencies? If so, why do you not use them?

Mr. GORDON. Could I ask the ICA to speak to that one too?

Mr. ANDREWS. Surely.

Mr. MOSSLER. The host country, of course, will be putting up some. I think you are addressing yourself as to whether or not we could use U.S.-owned local currencies?

Mr. ANDREWS. That is my question.

Mr. MOSSLER. The major single kind of U.S.-owned local currency which we have in Latin America are those generated from the title I of Public Law 480. Now, those local currencies, as you know, are programed at the time that we enter into the sale agreements with these countries. Even though they are programed, it is true that they are not all obligated at that particular point, but as of the end of January this year, all but \$7.1 million of the deposits that had been made pursuant to these sales agreements had been obligated.

Mr. ANDREWS. \$7.1 million?

Mr. MOSSLER. \$7.1 million equivalent in local currencies.

Mr. FORD. This is all in Latin America?

Mr. MOSSLER. All in Latin America; yes, sir.

One other point is that to the extent that we wanted to use them, let us say, for education or health, we are now precluded from using any of those local currencies for those purposes, without resort to a dollar appropriation. This is set forth in section 104 of Public Law 480. We would have to have a dollar appropriation in order to purchase those local currencies, if we were to use them for health and education purposes.

Mr. ANDREWS. The answer to my question is that you do not have any local currencies that could be used to finance any of these projects that we have been discussing here for the last several days either under the ICA program or the bank program?

Mr. MOSSLER. I would not want to go that far, because there may be later—you see, we have \$7.1 million unobligated as of this time, and as subsequent sales agreements are negotiated, it is possible if this program is initiated, that they could be used for some purposes other than health and education, without resort to the appropriation process.

Mr. MACPHAIL. In addition, they do have some sales agreements under which local currencies will accumulate over the coming months as the food and commodities are delivered. Those, however, in most cases are also covered by a loan agreement, specifying the purposes to which these accruals in local currencies will be put. So, in order to utilize any future accruals, it will ordinarily be necessary to attempt to negotiate with the governments to do so. But in the fields of education and health, as Mr. Mossler just pointed out, one of the provisions of Public Law 480 is section 104, under which we are not authorized to utilize local currencies, except pursuant to designation in the Appropriation Act.

Mr. ANDREWS. What percentage of the accruals have been allocated?

Mr. MOSSLER. I am not sure I understand your question, sir.

Mr. ANDREWS. You stated that there was a percentage of the money that you get that has been earmarked for certain purposes for future allocations.

Mr. MACPHAIL. For future allocations; yes, sir.

Mr. MOSSLER. I would put it this way: Of the total deposit we get under Public Law 480 sales agreements—and it varies in each coun-

try—there is a certain amount set aside for U.S. uses. Various U.S. agencies use their dollars to buy local currencies, and that is usually around 30 percent of the sales proceeds, and the other 70 percent is set aside for country use for economic loans or grants.

Mr. GORDON. There would be a political problem also, Mr. Andrews, in trying to renegotiate these arrangements and an economic problem as well. Obviously, if there is a sales agreement under which these future accruals come and the sales agreement provides that the 70 percent is to be used for economic development purposes in the country, the country expects that those will be available.

The political problem arises from the fact that when this program was discussed at Bogota, it was discussed as something in addition to existing program. Therefore, if we were to try to substitute some portion of existing programs for it, this might be considered a breach of faith.

Mr. ANDREWS. And, in view of the commitment made at Bogota you could not use any local currencies to carry out this program? In other words, the agreement made at Bogotá was to spend \$500 million in U.S. money in this area?

Mr. GORDON. It was not a legal commitment, Mr. Andrews, but the moral commitment was considered by the Latin Americans to be in those terms.

Mr. ANDREWS. That \$500 million in U.S. dollars would be also in the program?

Mr. GORDON. That is right, sir.

Mr. PASSMAN. Did you state earlier that, actually, you did not enter into any dollar agreement, but you had a ceiling and you would operate within that ceiling, according to the need?

Mr. GORDON. Mr. Chairman, I stated earlier that the act of Bogotá contains no figure. The act of Bogotá simply indicates the U.S. agreement or intention, rather, to establish this source of funds that we are talking about. The figure of \$500 million which was in the authorization bill was, of course, discussed at Bogotá and was in everyone's mind. The statement by Mr. Dillon that whatever was done would be in addition to their previous programs certainly constitutes in my eyes a moral commitment.

Mr. PASSMAN. We all understand that, but did you state earlier that actually there was no money agreement, and that Mr. Dillon went down there with a ceiling of \$500 million, and we were to fund these programs out of the \$500 million? Further, if it required the \$500 million, we would obligate it all, and if it required a lesser figure to carry out the planned program, then we would appropriate a lesser figure? Is that a substantially correct statement—that we would fund according to the need?

Mr. GORDON. Well, Mr. Chairman, certainly, if the needs turned out to be less than \$500 million, the \$500 million will not be spent, but since this is over a period of time which is not defined in advance, and since it is quite clear that all of the needs will be very, very much larger, and this has been stated both to this committee and my own testimony and to the Latin Americans and in President Eisenhower's statements last year and President Kennedy's statements this year, as an initial installment on a longer range program, I think it is clear that the case that you describe cannot arise.

Mr. PASSMAN. But if it might arise, you would fund according to the need, and not just according to the fact that you have an authorization of \$500 million?

Mr. GORDON. We would certainly not waste any money, Mr. Chairman.

Mr. GARY. Mr. Chairman, may I ask a question or two at this point?

Mr. PASSMAN. Surely.

Mr. GARY. Is it not true that before Mr. Dillon went to Bogotá, the Congress was asked to pass this authorizing legislation?

Mr. GORDON. Yes; Mr. Gary.

Mr. GARY. So that he would be in a position to negotiate as the Bogotá Conference with the other American nations for a program of this nature?

Mr. GORDON. That is right, sir.

Mr. GARY. Congress did authorize this \$500 million while he was in Bogotá and as a result of it, the agreement of Bogotá was negotiated?

Mr. GORDON. That is right, sir.

Mr. PASSMAN. In obtaining the authorization for Secretary Dillon to negotiate this agreement, the chairman of the House Foreign Affairs Committee did state, and I quote:

Any request submitted to the next Congress would be based on a carefully worked out program and only would be for such amounts as may be fully justified.

Again quoting:

Both the authorizing committees and the Appropriations Committees will have a look at the program next year and, as I have just said, every project must be justified.

Continuing:

These programs of social development have not yet been worked out. Before the United States appropriates funds to assist in these programs, our representatives have told the Latin American governments that it will be necessary to have specific programs worked out and justified in detail and, even more important, that these programs will have to be accompanied by basic legislation and institutional reforms in such matters as tax structures, land tenure, and legal procedure in order that new facilities provided under these programs may produce the benefits which are intended.

One other statement by Chairman Morgan:

I can assure the gentleman that the \$500 million will not be spent for several years.

That is the type of assurance given to the House in obtaining the authorization. So far as I am personally concerned, as a Member of Congress and as a member of the Appropriations Committee, I shall try to work as closely with that assurance as possible.

I think we have agreed earlier, however, that you could not work it out in detail, so we are going to have to tear this barrier down somewhere along the line.

Mr. GORDON. If I could comment only on the last part of your quotation from Mr. Morgan about the expenditure over several years, that, of course, is quite right. We have spoken about committing these funds against specific projects, we believe over the next 2 years, but the expenditures, naturally, would extend over a period of several years.

Mr. PASSMAN. I hope we are still in accord that there are no specific programs, no contracts, no agreements, and that this presentation is illustrative of examples that may be followed, or may not be followed, according to whatever the demands may be when you start the program.

Mr. GORDON. Illustrations, sir, which are in various states of development, many of which we expect, but probably not in these specific amounts, to figure in the final program.

Mr. PASSMAN. So it is a matter of faith at this point, to carry out what could be interpreted as a commitment to our friends in Latin America.

Mr. GORDON. Yes, sir.

Mr. PASSMAN. Thank you very much. We shall suspend hearings at this point on this particular item so that we may hear our distinguished new Director of ICA on his request for \$100 million for Chile.

FRIDAY, MARCH 24, 1961.

RECONSTRUCTION AND REHABILITATION OF CHILE

WITNESSES

HON. THOMAS C. MANN, ASSISTANT SECRETARY OF STATE FOR
INTER-AMERICAN AFFAIRS

HENRY R. LABOUISSÉ, DIRECTOR, INTERNATIONAL COOPERATION
ADMINISTRATION

ROBERT M. PHILLIPS, OFFICER IN CHARGE OF CHILEAN AFFAIRS

Mr. PASSMAN. Members of the subcommittee, at this time we shall hear statements by the Honorable Thomas C. Mann, Assistant Secretary of State for Inter-American Affairs, and the Honorable Henry R. Labouisse, Director of ICA.

Gentlemen, we are very pleased to have you two distinguished witnesses with us today. You will decide between yourselves which will proceed first.

Mr. LABOUISSÉ. I defer to the State Department.

Mr. PASSMAN. Secretary Mann, we shall be pleased to hear from you at this time.

GENERAL STATEMENT OF ASSISTANT SECRETARY FOR INTER-AMERICAN AFFAIRS

Mr. MANN. I am sure that the tragic events in Chile of May 1960 are still remembered by you. During that month two earthquakes struck the south-central portion of that country causing an immense amount of destruction and loss of life. Before the panic from the first quake had subsided, a second shock, volcanic eruptions, tidal waves, floods, and fire contributed both to the terror and the tremendous loss of life and property. The force of the earthquake is indicated by the fact that the resulting tidal wave struck Hawaii, California, and even reached Alaska and Japan.

The area mainly affected by the disasters was the south-central portion of Chile consisting of 10 provinces or about 19 percent of the

country. Reports from the scene of devastation were of thousands of lives lost. Over 100,000 dwellings were destroyed or became uninhabitable. The damage to public buildings, hospitals, schools, roads, and industry was immense. The details of the damage are set forth more fully in the presentation book but the total damage amounted to about 400 million escudos—an amount equivalent to more than half of the entire national budget of Chile.

A significant portion of the country's economy was centered in the disaster zone. Approximately one-third of the total population of the country lives in this area and it contains 6 out of the 10 major cities in the country (Concepcion, Temuco, Chillan, Talcahuano, Osorno, and Valdivia). The devastated zone contributed about one-quarter of the approximately \$4 billion gross national product of the country and contains approximately 75 percent of the farms in the country.

The destruction caused by the earthquakes was all the more tragic because it also struck a serious blow at the program instituted by the Alessandri administration to attack the country's two greatest problems: inflation and economic stagnation. In the post-World War II era, Chile had suffered from an extensive expansion of credit and an unbalanced industrialization which created chronic inflation and resulted in economic stagnation. The cost of living index during this period increased almost 2,000 percent. In 1959, the newly elected Alessandri administration inaugurated a series of austerity measures, and with the help of the United States and the International Monetary Fund, inflation had been virtually arrested. With the halting of inflation, the conditions were finally stabilized so that a long-range economic development plan could be formulated—and the Alessandri administration undertook to plan its 10-year economic development program.

At this point the disastrous earthquake struck.

As Chile dug itself out of the ruins, the Alessandri administration was faced with the choice of merely rebuilding the damage done, or combining reconstruction with the 10-year overall development program. Wisely, the Chileans chose to move the whole economy forward and combined the rebuilding with their development plan. But they were faced with the fact that the cost of this program was clearly beyond their own capacities, and they were forced to ask for assistance.

There was an immediate answer to Chile's call for help. A sincere and heartfelt response came from the American people as well as from people all over the world. Private contributions alone exceeded \$5 million. Relief and medical supplies costing over \$5 million were flown to the area. A special Export-Import Bank credit of \$10 million was extended. A grant of \$20 million from mutual security program contingency funds was given to the Government of Chile and this grant is now being used for interim reconstruction projects.

The need, however, greatly exceeded the aid available from these limited sources. President Eisenhower requested and the Congress responded immediately with an authorization of \$100 million for assistance for reconstruction and rehabilitation. The Chileans planned and actually started reconstruction work on the assurance which this authorization represented to them that these funds would be made available to meet the country's urgent needs, particularly before the winter season (May-October). Thus the action of the

Congress in moving promptly to appropriate the full \$100 million is necessary so that the Chileans may proceed with their reconstruction and rehabilitation program confidently and on schedule. It is also necessary in order not to dissipate the substantial good will created in Chile and throughout the hemisphere by the generous response of the Congress last fall.

It is a simple truth that Chile is counting heavily on our help. With this assistance and with the Chilean Government doing its part, this proud and independent friend of the United States will have a reasonable chance to succeed in its efforts to progress through democratic institutions and constitutional processes. Without it, the whole active process of reconstruction and development would be endangered. For these reasons I urge that the full funds authorized be made available now for this most important undertaking.

Mr. PASSMAN. Thank you very much, Mr. Mann. Our distinguished colleague, Mr. Gary, has been fortunate in having many distinguished people from his own State of Virginia appearing before his subcommittee. Today we have a distinguished native Louisianian appearing before us. We are pleased to have the new Director of ICA with us as a witness, and certainly I am very pleased that he is from my own great State of Louisiana.

BIOGRAPHY OF DIRECTOR OF INTERNATIONAL COOPERATION ADMINISTRATION

It is customary as each new Director appears before the committee for him to insert in the record a brief résumé of his background. You may do that at your leisure, Mr. Director, and put it in the record. Most members of the committee know of your work and accomplishments, and we are most pleased that the President has appointed you to this important position.

(Mr. Labouisse's biographical sketch follows:)

- Name: Henry R. Labouisse.
 Born: February 11, 1904.
 Birthplace: New Orleans, La.
 Education: Princeton University, B.A. 1926; Harvard Law School, LL. B. 1929.
 Experience: 1929-41: Private law practice with Messrs. Taylor, Blanc, Capron & Marsh, New York City, N.Y.
 1941-43: Department of State, Division of Defense Materials; Chief 1943.
 1944-45: Department of State, Chief of Foreign Economic Administration mission to France.
 1945-46: Special Assistant to Assistant Secretary of State for Economic Affairs, Will Clayton.
 1946-48: Special Assistant to Director of Office of European Affairs, Department of State.
 1948-51: Coordinator of Foreign Aid and Assistance, Department of State.
 1951-54: Chief of Mission for Economic Cooperation (ECA/MSA), Paris, France. Served concurrently as Minister of Economic Affairs, U.S. Embassy to France.
 1954-59: Director, United Nations Relief and Works Agency for Palestine Refugees, with headquarters in Beirut, Lebanon.
 1959-61: International Bank for Reconstruction and Development, first as head of a Bank mission to Venezuela and then as the special representative for Africa. In 1960 took leave of absence to assist the Secretary General of the United Nations on the special Congo operation.
 1961- : Appointed Director of the International Cooperation Administration.

Mr. PASSMAN. Do you have a prepared statement to present?

Mr. LABOUISSÉ. I do, Mr. Chairman.

Mr. PASSMAN. We shall be very pleased to hear from you at this time.

GENERAL STATEMENT OF DIRECTOR OF INTERNATIONAL COOPERATION ADMINISTRATION

Mr. LABOUISE. First I would like to say, this being my first opportunity, how glad I am to be here and to have a chance to appear before you. I expect there will be many more opportunities in which I shall be doing the same thing.

This is my first opportunity as Director of the International Cooperation Administration to appear before a committee of Congress in connection with our foreign aid program since I was sworn in on March 1, 1961. You will appreciate that I have not as yet had an opportunity to review completely all of ICA's current operations in each of the countries involved in the entire aid program. I have, however, reviewed with my staff the sizable reconstruction problems Chile faces as a result of the earthquakes last spring, and would like to lend my support to what Mr. Mann has just said.

As he indicated, the earthquake resulted in widespread devastation and untold human suffering. This occurred just as the newly elected Alessandri government had brought under control the country's severe inflation for the first time since the Second World War and had launched the planning phase of a long-range development program. Because of this, I, too, feel it is of vital importance that we assist our neighbor to the south by loaning her the \$100 million authorized for this purpose by the Congress last year.

I shall confine my additional remarks to a brief description of the Chilean Government's reconstruction program and our proposals for assisting in its fulfillment.

After the disaster, the Alessandri administration decided that the only sensible way to approach the problems of reconstruction of the devastated area was within the framework of the country's overall 10-year economic development plan. As a result, the Chilean Government has programmed expenditures of approximately 265 million escudos, or \$250 million, for the area during the calendar years 1961 and 1962, which expenditures will include both development and reconstruction work. These funds will be used for the reconstruction and development of such facilities as housing, schools, hospitals, roads, etc. It is estimated that more than half of such funds will be used for reconstruction and rehabilitation activities, as distinguished from new development.

Because of the fact that reconstruction and new development work will be carried on simultaneously, there is a problem of making sure that all U.S. assistance is used for the purposes of reconstruction and rehabilitation only, in accordance with the terms of the authorizing legislation. We have, however, had this matter very much in mind and have worked out with the Chilean Government an understanding to confine all U.S. assistance to such reconstruction and rehabilitation activities.

There are a large number of high priority reconstruction and rehabilitation works for which the Chilean Government has requested the \$100 million authorized by Public Law 86-735. Although no commitments have been made by the U.S. Government on specific projects,

the Chilean Government, as will be noted from the presentation book, has plans for the expenditure of \$60 million for high priority reconstruction and rehabilitation projects in calendar year 1961. There are further requirements for such activities during calendar year 1962 for the balance of the authorization.

Our assistance at this time is particularly important in view of the fact that the Chilean Government has already launched its program for the devastated area and is making substantial expenditures in order to relieve some of the suffering and deprivation which still persists on a large scale.

This is one of our first opportunities to carry out the President's special pledge to our sister Republics in his inaugural—to convert our good works into good deeds in a new alliance for progress. For these reasons and for those mentioned by Mr. Mann, I urge the committee to act favorably on the request for this appropriation.

Mr. PASSMAN. Thank you very much, Mr. Director. We are dealing here with a humanitarianism project, are we not?

Mr. LABOUISE. We are.

Mr. PASSMAN. It is meeting a response to a catastrophe, which would place it in a different category from normal grants or loans to be repaid.

Mr. MANN. That is right.

Mr. PASSMAN. America, from the beginning of our history, has always indicated a sympathetic interest and responded very generously, as individuals and as a government, to a catastrophe such as this one, regardless of in what part of the world it occurred.

Speaking for myself, dealing with a matter of this type, which is basically a question of charity, in a situation where catastrophe hit unexpectedly, it should be considered on that basis. As it applies to my individual feelings, I shall consider it on that basis.

AUTHORIZATION FOR THE PROGRAM

Would you state for the record the date that the two branches of Congress passed the authorization for the \$100 million?

Mr. MANN. It was authorized by Congress on September 8, 1960.

Mr. GARY. Will the chairman yield?

Mr. PASSMAN. I shall be glad to yield.

Mr. GARY. What were the dates of the earthquakes?

Mr. MANN. May 21 and 22, 1960.

Mr. GARY. And when was the act passed?

Mr. MANN. It was signed on September 8, 1960.

ESTIMATE OF DAMAGE TO CHILE

Mr. PASSMAN. What is the total estimate of actual damage sustained by Chile in this district?

Mr. LABOUISE. About \$400 million.

Mr. PASSMAN. And the number of lives lost?

Mr. LABOUISE. There are two different estimates. The original one, I think, was given by the Chilean Red Cross as between 5,000 and 6,000. There has been a more recent one which I believe was 1,600.

Mr. PASSMAN. Speaking of the \$400 million damage, that is the estimate of the total damage in the country?

Mr. MANN. In this area; yes, sir.

Mr. LABOUISSSE. Mr. Chairman, I am told the figure in dollars was under \$400 million.

GRANT AID TO CHILE TO DATE

Mr. PASSMAN. What is the total amount of grant aid for this purpose extended by the United States to Chile to date?

Mr. MANN. \$20 million.

Mr. MACPHAIL. For purposes of reconstruction and rehabilitation.

Mr. PASSMAN. That had to do with the catastrophe.

Mr. MACPHAIL. There was \$5 million in emergency assistance for the airlift of medical supplies and equipment immediately after the earthquakes, and then in early July there was a \$20 million emergency grant made for reconstruction purposes in the devastated area.

Mr. PASSMAN. That was prior to the enactment of this authorization?

Mr. MACPHAIL. That is correct.

Mr. PASSMAN. What has been the amount of aid subsequent to the authorization, if any?

Mr. MACPHAIL. There has been none, sir.

Mr. PASSMAN. If the Congress in its wisdom should appropriate the \$100 million, the disbursement of the funds would be under control of the Chilean Government?

Mr. MANN. This would be a loan which would be used for projects within categories defined here in table 9 of the presentation. Each project would be negotiated separately with the Chilean Government.

Mr. PASSMAN. Is it a loan that would be repayable to this country, or would it be placed in a revolving fund?

Mr. MANN. This is a loan which would be repaid to this country. The terms as to whether it would be repaid in dollars or in local currency have not yet been determined.

Mr. GARY. Will the gentleman yield?

Mr. PASSMAN. Yes, sir.

Mr. GARY. Has the interest rate been determined yet?

Mr. MANN. No, sir; I don't think any of the terms and conditions have been determined. These are usually fixed by the National Advisory Council, which has not passed on this particular loan.

Mr. PASSMAN. Do you know the total amount of aid given and loans made to Chile through the present fiscal year?

Mr. MACPHAIL. Through December 31, 1960, which would be half of this fiscal year, total assistance amounts to \$168,860,600, of which \$101,518,200 is as a result of Public Law 480, and from direct mutual security appropriations a total of \$57,042,400.

Mr. PASSMAN. The grand total being \$263,800,000?

Mr. MACPHAIL. \$168,860,600.

Mr. PASSMAN. That is total amount of aid extended to Chile through the mutual security program through fiscal 1960?

Mr. MACPHAIL. That is correct.

Mr. PASSMAN. Speaking of all types of aid, grants, gifts, and loans.

Mr. MACPHAIL. That would be \$263,800,000, including Export-Import Bank loans.

Mr. PASSMAN. How many loans, and the amount, subsequent to the earthquake, and then subsequent to the passage of the authorization?

Mr. MACPHAIL. Subsequent to the passage of the authorization act on September 8, there has been one Public Law 480 loan sales agreement signed with the Government of Chile.

Mr. PASSMAN. In the amount of—

Mr. MACPHAIL. \$29 million, approximately.

Mr. MANN. Is the question what loans have been made to Chile, assistance in all forms since September 8?

Mr. PASSMAN. Yes.

Mr. TABER. Could you give it to us right from the beginning so we will have it all at one place?

Mr. PASSMAN. We have the total as \$263,800,000.

Mr. MANN. I am prepared to give you now what has been done this year in all forms.

Mr. PASSMAN. All right.

Mr. MANN. There are two Public Law 480 agreements. One is for \$3.4 million, another for \$28.9 million. They have an IMF standby of \$91 million not from the United States, but we contribute to that. This is a standby mostly in convertible currency but including \$16 million in Argentine pesos.

The U.S. Treasury has given them a line of credit for stabilization purposes of \$15 million, but this has not been drawn down. They borrowed from U.S. private banks a total of \$30 million, only part of which has been drawn down.

The Ex-Im Bank has given them a balance-of-payments credit of \$15 million, but none of this is drawn down. There has been an export credit to Chile tied to reconstruction of \$10 million, which has been drawn down. There was an untied Ex-Im Bank loan of \$5 million for machinery and equipment.

Mr. PASSMAN. That is the calendar year 1960?

Mr. MANN. Yes, sir from all sources, according to our information.

Mr. PASSMAN. Subsequent to the earthquakes?

Mr. MANN. Yes, sir; that is subsequent to the earthquakes.

Mr. PASSMAN. What is the total amount?

Mr. MANN. I have not added these figures up, Mr. Chairman. A lot of these are standbys.

Mr. PASSMAN. But they are available if they want to utilize the loans? The money is there.

Mr. MANN. But not necessarily for the earthquake or economic development. Standby credit for other purposes.

Mr. PASSMAN. They would be for the same purposes, would they not? It is available for Chile to be used in the overall economy?

Mr. MANN. Yes, I think that is correct, sir, under certain conditions. May I give you this total later?

Mr. PASSMAN. Yes, certainly.

Mr. RHODES. May I ask a question?

Mr. PASSMAN. Yes, sir.

COUNTRY PURCHASE AGREEMENTS

Mr. RHODES. Did you say there was a line of credit from the U.S. Treasury?

Mr. MANN. Yes. The Treasury Department sometimes gives standby credits for the purpose of helping to stabilize currency.

Mr. RHODES. Of another country?

Mr. MANN. It is a standby credit.

Mr. PHILLIPS. Mr. Congressman, I am Robert M. Phillips, Officer in Charge of Chilean Affairs. The \$15 million agreement with the Treasury is what is called a currency purchase agreement. It is a last-resort device, and so far none of these credits has actually ever been used.

Mr. RHODES. Under what law? What is the authority by which the U.S. Treasury can do that?

Mr. PHILLIPS. I cannot cite the authority.

Mr. RHODES. It is not your business, of course.

Mr. PHILLIPS. They have had the currency purchase agreements with a number of countries. The Treasury receives a commitment fee on those things, a fee that, as I understand, is used in connection with the operations of the Exchange Stabilization Fund of the Treasury.

Mr. PASSMAN. Would you cite the authority, please. Put it in the record.

Mr. PHILLIPS. Yes, sir, we will.

(The information follows:)

AUTHORITY FOR CURRENCY PURCHASE AGREEMENT

The authority for the Chilean currency purchase agreement is contained in section 10 of the Gold Reserves Act of 1934, as amended (31 U.S.C. 822a).

FIXING OF TERMS OF THE LOAN TO CHILE

Mr. PASSMAN. Have you reached an agreement yet as to the terms of the loan?

Mr. MANN. We have reached agreement on certain broad categories of projects. We have not yet reached agreement on particular projects.

Mr. PASSMAN. What is the length of the loan, and what are the terms?

Mr. MANN. As I said before, the terms will be fixed by the NAC if the money is appropriated by Congress.

Mr. PASSMAN. By whom?

Mr. MANN. The National Advisory Council, a Council chaired by Treasury, which passes on terms and conditions of all large loans made by the U.S. Government.

Mr. PASSMAN. The terms and the interest rate, if any, would be fixed at a later date, as well as whether it should be repaid in dollars or in local currency?

Mr. MANN. That is correct, sir. This is standard procedure.

Mr. PASSMAN. Do you not think the Congress could do a better job helping you with this matter had you progressed a little further on it, so we would not again be just giving a check without any detail as to the purposes for which it would be spent? I am sympathetic to the

request, but again we do not know what the terms will be, what the interest will be, whether it shall be paid back in local currency, or in dollars, whether or not the repayments, if any, will come back to this country or whether they will be plowed back into Chile's own economy.

Mr. MANN. There is no doubt that the repayment in whatever currency will be property of the U.S. Government. This is a bilateral loan and, when paid back, it will be our property.

REPAYMENT OF PUBLIC LAW 480 LOANS

Mr. PASSMAN. With respect to proceeds from the Public Law 480 loans you mentioned earlier, will that go into a revolving fund in Chile or accrue to the credit of the United States?

Mr. MANN. No, but all Public Law 480 agreements provide that a certain portion of the proceeds is available for U.S. uses and a certain portion for the uses of the local country, principally for economic development and for the other purposes specified.

Mr. PASSMAN. Similar to the Development Loan Fund, through which a country pays back in local currency, and our Embassy can, under certain circumstances, use a limited amount, and the remainder is plowed back into other programs?

Mr. MANN. DLF repayments are not available for Embassy expenses unless dollars to pay for the currencies are made available to DLF.

Mr. MACPHAIL. The repayments that would be made under loans under Public Law 480 in Chile would be repaid to the United States and become a U.S. asset in Chile.

Mr. PASSMAN. A hundred percent of the loan?

Mr. MACPHAIL. No. A portion of the original loan is for U.S. uses only which are used pursuant to appropriations. The portion of it which is for loans to the Chilean Government for economic development, for example, is loaned to the Government of Chile by the United States, and then repaid to the United States under terms of the loan.

Mr. PASSMAN. They are paying it back and we turn around and lend it to them again?

Mr. MACPHAIL. We could, yes.

Mr. PASSMAN. Could do it over and over again.

Mr. MACPHAIL. At the option of the United States.

Mr. GARY. Will the chairman yield?

Mr. PASSMAN. I am glad to yield.

U.S. COMMITMENT TO CHILEAN PROGRAM

Mr. GARY. Will you tell me just exactly to what extent this Government has committed itself to this program?

Mr. MANN. Well, sir, I think that there is no legal commitment here, but certainly the act of Congress in passing the authorization for the hundred million dollars was relied on by the government of Chile in launching, as it had to do immediately, a reconstruction program in this devastated area. I am sure they confidently expect that the Congress will follow through with the appropriation.

Mr. GARY. What were the negotiations between the countries that led to this? I am trying to be helpful because I am sympathetic. I just want to know what negotiations led up to this and what commitments, if any, were made.

Mr. MANN. The Chilean Government through its Ambassador in Washington, if my memory is correct, shortly after the earthquakes in May requested assistance in the sum of \$150 million. We discussed with him the various problems that arise in this kind—

Mr. GARY. Who is "we"?

Mr. MANN. The Department of State and Department of the Treasury; all loan applications are discussed on an interdepartmental basis with all of the agencies concerned.

Mr. GARY. I am just asking for information.

Mr. MANN. During President Eisenhower's administration, he decided he would request an authorization of a hundred million dollars, and did so, explaining at that time the purposes for which the request was made. Congress passed on this.

The Chilean Government began immediately, as it had to do, an emergency program in the area, in the confident expectation that the United States would be able, subject to congressional appropriation, to help them out.

Mr. GARY. And that program was based upon the assumption that a hundred million dollars would be coming from the United States to be applied and used for the program?

Mr. MANN. That is correct, sir, and the assumption in turn was based on the authorization.

Mr. GARY. I understand. That is all.

LOANS AND DIRECT ASSISTANCE AVAILABLE AND PROVIDED TO DATE

Mr. PASSMAN. I am sympathetic, and I am trying to be helpful. But I am finding it somewhat difficult to get something into which to put my teeth.

Those figures you gave a little while ago, of different loans and loans available that have already been approved—I think we had better get those figures at this point. It might possibly be that they have already received far more than the authorization calls for out of other accounts.

Mr. MANN. No, sir.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. MANN. I think these are almost unaddable, because they are for different purposes. The total would be meaningless. I do not have it yet.

Mr. PASSMAN. Why would it be meaningless, if it is money available, authorized and ready?

Mr. MANN. Because a lot of it has not been drawn down, some of it may never be drawn down.

Mr. PASSMAN. It is available, though, to be drawn upon and used?

Mr. MANN. Under certain conditions.

Mr. PASSMAN. All these things are under certain conditions. I certainly do not want to be placed in the position of quarreling with the Secretary, but I wish we could ascertain the total amount of the loans available.

Mr. MANN. I will get it for you, sir.

I might add that the only loan that has been granted for earthquake damage is an Eximbank loan of \$10 million which, added to the ICA grant of \$20 million, gives you a total of \$30 million.

Mr. PASSMAN. Would it follow, though, that with a lot of these loans which this country, and maybe others, approved subsequent to the earthquakes, you might possibly trace the approval to the earthquake itself? We are humanitarians, and we certainly extend the hand of charity to our neighbors here and elsewhere. That is why I think it is rather significant to establish the total amount, because it is going into the same household, so to speak; it is going into Chile. In all probability, they will spend this money where it is needed most. I think it is important for the committee, and will be to the Congress, to know the total amount that is available.

Mr. MANN. May I run over this again, sir?

Mr. PASSMAN. Please do.

Mr. MANN. It is hard to give a general answer to that.

Mr. PASSMAN. If you will just give us the total, I assure you we understand that the money has not been drawn down, but merely approved and available, should they elect to draw it down under certain conditions. I suppose each loan has different conditions under which the money may be expended?

Mr. LABOUISSÉ. May we go off the record, Mr. Chairman?

Mr. PASSMAN. Surely.

(Discussion off the record.)

Mr. MANN. I have it here, I think, in intelligible form in three sections, sir.

The emergency aid that was airlifted down—medicines and blankets and that sort of thing—a total of \$5 million.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

Mr. MANN. Then another \$5 million in private donations from this country and an ICA grant of \$20 million. That gives you a total of \$30 million.

Then in the form of Public Law 480 assistance, the two transactions already described total \$32.3 million.

Mr. MACPHAIL. Only one was subsequent to the authorization.

Mr. MANN. Yes, one was subsequent. The other was previous, the first \$3.4 million.

Then there is \$5 million in a third category, Eximbank loans, \$5 million on a reimbursement basis. There has been no reimbursement yet.

Another loan of \$10 million, which is entirely drawn down.

Another Eximbank credit tied in with the IMF standby transaction is \$15 million, giving a total of \$30 million; but of this only 10 has been drawn down.

Mr. PASSMAN. But it is available any time they want it?

Mr. MANN. Yes, sir; for certain purposes.

Mr. PASSMAN. It has been approved?

Mr. MANN. Yes, sir.

Mr. PASSMAN. Of course, that question is going to be asked. What is the total?

Mr. MANN. \$92 million, counting Public Law 480 and the Red Cross and everything, some of this subsequent to the authorization and some previous to it.

(The following was submitted later:)

Total U.S. assistance to Chile negotiated subsequent to the earthquakes

[Millions of dollars]

1. Prior to Sept. 8, 1960:	
U.S. emergency aid, approximately.....	5.0
U.S. private and voluntary aid, approximately.....	5.0
ICA grant from contingency fund (the funds did not actually become available until shortly after Sept. 8, 1960).....	20.0
Public Law 480 (104(g) country-use component).....	1.5
Export-Import Bank (another loan of \$5 million was announced, but it had been under prior consideration, was unrelated to the disasters and consisted primarily of machinery credits).....	10.0
Subtotal.....	41.5
2. Subsequent to Sept. 8, 1960:	
Public Law 480 sales agreement (104(g) country-use component).....	23.1
Total.....	64.6

Mr. RHODES. Will the chairman yield?

Mr. PASSMAN. I am pleased to yield.

Mr. RHODES. Will you clarify the Public Law 480, reference please?

Which title is involved?

Mr. MACPHAIL. Title I.

Mr. MANN. I assume both were title I.

TYPE OF PROJECTS TO BE FINANCED

Mr. PASSMAN. What type projects will be financed out of the \$100 million?

Mr. MANN. There are projects to cover damage to housing in the private sector for a total in 1961 estimated at \$14.6 million.

There is a total of \$4 million in regard to public buildings, city paving, water, and sewerage.

There is a total of \$3.2 million for 1961 estimated for schools, largely reconstruction of schools.

There is a total of \$1.8 million in the same year for reconstruction of destroyed hospitals and the rehabilitation of nearly 100 partially damaged small hospitals and clinics throughout the zone.

There is a total estimated at \$13.5 million for agriculture and irrigation, largely to reconstruct and rehabilitate agricultural buildings, irrigation installations, and complementary agricultural structures.

There is a total estimated at \$9.2 million for 1961 in the industrial sector, reconstruction loans to damaged industries. There is the matter of the rehabilitation of the fishing industry, which was virtually wiped out, along with most of the docks and fishing boats. There are loans to sawmills and woodworking plants and for power generating and electrical equipment.

Mr. PASSMAN. This covers a broad scope and area.

Mr. MANN. Yes, sir.

Mr. PASSMAN. It may or may not be followed in accordance with this very tentative program. It would be left rather largely to the country to use the money, would it not, once it is made available?

Mr. MANN. That is correct, subject only to working out project agreements and doing the work.

Mr. PASSMAN. They would work out their own projects. That would not be under the supervision of the United States, would it?

Mr. MANN. No, sir; except we plan to be sure that this is limited, as Mr. Labouisse said, to the earthquake zone and earthquake rehabilitation.

DEGREE OF OBLIGATION OF UNITED STATES FOR CHILEAN PROGRAM

Mr. PASSMAN. Would you say that because of the authorization requested by President Eisenhower and passed by the last Congress, the Government of Chile made certain plans and expenditures predicated on getting this loan at a subsequent date?

Mr. MANN. That is correct, sir.

Mr. PASSMAN. Do you think that statement can be documented, so there is no question about it?

Mr. MANN. I have no doubt about it.

Mr. PASSMAN. That would be altogether different from the so-called Latin American item we are considering.

Mr. MANN. This is entirely different and distinct from that; yes, sir.

Mr. PASSMAN. So, in reality, we would have, morally speaking, a much stronger obligation on the \$100 million than we would have on the other item, because this is immediate and the other is long range. Would that be a fair statement?

Mr. LABOUISSÉ. I think from the report of the Foreign Affairs Committee, the thing which was rather persuasive to me, was the statement that the authorization action now will

provide the necessary reassurance to the Government of Chile that in undertaking the arduous and burdensome task of reconstruction, which requires substantial sacrifices by its people, and in adhering to its courageous program of economic stabilization, it can depend upon timely assistance from the United States.

Mr. PASSMAN. We almost made it definite that we would do this, that it would be forthcoming immediately. However, on the request for \$500 million it was predicated on the understanding that they would make available detailed information so far as these projects are concerned. Therefore, the Congress did pass this authorization upon the basis of a little bit different assurance, and also for an entirely different purpose. This was brought about by something entirely unexpected. It was a catastrophe that hit overnight. But in the other case we are trying to correct something which has been in existence for hundreds of years.

Would you say that is essentially a statement of fact?

Mr. MANN. I would certainly agree they are separate and distinct and we have this obligation.

I wouldn't want to say this lessens in any way the moral obligation we have—

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

Mr. PASSMAN. I do see a difference. There was almost positive assurance, according to the statement in the report as well as the statements on the floor of the House. Based upon that assurance, that it

would be forthcoming, the Government of Chile made certain expenditures which it would not have made had it not expected to receive at least part of this authorization.

Mr. LABOUISSÉ. I would say that is true. The Government had to do this work. It did it partly on the assumption we were going to put in some more money.

Mr. PASSMAN. But you are dealing with something—and I am repeating here, but it is worthwhile—which unexpectedly hit overnight.

Mr. LABOUISSÉ. That is right.

Mr. MANN. That is correct.

Mr. PASSMAN. And it is not a condition which built up over a period of 200 to 300 years. Is that a statement of fact?

Mr. LABOUISSÉ. Yes, sir.

Mr. RHODES. Off the record.

(Discussion held off the record.)

CHILEAN ACTION ON RECONSTRUCTION AND REHABILITATION

Mr. PASSMAN. What is the Chilean Government itself doing to reconstruct and rehabilitate its country?

Mr. MANN. They passed a law through Congress increasing by \$175 million over a 5-year period their tax intake shortly after the earthquake.

Mr. PASSMAN. Do you know the exact date on which they introduced the legislation?

Mr. MANN. It was sent in on July 1.

Mr. PASSMAN. That was prior to the authorization by the U.S. Congress?

Mr. MANN. That is correct, sir.

Mr. PASSMAN. It was introduced prior to the enactment of the U.S. authorization in the amount of \$100 million?

Mr. MANN. Yes, sir, it was introduced prior to that time.

Mr. PASSMAN. Do you know the total amount of revenue it was estimated to bring in?

Mr. MANN. President Alessandri's new tax measures were estimated to increase Chilean tax revenues by \$250 million over a 5-year period.

Mr. PASSMAN. The final bill enacted by the Chilean Legislature indicated what in the way of estimated amount of revenue?

Mr. MANN. \$175 million.

Mr. PASSMAN. That was a reduction of what amount below the original estimate, or the estimate in the original bill?

Mr. MANN. \$75 million.

Mr. PASSMAN. On what date did the legislature finally enact the legislation?

Mr. MANN. The law became effective on October 26, 1960.

Mr. PASSMAN. Was that subsequent to the authorization approved by the U.S. Congress?

Mr. MANN. Yes, sir, it was.

Mr. PASSMAN. Is it just coincidental that they reduced the amount of their bill by a sum very near to the amount of our authorization?

Mr. MANN. I think there were other factors. There was quite a political disagreement between the Chilean Congress and the Minister

of Finance, Minister Vergaro, and this related to what taxes should be levied and how much they should be increased, and these disagreements resulted at one time in the Chilean Congress slashing the Government's request down as low as \$90 million.

Mr. Vergaro resigned as a result of that.

The President vetoed the \$90 million and sent a veto message, as it is called in Chile, back to Congress requesting the restoration of revenues to a level of \$237 million over the 5-year period, and this was after—

Mr. TABER. That much a year?

Mr. MANN. A 5-year period, sir. These are all additional taxes.

Mr. PASSMAN. The amount you gave was the annual tax?

Mr. MANN. No, over a 5-year period. All of these figures are.

Mr. PASSMAN. That is the total?

Mr. MANN. Yes.

Mr. PASSMAN. Subsequent to the passage of the \$100 million authorization by the U.S. Congress, the Chilean Government finally passed their tax measure reducing the original request by \$75 million?

Mr. MANN. That is correct, sir.

Mr. PASSMAN. Off the record.

(Discussion held off the record.)

TENTATIVE TERMS OF LOAN

Mr. PASSMAN. We have established earlier that the terms on the \$100 million are yet to be determined.

Mr. MANN. That is correct, sir.

Mr. PASSMAN. It has not been determined whether it is to be repaid in local currency or dollars, or whether it will be low-rate interest or no interest, or whether or not when the loan is repayable it will go into the U.S. Treasury. It can conceivably be put back into the economy of Chile. The legislation is broad enough for you to work out just about any terms you want to, are they not?

Mr. MANN. Yes, sir. I think we do not really have any plans to determine anything except the term of the loan, whether it is repayable in dollars or local currency, and the interest rate. I am sure there will be some interest rate.

The money will belong to the United States whether it is dollars or local currency.

Mr. PASSMAN. Would you say that the legislation is broad enough so that in the event the negotiators, in their wisdom, should decide the money would be used again in their own economy, as a revolving fund, that it could be done?

Mr. MANN. I have not even studied that point.

Mr. PASSMAN. There is no precedent?

Mr. MANN. No present intention.

Mr. PASSMAN. I know there is no intention now. We merely want to know if the authorization is broad enough so that if you should elect to plow it back in you could do so?

Mr. MANN. I have not considered this.

Mr. PASSMAN. You do handle the Public Law 480 fund that way, do you not?

Mr. MANN. Yes, sir, but this is by law of Congress.

Mr. PASSMAN. I wanted to know if you interpreted the language of the authorization to be broad enough for you to do so, if, in your wisdom, you thought it wise to do so.

Mr. LABOUISSÉ. The authorization language is broad enough.

Mr. PASSMAN. It is sufficiently broad so that if you elected to do so you could make a grant?

Mr. LABOUISSÉ. Yes.

Mr. MACPHAIL. The presentation specifically proposes a loan. As Secretary Mann pointed out, the whole question of loan policies affecting development loan and other availabilities is now before the NAC. As you know, the President indicated the other day that he hoped for long-term dollar repayable loans.

Mr. PASSMAN. Then, you are recommending, through your statement, that this committee should write into its report or into the bill that this is to be paid back in dollars or local currency, exclusively to the United States, and is not ever to be a grant? Would you recommend that provision be put in?

Mr. MANN. Pending the NAC decision we would prefer that not be done.

Mr. PASSMAN. This conceivably could work out to be an outright grant, could it not?

Mr. MANN. This is possible under the authorization language; yes.

Mr. PASSMAN. To elaborate further would be wasting time. It is there.

Let us hope that whatever happens will be to the best interest of all concerned.

Mr. Taber?

ADVANCES TO CHILE TO DATE SINCE THE EARTHQUAKE

Mr. TABER. How much money did you say the United States already had advanced to Chile? Give me the whole picture since the earthquake.

Mr. MANN. I said, sir, that approximately \$40 million went in, not all of which has been drawn down.

Mr. TABER. That is since the earthquake?

Mr. MANN. Yes, sir.

Mr. TABER. How much have they raised themselves for restoration?

Mr. MANN. They increased their taxes by the amount we discussed just a moment ago in the sum of \$175 million over existing tax revenues. We have the budgetary figures here. This is in addition, additional taxes caused largely by the earthquake, yes.

Mr. TABER. How long are those supposed to last?

Mr. MANN. Over a 5-year period, sir.

One hundred and seventy-five million dollars is the increased tax yield over the 5-year period.

Mr. TABER. That would be \$35 million a year.

Mr. MANN. Yes, sir.

Mr. TABER. What is their total revenue?

Mr. MACPHAIL. For 1961 it is estimated at 744 million escudos, or about \$700 million.

CURRENT PROGRESS TOWARD REHABILITATION

Mr. TABER. How much progress have you made toward rehabilitation with the \$98 million which has been made available?

Mr. MANN. You refer, sir, to the \$93 million?

Mr. TABER. Yes.

Mr. MANN. The question was asked how much money has Chile obtained since the earthquake from the United States.

As I pointed out, only \$30 million of this, including \$5 million private contributions, \$5 million on the airlift for medicine, and \$20 million of grants, are related directly to the earthquake; plus a \$10 million loan from the Eximbank, a loan repayable in dollars, or a total of \$40 million.

Mr. MACPHAIL. In the area of the earthquake damage itself—in the 10 provinces—the Chilean Government has managed to put back to work at least on a temporary basis some of the utilities, roads, and railroads.

There still remains, however, widespread damage to public buildings, housing, schools, hospitals, and so forth.

The Chilean Government has diverted over the past months money from its regular budget into emergency reconstruction in the area.

To answer your question, they have made some progress; they have a lot more to make.

Mr. TABER. When the earthquake occurred they were just running into their winter?

Mr. MACPHAIL. Yes, sir.

Mr. TABER. They have had a full summer season within which they could do things to pull themselves together. Have they gone ahead and developed any plan of rehabilitation which could really help them?

Mr. MANN. Yes, sir.

Mr. TABER. Is there any way they would be helped now by our people?

Mr. MANN. What they did, sir, was to go to work as quickly as possible diverting money from other areas, money earmarked for economic development in other areas, expecting that reconstruction would continue when they got the \$100 million back into the disaster zone.

They have done a considerable amount of work and a considerable amount of planning, work and planning.

Mr. TABER. You have no idea how much?

Mr. MACPHAIL. I am speaking now of the devastated area in the 10 provinces. In this calendar year, and in the next calendar year they plan to spend some \$250 million for reconstruction and development. More than half of that is for reconstruction directly related to the damage in the area. This is the portion of their activities proposed to be supported under this appropriation.

They are now in the full construction season, since as you point out this is their summer, and they estimate that since December and January they have reached a full level of activity through their various ministries such as Public Works, and so on, a level of construction activity to achieve this \$250 million level of which I spoke of a few minutes ago for the 2-year period.

ADMINISTRATION OF APPROPRIATION

Mr. TABER. What will be done with the money and who will be handling it? Would it be turned over to the Chileans?

Mr. MACPHAIL. Turned over to the Chileans as they justify need for it.

Mr. TABER. Who will be administering this money if we pass this bill?

Mr. MACPHAIL. The administration of the money as it is proposed in the book is set forth on page 22, and I will outline it very briefly.

It is proposed that the appropriation as needed will be released to the Chilean Government as they present adequate documentation and prove they have used the local currency coming from the fund on local reconstruction or rehabilitation projects.

What is envisaged here is the following—that the Chilean Government is already moving forward on reconstructing roads and highways and hospitals, and so forth. There will be mutual agreement on these activities between our U.S. operations mission in Santiago and the Government. We will make available initially a fund to the Chileans and as they present documentation and vouchers against the expenditures they have made, we will continue to replenish the fund. So you do have a control that is really regulated by the amount of progress the Chileans themselves make on the reconstruction program.

Mr. TABER. Judging by what has been accomplished so far, within what time would you figure money would be used?

Mr. MACPHAIL. This money is proposed to fund a program of approximately 2 years. We have estimated in the presentation there would be obligations in the order of magnitude of \$25 million in this current fiscal year of ours, which is the first half of their current year, which is also the calendar year, and over the 2-year period you would spend practically the total amount of the funds requested.

CHILEAN EXPENDITURES FOR RECONSTRUCTION

Mr. TABER. They will not spend much after the 1st of October?

Mr. MACPHAIL. After our 1st of October, they would be in a high rate of expenditure because that would be the Chilean spring and summer season.

Mr. TABER. Their summer season would just be coming in?

Mr. MACPHAIL. Yes.

Mr. TABER. How much have they spent already?

Mr. MACPHAIL. The Government estimates they are spending now at a rate of about \$5 million a month, and have been doing so during this summer season.

Mr. TABER. Five million a month. That would mean they might use during the fiscal year 1962, \$60 million to \$75 million.

Mr. MACPHAIL. That is right.

You would have to allow for some falling off in their winter season which would be next spring.

Mr. TABER. There will not be much going on from now until the 1st of October?

Mr. MACPHAIL. They are still in their summer and getting into their fall season now.

As I say, they have been spending at a rate which they estimate at about \$5 million a month.

Mr. TABER. They will expect to use some of their own funds for this purpose too, will they not?

Mr. MACPHAIL. Oh, yes, in addition to this.

Mr. TABER. If they have been spending \$60 or \$70 million, and they are raising by taxation \$35 million for this purpose, an expenditure of \$50 million in 1962 would be about all that would be accomplished?

Mr. MACPHAIL. In terms of the utilization of these U.S. funds.

Mr. TABER. Yes.

Mr. MACPHAIL. It would be around \$50 million.

Mr. TABER. Not very far from that.

What is the sense of our appropriating more than you can use the way things are operating in 1962? You can get a big block of money tied up in appropriation—

Mr. MACPHAIL. As I indicated earlier, Mr. Taber, these funds would not be turned over to the Chilean Government until such time as they have performed on the construction.

Mr. TABER. I appreciate that.

The minute the Congress lets loose, why, there is a serious temptation for the U.S. management to be a little less careful. That can happen if you have too much money kicking around.

Mr. MACPHAIL. I would certainly hope we would exercise prudent management on this appropriation, Mr. Taber.

Mr. TABER. That would be better than they have done in the ICA.

Mr. LABOUISSÉ. If I may say so, the Government, as I understand it, is carrying on a development program which includes reconstruction. I believe the present figure of \$5 million a month estimated expenditures by the Government is for the reconstruction part, is it not?

Mr. MACPHAIL. That is correct.

Mr. LABOUISSÉ. There are additional funds being put in by the Government for development. This will be a problem of unscrambling in a sense to us because we have to determine what it is that is properly reconstruction and not development.

The estimates the Government has given us is that they are now spending at the rate of \$5 million a month for the reconstruction part, and we estimated it for the calendar year 1961 it would be about \$60 million.

Mr. MACPHAIL. They have split the 2-year utilization of their reconstruction program with respect to what they hope to be the U.S. contribution, into two parts: \$63 million in this calendar year and \$37 million in the calendar year 1962. They have set up their higher priorities for this year; the balance would be utilized next year.

Mr. TABER. They will have one summer season after this bill passes before the end of 1962. Their summer is November, December, January, February, and March. I doubt if you would need any more money. Maybe \$50 million would do.

What do you think about that?

Mr. MANN. Well, sir, we believe we ought to have the whole \$100 million. It is a 2-year program. It is a continuing thing. They have launched this program in reliance on the authorization of Congress.

I believe we are morally committed to go ahead, sir, and we will get a better job done if we follow through the Chilean plan which is a 2-year plan than if we try to break it up into 1-year fragments.

Mr. MACPHAIL. As the presentation book points out, we have been working informally, but without any commitment to the Chilean ministries in identifying legitimate reconstruction and rehabilitation activities which they have been undertaking since January 1, and on which they have advanced their funds from their regular budget and their development budget elsewhere in the country, to the end that these activities could be mutually agreed upon.

We would review their vouchers and be prepared to pay the Government retroactively for expenditures on reconstruction which has taken place since about the 1st of January.

Mr. PASSMAN. We asked that question earlier.

I believe the Secretary responded that certain expenditures had been made based upon this authorization.

Do you have any idea as to the amount of expenditures already made by the Chilean Government on the projects that would normally be paid for out of this appropriation, if it is approved?

Mr. MACPHAIL. Within their total reconstruction budget in the 10 provinces—

Mr. PASSMAN. We want to know how much money they have spent already, based upon their expectations to get this appropriation.

Mr. MACPHAIL. Quite apart from whether they were going to get this appropriation or not, they have been spending at a rate of about \$5 million a month, so if you put that back to January 1, it would be in the vicinity of \$15 million.

Mr. PASSMAN. You think, then, they would not have otherwise spent the \$15 million. There would have been different planning had it not been that they were expecting this money?

Mr. MACPHAIL. I think, as this presentation pointed out, the Government faced the question of either cutting back on its development program, or of attempting to accommodate the reconstruction requirements within the development program. So what they have done is to proceed with both reconstruction and their general development program. I would fully agree with you that the fact there was an authorization of Congress, the U.S. Congress, for \$100 million, certainly would lead them to expect they have that made available to them.

Mr. PASSMAN. I am not getting through to you.

The question is: How much less money would they have spent on their reconstruction program had it not been for this authorization?

Mr. MACPHAIL. I do not think you can answer that, sir. You could assume they would have either attempted to cut back their development program to accommodate the reconstruction program—

Mr. PASSMAN. You stated earlier that certain expenditures had been made based upon the fact that Congress had authorized this item.

Mr. MANN. That is correct.

Mr. PASSMAN. They are going to get reimbursed out of it, and they have made the expenditures. I think the committee should have some general estimate as to the amount of the expenditures they have made on account of this authorization, as you stated earlier they have made the expenditures based upon the fact that we have enacted the authorizing legislation.

Mr. MANN. They have been spending, Mr. Chairman, since January of this year at the rate of \$5 million a month, they tell us, for rehabilitation in the earthquake zone. They would expect to be reimbursed for this.

Mr. PASSMAN. That answers the question.

The prior statement should be firmed up with an estimate.

Mr. TABER. It looks like you are going to spend \$63.2 million in 1961 and \$36,800,000 in 1962.

They have not been going at any rate that would build up the \$63 million in fiscal year 1961, have they?

Mr. MACPHAIL. This is calendar year 1961 and 1962. Their fiscal and calendar years are the same. Their presentation is based on a calendar year 1961 requirement.

Mr. TABER. If this bill is passed, will they actually get ready to let their contracts when next fall rolls around? That is when they will get their spring and can start swinging.

That is about it, is it not?

Mr. MACPHAIL. I think that we have just indicated we would be prepared to make retroactive payments to them going back to last January 1, which is the start of this calendar year. In effect we would be taking advantage of their full construction season and into the fall.

Mr. TABER. That would mean they would have spent about \$63 million by this time. There would not be any chance for them to operate on any elaborate scale down there?

Mr. MACPHAIL. On the assumption they have been in the construction period since the 1st of January, I think there are two things—

Mr. TABER. That would be down to the 1st of July when you get to a new winter. That would be \$30 million instead of \$60 million?

Mr. MACPHAIL. We have only estimated we would obligate in our own fiscal year \$25 million, but the assumption here is that during this entire calendar year, the Chilean Government will construct, or spend in the vicinity of \$60 million.

Another factor to take into account is the fact they are just recovering in that area from the earthquake, so presumably during next October and September, as you come into the Chilean spring, construction will step up possibly at a higher level than what we have had in the early months of this year.

Mr. TABER. That would be into the tail end of our calendar year 1961.

That is all I have.

PREFERENCE FOR LOAN TYPE ASSISTANCE

Mr. PASSMAN. Did I understand you to state earlier that Chile preferred a loan, rather than a grant?

Mr. LABOUISSÉ. Yes, sir. The proposal is to make it a loan. There is no question about that.

Mr. PASSMAN. Chile prefers a loan rather than a grant?

Mr. LABOUISSÉ. Yes.

Mr. PASSMAN. Would it not be advisable to shape our action to the wishes of Chile?

Mr. MANN. I think so.

Mr. PASSMAN. And make it so it would have to be a loan, and not a grant?

Mr. MANN. I think so.

Mr. PASSMAN. You would not object to that?

Mr. MANN. Not at all.

IRRIGATION PROJECTS

Mr. RHODES. Are there any new irrigation projects authorized?

Mr. MANN. Sir; there are irrigation projects.

I might say on page 8, talking about the rate of expenditures in this devastated zone, in the public sector alone, you will see that they plan to spend in calendar year 1961, \$137 million escudos, and if you add to that the expenditures in rehabilitation of the private sector—I believe it is about two-thirds of this amount—you get a figure considerably in excess of the \$100 million figure we are talking about which the Chileans assure us is the expenditure rate.

So the difference between the \$100 million and a total of \$137 million, plus two-thirds of that amount, would be for economic development they are spending it on, according to our information.

Mr. MACPHAIL. You are asking about new irrigation?

Mr. RHODES. Yes.

Mr. MACPHAIL. These projects are for rehabilitation and reconstruction of a relatively small number of irrigation works which were torn apart when the earth twisted.

Mr. RHODES. What is the climate of the devastated area, comparable to here in the United States?

Mr. MACPHAIL. The State of Washington.

Mr. TABER. Chile is pretty narrow and pretty long, and the northern part of it is pretty cold territory.

Mr. MACPHAIL. That is pretty warm. It is the southern part that is cold.

Mr. RHODES. Will any of the money be spent outside the devastated area—any of our money?

Mr. MACPHAIL. No.

Mr. RHODES. Have there been any negotiations as to the terms of the loan at all, the repayment?

Mr. MANN. Not yet.

Mr. RHODES. No negotiation as to interest?

Mr. MANN. No, sir.

USE FOR PUBLIC LAW 480 FUNDS

Mr. RHODES. You mentioned earlier that there were Public Law 480 funds which had already been expended and local currency generated.

What will the local currency be used for?

Mr. MANN. For economic development in general in accordance with the terms of Public Law 480.

Mr. RHODES. There is a contract. Why do you not get the contract and submit it for the record?

Mr. MANN. There are two of them. We will be happy to do so.

(The information follows:)

AGRICULTURAL COMMODITIES AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF CHILE

The Government of the United States of America and the Government of Chile:

Recognizing the desirability of expanding trade in agricultural commodities between their two countries and with other friendly nations in a manner which would not displace usual marketings of the United States in these commodities, or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries;

Considering that the purchase for Chilean escudos of surplus agricultural commodities produced in the United States of America will assist in achieving such an expansion of trade;

Considering that the Chilean escudos accruing from such purchase will be utilized in a manner beneficial to both countries;

Desiring to set forth the understandings which will govern the sales, as specified below, of surplus agricultural commodities to Chile pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act) and the measures which the two Governments will take individually and collectively in furthering the expansion of trade in such commodities;

Have agreed as follows:

ARTICLE I. SALES FOR CHILEAN ESCUDOS

Subject to issuance by the Government of the United States of America and acceptance by the Government of Chile of purchase authorizations, the Government of the United States of America undertakes to finance the sale to purchasers authorized by the Government of Chile, for Chilean escudos, of the following agricultural commodities determined to be surplus pursuant to the Act, in the amounts indicated:

Commodity:	Export market value (millions of U.S. dollars)
Cotton.....	\$2.7
Tobacco.....	.2
Ocean transportation (estimate).....	.2
Total.....	3.1

Application for purchase authorizations will be made within 90 days after the effective date of this agreement. Purchase authorizations will include provisions relating to the sale and delivery of commodities, the time and circumstances of deposit of the Chilean escudos accruing from sale, and other relevant matters.

ARTICLE II. USES OF CHILEAN ESCUDOS

1. The two Governments agree that the Chilean escudos accruing to the Government of the United States of America as a consequence of sales made pursuant to this agreement, will be used by the Government of the United States of America, in such manner and order of priority as the Government of the United States of America shall determine, for the following purposes, in the amounts shown:

A. For United States expenditures under subsections (a), (b), (c), (d), (h), (i), (j), (k), (l), (m), (n), (o), (p), (q), and (r) of section 104 of the Act or under any of such subsections, the Chilean escudo equivalent of \$310,000.

B. To pay United States obligations in Chile under subsection (f) of Section 104 the Chilean escudo equivalent of \$620,000.

C. For loans to be made by the Export-Import Bank of Washington under Section 104(e) of the Act and for administrative expenses of the Export-Import Bank of Washington in Chile incident thereto, the Chilean escudo equivalent of \$775,000, but not more than 25 percent of the currencies received under the Agreement. It is understood that:

(a) Such loans under Section 104(e) of the Act will be made to United States business firms and branches, subsidiaries, or affiliates of such firms in Chile for business development and trade expansion in Chile, and to United States firms and Chilean firms for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of and markets for United States agricultural products.

(b) Loans will be mutually agreeable to the Export-Import Bank of Washington and the Government of Chile, acting through the Central Bank of Chile. The General Manager of the Central Bank of Chile, or his designate, will act for the Government of Chile, and the President of the Export-Import Bank of Washington, or his designate, will act for the Export-Import Bank of Washington.

(c) Upon receipt of an application which the Export-Import Bank is prepared to consider, the Export-Import Bank will inform the Central Bank of Chile of the identity of the applicant, the nature of the proposed business, the amount of the proposed loan, and the general purposes for which the loan proceeds would be expended.

(d) When the Export-Import Bank is prepared to act favorably upon an application, it will so notify the Central Bank of Chile and will indicate the interest rate and the repayment period which would be used under the proposed loan. The interest rate will be similar to that prevailing in Chile on comparable loans, and the maturities will be consistent with the purposes of the financing.

(e) Within sixty days after the receipt of the notice that the Export-Import Bank is prepared to act favorably upon an application, the Central Bank of Chile will indicate to the Export-Import Bank whether or not the Central Bank of Chile has any objection to the proposed loan. Unless within the sixty-day period the Export-Import Bank has received such a communication from the Central Bank of Chile, it shall be understood that the Central Bank of Chile has no objection to the proposed loan. When the Export-Import Bank approves or declines the proposed loan, it will notify the Central Bank of Chile.

(f) In the event the Chilean escudos set aside for loans under Section 104(e) of the Act are not advanced within three years from the date of this Agreement because the Export-Import Bank of Washington has not approved loans or because proposed loans have not been mutually agreeable to the Export-Import Bank of Washington and the Central Bank of Chile, the Government of the United States of America may use the Chilean escudos for any purpose authorized by Section 104 of the Act.

D. For a loan to the Government of Chile under subsection (g) of Section 104 of the Act, the Chilean escudo equivalent of not more than \$1,395,000 for financing such projects to promote economic development, including projects not heretofore included in plans of the Government of Chile, as may be mutually agreed. In the event that agreement is not reached on the use of the Chilean escudos for loan purposes within three years from the date of this agreement, the Government of the United States of America may use the Chilean escudos for any purposes authorized by Section 104 of the Act.

2. In event the total of Chilean escudos accruing to the Government of the United States of America as a consequence of sales made pursuant to this agreement is less than the escudo equivalent of \$3.1 million, the amount available for a loan to the Government of Chile under Section 104(g) may be reduced by the amount of such difference; in the event the total Chilean escudo deposit exceeds the equivalent of \$3.1 million, 45 percent of the excess will be available for a loan to the Government of Chile under Section 104(g), 25 percent for loans under Section 104(e) and 30 percent for any use or uses authorized by Section 104 as the Government of the United States of America may determine.

ARTICLE III. DEPOSIT OF CHILEAN ESCUDOS

Chilean escudos shall be deposited to the account of the Government of the United States of America in payment for the commodities and for ocean transportation costs financed by the Government of the United States of America (except excess costs resulting from the requirement that United States flag vessels be used) at the rate of exchange for United States dollars generally applicable to import transactions (excluding imports granted a preferential

rate) in effect on the dates of dollar disbursement by United States banks, or by the Government of the United States of America, as provided in the purchase authorizations.

ARTICLE IV. GENERAL UNDERTAKINGS

1. The Government of Chile agrees that it will take all possible measures to prevent the resale or transshipment to other countries, or the use for other than domestic purposes (except where such resale, transshipment or use is specifically approved by the Government of the United States of America), of the surplus agricultural commodities purchased pursuant to the provisions of this Agreement, and to assure that the purchase of such commodities does not result in increased availability of these or like commodities to nations unfriendly to the United States of America.

2. The two Governments agree that they will take reasonable precautions to assure that all sales or purchases of surplus agricultural commodities, pursuant to the Agreement, will not unduly disrupt world prices of agricultural commodities, displace usual marketings of the United States of America in these commodities, or disrupt normal patterns of commercial trade with friendly countries.

3. In carrying out this Agreement, the two Governments will seek to assure conditions of commerce permitting private traders to function effectively and will use their best endeavors to develop and expand continuous market demand for agricultural commodities.

4. The Government of Chile agrees to furnish, upon request of the Government of the United States of America, information on the progress of the program, particularly with respect to arrivals and conditions of commodities, and information relating to exports of the same or like commodities.

ARTICLE V. CONSULTATION

The two Governments will, upon the request of either of them, consult regarding any matter relating to the application of this Agreement or to the operation of arrangements carried out pursuant to this Agreement.

ARTICLE VI

The Agreement shall enter into force upon signature.

In witness whereof, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

Done at Santiago in duplicate in English and Spanish languages the second day of June 1960.

For the Government of the United States of America :

(S) WALTER HOWE.

For the Government of Chile :

(S) E. ORTUZAR E.

SANTIAGO, June 2, 1960.

MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF CHILE RELATIVE TO THE AGRICULTURAL COMMODITIES AGREEMENT, DATED JUNE 2, 1960

The Government of the United States of America and the Government of Chile agree that imports of surplus agricultural commodities under the agreement signed today to which this memorandum relates shall be over and above usual commercial imports from all sources for the period covered by this Agreement. Commercial imports shall be for the United States fiscal year 1960: a minimum of 74,000 bales of cotton from free world sources of which not less than 16,000 bales shall be from the United States; and a minimum of 160,000 pounds of tobacco from the United States and such quantities of tobacco from other supplying countries as will not disrupt normal patterns of trade.

(S) E. OT.

REPUBLIC OF CHILE,
 MINISTRY OF FOREIGN RELATIONS,
Santiago, June 2, 1960.

His Excellency WALTER HOWE,
*Ambassador Extraordinary and Plenipotentiary of the United States of America
 in Chile, Santiago.*

MR. AMBASSADOR: I have the honor to acknowledge receipt of Your Excellency's note of this date, the text of which reads as follows:

"I have the honor to refer to the Surplus Agricultural Commodities Agreement between the Government of the United States of America and the Government of Chile signed today.

"I wish to confirm my Government's understanding of the agreement reached in conversations which have taken place between this Embassy and the Government of Chile with respect to the use of the Chilean escudos accruing under the present Agreement for agricultural market development purposes by the Government of the United States of America under Section 104(a) of the Agricultural Trade Development and Assistance Act, as amended.

"It is understood that the Government of Chile will provide facilities for the conversion of Chilean escudos into other currencies up to two percent of the total amount specified in Article I of the present Agreement. These facilities for conversion are needed for the purpose of providing funds to finance agricultural market development activities by the Government of the United States of America in other countries.

"I should appreciate Your Excellency's confirmation of the present understanding.

"Please accept, Excellency, the renewed assurances of my highest and most distinguished consideration."

In this connection, I have the honor to inform Your Excellency of my Government's concurrence in the terms of the note transcribed, the present note and Your Excellency's note to constitute an agreement between our two countries on this subject.

I avail myself of the opportunity to renew to Your Excellency the assurance of my highest and most distinguished consideration.

(S) E. ORTUZAR E.

REPUBLIC OF CHILE,
 MINISTRY OF FOREIGN RELATIONS,
Santiago, June 2, 1960.

MR. AMBASSADOR: I have the honor to acknowledge receipt of Your Excellency's note of this date, the text of which reads as follows:

"I have the honor to refer to the Surplus Agricultural Commodities Agreement between the Government of the United States of America and the Government of Chile signed today.

"I wish to confirm my Government's understanding of the agreement reached in conversations which have taken place between this Embassy and the Government of Chile with respect to the use of the Chilean escudos accruing under the aforesaid Agreement for the establishment of a line of credit in favor of the Government of Chile for the promotion of economic development under Section 104(g) of the Agricultural Trade Development and Assistance Act, as amended.

"It is understood that the Government of Chile proposes to use the escudo credit accruing under this agreement, in accordance with the provisions of Section 104(g), for a loan leading to a savings and loan system devoted to the mobilization of private savings to facilitate construction of medium- and low-cost privately owned dwellings.

"It is further understood that, should the credit not be used in the manner proposed, the Government of Chile agrees that, if the Development Loan Fund approves the loan requested by the Government of Chile for the construction of the Pudahuel Airport, near Santiago, any part or all of the Chilean escudo equivalent of US\$1,395,000 reserved for the aforesaid line of credit may be transferred by the Government of the United States to the Development Loan Fund for disbursements in connection with the loan made by the Development Loan Fund to the Government of Chile for the construction of said airport. It is further understood that the aforesaid line of credit will be reduced to the extent of disbursements made by the Development Loan Fund from such funds.

It is further understood that these Chilean escudos, if made available to the Development Loan Fund, will be subject to the terms and conditions of a separate agreement to be negotiated between the Development Loan Fund and the Government of Chile governing the requested airport construction loan.

"I should appreciate receiving Your Excellency's confirmation of the understandings set out above.

"Please accept, Excellency, the renewed assurances of my highest and most distinguished consideration."

In this connection, I have the honor to inform Your Excellency of my Government's concurrence in the terms of the note transcribed above, the present note and Your Excellency's note to constitute an agreement between our two countries on this subject.

I avail myself of the opportunity to renew to Your Excellency the assurances of my highest and most distinguished consideration.

(S) E. ORTUZAR E.

REPUBLIC OF CHILE,
MINISTRY OF FOREIGN RELATIONS,
Santiago, August 12, 1960.

No. 10675

WILLIAM L. KRIEG,
*Charge d'Affaires of the
United States of America,
City.*

MR. CHARGE D'AFFAIRES: I take pleasure in acknowledging receipt of your note No. 60 of this date, the text of which reads as follows:

"I have the honor to refer to the Surplus Agricultural Commodities Agreement signed on June 2, 1960 between the Government of the United States of America and the Government of Chile.

"The Government of the United States of America proposes to amend Article I of the Agreement by adding 'corn' in the amount of US \$0.3 million; by deleting the total amount of 'US \$3.1 million' and substituting therefor the total amount 'US \$3.4 million'; and by adding the following clause at the end of the penultimate sentence of the article: 'except that application for purchase authorizations for any additional commodities or amounts of commodities provided for in any amendment of this Agreement will be made within 90 days after the effective date of such amendment.'

"The following amendments to Article II of the Agreement are also proposed:

"1. In paragraph 1-A change 'US \$310,000' to 'US \$340,000'

"2. In paragraph 1-B change 'US \$620,000' to 'US \$680,000'

"3. In paragraph 1-C change 'US \$775,000' to 'US \$850,000'

"4. In paragraph 1-D change 'US \$1,395,000' to 'US \$1,530,000'

"5. In paragraph 2 change 'US \$3.1 million' to 'US \$3.4 million'

"If the foregoing amendments to the above Agreement are acceptable to Your Excellency's Government, it is proposed that this note together with Your Excellency's affirmative reply shall constitute an agreement between our two Governments on this matter to enter into force on the date of Your Excellency's reply.

"Accept, Excellency, the assurances of my highest and most distinguished consideration."

In this connection, I am happy to inform you of my Government's acceptance of the terms of the note reproduced above, that note together with this reply constituting an agreement between the two Parties.

I avail myself of the opportunity to renew to you the assurances of my distinguished consideration.

(S) E. ORTUZAR E.

AGRICULTURAL COMMODITIES AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF CHILE UNDER TITLE I OF THE AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT, AS AMENDED

The Government of the United States of America and the Government of Chile:

Recognizing the desirability of expanding trade in agricultural commodities between their two countries and with other friendly nations in a manner which would not displace usual marketings of the United States of America in these

commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries and taking into account the effect on the economy of Chile of the recent natural disasters:

Considering that the purchase for escudos of surplus agricultural commodities produced in the United States of America will assist in achieving such an expansion of trade;

Considering that the escudos accruing from such purchase will be utilized in a manner beneficial to both countries;

Desiring to set forth the understandings which will govern the sales, as specified below, of surplus agricultural commodities to Chile pursuant to Title I of the Agricultural Trade Development and Assistance Act, as amended (hereinafter referred to as the Act), and the measures which the two Governments will take individually and collectively in furthering the expansion of trade in such commodities:

Have agreed as follows:

ARTICLE I. SALES FOR ESCUDOS

1. Subject to the availability of commodities for programming under the Act and to issuance by the Government of the United States of America and acceptance by the Government of Chile of purchase authorizations, the Government of the United States of America undertakes to finance the sales for escudos to purchasers authorized by the Government of Chile of the following agricultural commodities determined to be surplus pursuant to the Act, in the amounts indicated:

Commodity:	Export market value (millions)
Wheat.....	\$15.4
Feed grains (corn and sorghum).....	1.1
Cotton.....	4.3
Edible vegetable oil.....	3.6
Tobacco.....	1.5
Ocean transportation.....	3.0
Total.....	28.9

2. Applications for purchase authorizations will be made within 90 calendar days after the effective date of this Agreement, except that application for purchase authorizations for any additional commodities or amounts of commodities provided for in any amendment or supplement to this Agreement will be made within 90 days after the effective date of such amendment or supplement. Purchase authorizations will include provisions relating to the sale and delivery of commodities, the time and circumstances of deposit of the escudos accruing from such sale, and other relevant matters.

3. It is understood that the sale of surplus agricultural commodities under this Agreement is not intended to increase the availability of these or like commodities for export and is made on the condition that no exports of such commodities will be made from Chile during the period that the commodities are being imported and utilized.

4. It is understood that the sale of surplus agricultural commodities under this Agreement is intended to assist in meeting Chilean requirements for agricultural commodities through December 31, 1961. It is further understood that, recognizing that the Government of Chile, particularly in view of that Government's current efforts to repair the devastation created by the recent earthquake disaster, may require additional quantities of surplus agricultural commodities during calendar year 1962, the Government of the United States will give sympathetic consideration to any request by the Government of Chile for a subsequent Agreement for the sale of surplus agricultural commodities intended to assist in meeting Chilean requirements for agricultural commodities during calendar year 1962, to the extent that the Act is further extended after December 31, 1961, that surplus agricultural commodities are available for such sale, and that mutual agreement can be reached as to the terms of sale and the uses of local currencies thereunder.

ARTICLE II. USES OF ESCUDOS

1. The two Governments agree that the escudos accruing to the Government of the United States of America as a consequence of sales made pursuant to this Agreement will be used by the Government of the United States of America, in such manner and order of priority as the Government of the United States of America, shall determine for the following purposes, in the amounts shown:

a. For United States expenditures under subsections (a), (b), (c), (d), (f), (h), (i), (j), (k), (l), (m), (n), (o), (p), (q), and (r) of Section 104 of the Act or under any of such subsections, the escudo equivalent of \$5.78 million.

b. For a loan to the Government of Chile under subsection (g) of Section 104 of the Act, the escudo equivalent of not more than \$23.12 million for financing such projects to promote economic development, including projects not heretofore included in plans of the Government of Chile as may be mutually agreed. In the event that agreement is not reached on the use of the escudos for loan purposes within three years from the date of this agreement, the Government of the United States of America may use the local currency for any purposes authorized by Section 104 of the Act.

2. In the event the total of escudos accruing to the Government of the United States of America as a consequence of sales made pursuant to this agreement is less than the escudo equivalent of \$28.9 million, the amount available for a loan to the Government of Chile under Section 104(g) may be reduced by the amount of such difference; in the event the total escudo deposit exceeds the equivalent of \$28.9 million, 80 percent of the excess will be available for a loan under Section 104(g) and 20 percent for any use or uses authorized by Section 104 as the Government of the United States of America may determine.

ARTICLE III. DEPOSIT OF ESCUDOS

The deposit of escudos to the account of the Government of the United States of America in payment for the commodities and for ocean transportation costs financed by the Government of the United States of America (except excess costs resulting from the requirement that United States-flag vessels be used) shall be made at the rate of exchange for United States dollars generally applicable to import transactions (excluding imports granted a preferential rate) in effect on the dates of dollar disbursement by United States banks, or by the Government of the United States of America, as provided in the purchase authorizations.

ARTICLE IV. GENERAL UNDERTAKINGS

1. The Government of Chile agrees that it will take all possible measures to prevent the resale or transshipment to other countries or the use for other than domestic purposes (except where such resale, transshipment or use is specifically approved by the Government of the United States of America), of the surplus agricultural commodities purchased pursuant to the provisions of this Agreement, and to assure that the purchase of such commodities does not result in increased availability of these or like commodities to nations unfriendly to the United States of America.

2. The two Governments agree that they will take reasonable precautions to assure that all sales or purchases of surplus agricultural commodities, pursuant to the Agreement will not displace usual marketings of the United States of America in these commodities, or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries, these matters being covered in the memorandum of understanding accompanying this Agreement.

3. In carrying out this Agreement, the two Governments will seek to assure conditions of commerce permitting private traders to function effectively and will use their best endeavors to develop and expand continuous market demand for agricultural commodities.

4. The Government of Chile agrees to furnish, upon request of the United States of America, information on the progress of the program, particularly with respect to the arrival and condition of commodities and the provisions for the maintenance of usual marketings, and information relating to exports of the same or like commodities.

ARTICLE V. CONSULTATION

The two Governments will, upon the request of either of them, consult regarding any matter relating to the application of this Agreement or to the operation of arrangements carried out pursuant to this Agreement.

ARTICLE VI. ENTRY INTO FORCE

The Agreement shall enter into force upon signature.

In witness whereof, the respective representatives, duly authorized for the purpose, have signed the present Agreement.

Done at Santiago in duplicate in Spanish and English this eighth day of November, 1960.

For the Government of the United States of America :

(S) WALTER HOWE.

For the Government of Chile :

(S) GERMAN VERGARA.

MEMORANDUM OF UNDERSTANDING

In view of the effect on the economy of Chile of the recent natural disasters, the Government of the United States of America and the Government of Chile agree that the sales of surplus agricultural commodities under this Agreement will not displace usual marketings of the United States of America in these commodities or unduly disrupt world prices of agricultural commodities or normal patterns of commercial trade with friendly countries. Accordingly, it is agreed that no fixed amounts of commercial imports of wheat, tobacco, or feed grains shall be stipulated herein, it being expressly understood that such omission has been decided upon purely on the basis of the Government of Chile's financial position regarding foreign exchange resources and its need to devote all possible resources to the task of rehabilitating the area devastated by the disasters while maintaining financial stability. It is also agreed that this does not in any way constitute a precedent for any future agreement. With respect to vegetable oil and cotton, it is understood that imports thereof, under this Agreement shall be over and above usual commercial imports from the United States and other free world sources of 10,000 metric tons of vegetable oil during calendar year 1961 and 69,000 bales of cotton during the period August 1, 1960, through December 31, 1961.

REPUBLIC OF CHILE,
MINISTRY OF FOREIGN RELATIONS,
Santiago, November 8, 1960.

No. 14867

His Excellency WALTER HOWE,

*Ambassador Extraordinary and Plenipotentiary of the United States of America,
Santiago, Chile.*

MR. AMBASSADOR: I have the honor to acknowledge receipt of Your Excellency's note of this date, the text of which reads as follows:

"I have the honor to refer to the Surplus Agricultural Commodities Agreement between the Government of the United States of America and the Government of Chile signed today.

"I wish to confirm my Government's understanding of the agreement reached in conversations which have taken place between this Embassy and the Government of Chile with respect to the use of escudos accruing under the present Agreement, for agricultural market development purpose, by the Government of the United States of America under Section 104(a) of the Agricultural Trade Development and Assistance Act, as amended.

"It is understood that the Government of Chile will provide facilities for the conversion of escudos into other currencies up to two percent of the total amount specified in Article I of the present Agreement. These facilities for conversion are needed for the purpose of providing funds to finance agricultural market development activities of the Government of the United States of America in other countries.

"I should appreciate Your Excellency's confirmation of the present understanding.

"Accept, Excellency, the renewed assurances of my highest consideration."

In this connection, I have the honor to inform Your Excellency of my Government's acceptance of the terms of the note transcribed above; accordingly, the present note and Your Excellency's note constitute an agreement between our two countries on this matter.

I avail myself of the opportunity to renew to Your Excellency the assurances of my highest and most distinguished consideration.

(S) GERMAN VERGARA.

Mr. MANN. One Public Law 480 agreement was signed in June 1960. It provides for 45 percent of the local currency proceeds for economic development in Chile.

The other was signed in November 1960, and it provides 80 percent for economic development.

Mr. RHODES. Is any part of this to support the currency of Chile, directly?

Mr. MANN. No, sir. It has the indirect effect of increasing their dollar reserves which are very low right now.

Mr. RHODES. Is there any black market in escudos?

Mr. MANN. No.

TAX STRUCTURE OF CHILE

Mr. RHODES. Do you have any statements concerning the tax structure of Chile you could submit for the record—a brief statement describing the tax structure?

Mr. MANN. We will do that.

(The information follows:)

THE CHILEAN TAX SYSTEM

Consistent with Chile's unitary form of government, all taxes, whether direct or indirect, national or municipal, are levied by the National Congress. From the revenue standpoint, the most important groups of Chilean taxes are income tax, the sales tax, and taxes on foreign trade, the three together accounting for more than 60 percent of Chilean Government revenues. The following table shows estimated revenues of the Chilean Government, by source, in 1960.

	<i>Millions of escudos</i> ¹
A. Tax revenues:	
1. Direct taxes	188
(a) On persons	31
(b) On firms	68
(c) On copper	63
(d) On property	26
2. Indirect taxes	510
(a) On sales	177
(b) On production	62
(c) On services and others	71
(d) On juridical acts	34
(e) On foreign trade	166
Total	698

¹ 1.05 escudos equal US\$1.

There are six different categories of income tax, depending on the source of income, e.g., real estate, investment, salaries and wages, etc. Income within each category is subject to taxation at specific rates, but the total income of an individual is also subject to a so-called global complementary tax, or surtax, based on a sliding scale of rates. The general rate of sales tax is 5 percent, although this is reduced or abolished for certain essential goods and is increased to 15 percent on luxury goods. Taxes on foreign trade include not only import and export duties but also an ad valorem import tax and special import surcharges.

As indicated above, the rates of taxation vary, depending upon the type of tax involved. However, a rough approximation of the total tax rate can be obtained by comparing 1960 tax revenues of approximately 700 million escudos with the estimated 1960 GNP of 3,750 million escudos. The resulting tax rate as a function of GNP is approximately 18 percent.

STATUS OF CHILEAN INTERNATIONAL MONETARY FUND STANDBY ACCOUNT

Mr. RHODES. Why has not Chile taken its International Monetary Fund standby account down?

Why have they not drawn it?

I note from the justification their foreign exchange reserves are very low.

Mr. MANN. My information is that they have drawn down \$25 million, which I suppose is the first tranche, and they have also drawn \$16 million in Argentine pesos.

Mr. RHODES. They have drawn?

Mr. MANN. They have drawn \$25 million, and \$16 million in Argentine pesos.

Mr. RHODES. How much is left?

Mr. MANN. \$50 million.

Mr. RHODES. Will there be further requests for money for loans to Chile on this same project, or will the \$100 million be the total of requests for Congress for appropriations under this title?

Mr. MANN. We anticipate this will be the total request to Congress for appropriations for the earthquake damage.

Mr. RHODES. That is all, Mr. Chairman.

POSSIBLE USE OF DOLLAR CREDITS TO PURCHASE U.S. EXPORTS

Mr. PASSMAN. On page 14, and I am quoting from the justification, the last sentence:

The Chilean Government has given assurance that the appropriated funds will not be used to enhance their reserve position unduly.

What do you mean by that?

Mr. MANN. Well, sir, this means that since most of the expenditures for rehabilitation are in local currency that this will have the effect of increasing their dollar reserves. On the other hand, we intend to negotiate an agreement that this \$100 million will be used, as the justification says, will be used for reconstruction of the devastated area and will also enable Chile to purchase U.S. goods.

Mr. PASSMAN. But, does it not follow that Chile earns dollar credits from its exports?

Mr. MANN. Yes, sir; they do.

Mr. PASSMAN. That is, either directly or indirectly?

Mr. MANN. They earn dollar credits and other convertible currencies.

Mr. PASSMAN. And they buy considerable American goods with those dollar credits?

Mr. MANN. Yes, sir; they do.

Mr. PASSMAN. There are no restrictions on how they spend their dollar credits from exports?

Mr. MANN. That is correct.

Mr. PASSMAN. So, if you make an appropriation such as this, which in reality is at least a first cousin to a grant, they could take this appropriation without restrictions and buy what American goods they need, which would release their earned dollars to do with whatever they pleased? Would not one offset the other, if they were to use that system?

Mr. MANN. That is correct.

Mr. PASSMAN. This, then, is just wasting a lot of ink printing it, is it not?

Does that same type of situation not apply all over the world?

Mr. MANN. Mr. Chairman, this is true. There is, however, a possibility that the NAC will decide to ask for repayment in dollars, in which event this would cancel out.

Mr. PASSMAN. I say this respectfully: I never have thought when one said "bureaucrats," there was anything uncomplimentary about that; but I must say that our representatives in the executive department have succeeded in pulling the wool over the eyes of a lot of people about "Buy America." There are only some seven nations of the world, other than those in tropical Africa, but what earn substantial dollar credits from exports, either directly or indirectly. They will take the money we give them and it is restricted by what they need; but you release all the dollars they earn, directly and indirectly, from their exports. So, who are we kidding?

Mr. MANN. We do not intend to kid you, Mr. Chairman.

Mr. PASSMAN. I know you do not, but you do see my point of reference?

Mr. MANN. Yes, sir; I see it.

Mr. PASSMAN. We are just deluding ourselves.

CHILEAN GROSS NATIONAL PRODUCT

What is the estimated gross national product of Chile for calendar year 1961?

Mr. MANN. Four billion escudos, or a little less than \$4 billion.

Mr. LABOUISSÉ. For 1960 it is estimated that the GNP will be about 3,950 million escudos.

Mr. PASSMAN. Convert that to dollars. What would be the dollar equivalent?

Mr. LABOUISSÉ. About \$3.75 billion.

Mr. PASSMAN. This is rather informative: In 1956 the GNP was \$2,691 million; in 1957 it was \$2,769 million; in 1958 it was \$2,818 million; in 1959 it was \$2,950 million, and in 1960 it is up to \$4 billion.

Mr. MACPHAIL. I think those figures are from an earlier book and were converted to dollars from the 1958 price level. I think these figures we are giving you are adjusted to more current prices.

Mr. PASSMAN. This is the 1958 price, and we were told that there was not any black market or runaway inflation there.

Mr. MCPHAIL. Chile had a more than 30-percent inflation, or higher than that—a 38-percent inflation in 1959.

Mr. PASSMAN. You supplied these figures in 1958, and this is what you would expect us to base our recommendations upon.

Mr. MACPHAIL. Based upon the price level of 1959, it works out for 1958 to \$3,833 million, or approximately 38 percent higher than \$2,818 million.

Mr. PASSMAN. Then, it is still growing, notwithstanding this catastrophe. The gross national product is going up. Is the per capita income going up?

Mr. MANN. No, sir. The first part of your question is probably correct, Mr. Chairman, but the per capita income in the last 2 years has not been going up.

Mr. PASSMAN. But the gross national product is going up?

Mr. MANN. Yes, sir; that is probably correct.

Mr. LABOUISSÉ. I gave a figure of \$3.75 billion for 1960. That was in terms of the 1959 GNP and the relative comparative figure for 1959 would be \$3.87 billion and for 1958 it would be \$3.83 billion. There is a slight change, but not much in terms of escudos.

Mr. PASSMAN. Are you going to bring your justifications up to date before you come before the committee with the worldwide aid program?

Mr. MACPHAIL. Yes, sir.

We will have them all adjusted to current prices, sir.

Mr. RHODES. Actually, what we do is to buy \$100 million worth of escudos which we then lend to Chile to complete these projects or similar projects and Chile then has the \$100 million in its treasury of foreign exchange for which it can buy anything which dollars will buy? It can either buy in the United States or buy in some other country?

Mr. MANN. Sir, this \$100 million will be used, as the Chileans have indicated to us, to buy U.S. exports. But, what the chairman said is also true—that this releases other dollars that presumably they might have used, partially, for other things.

Mr. PASSMAN. We are grateful for your frankness.

Mr. RHODES. Yes; we have recognized this for quite some time.

Mr. MANN. It is not new.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

(The committee stands recessed until further notice.)

THURSDAY, MARCH 23, 1961.

DENIAL OF 1962 BUDGET INFORMATION TO COMMITTEE

WITNESSES

HENRY LABOUISSIE, DIRECTOR, INTERNATIONAL COOPERATION
ADMINISTRATION
 THOMAS NAUGHTEN, DIRECTOR OF ICA MISSION TO THAILAND
 RALPH FISHER, THAILAND DESK OFFICER, OFFICE OF FAR EAST
REGIONAL OPERATIONS
 SHERWOOD FINE, CHIEF, CAMBODIA-LAOS-THAILAND-VIETNAM
DIVISION
 D. A. FITZGERALD, DEPUTY DIRECTOR FOR OPERATIONS, ICA
 LESLIE GRANT, ASSOCIATE GENERAL COUNSEL, ICA
 WILLIAM SHEPPARD, REGIONAL DIRECTOR, OFFICE OF FAR EAST-
ERN OPERATIONS
 J. WALDEN, ASSISTANT DIRECTOR OF PERSONNEL, ICA

Mr. PASSMAN. The subcommittee will come to order.

The purpose of the session this afternoon is to clear up some fundamental matters, and to establish for the record the identities of those who are responsible for, in my opinion, direct violation of the law.

I want to read into the record at this point the authority for the Committee on Appropriations, and subcommittees of the full committee, to travel for examination of appropriations estimates.

Section 1314 of the Supplemental Appropriation Act for 1954 (Public Law 207, 83d Cong.) states as follows:

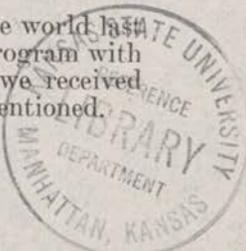
SEC. 1314. Funds made available in this or any other Act shall hereafter be available for examination of estimates of appropriations in the field and the use of such funds for such purpose shall be subject only to regulations by the standing committees concerned.

Under this permanent authorization, and under annual authorization previously, members of the committee have been examining various programs and activities in the United States and overseas for a period of many years.

Naturally, in carrying out its responsibilities, the committee has had to travel; and since the inception of the foreign aid program in 1947 this subcommittee has been required to travel much more extensively, since we are giving the U.S. taxpayers' money to practically every country in the world. I feel that it is our responsibility, as the people's representatives, to travel and examine these programs and activities wherever they may be.

In the past, it has been our experience, wherever we have been, that the operating officials have been cooperative in supplying the subcommittee the information it requested, not only on past programs and appropriations, but also as to future estimates of appropriation requests. That situation was true with respect to this subcommittee all during the calendar year of 1960 with the exception of our ICA officials in one country.

As you know, this subcommittee made a trip around the world last fall, visiting in various countries, and discussed our aid program with many of the operating officials. As I have indicated, we received full and complete information with the one exception mentioned.



One of the countries which we visited last fall was Thailand. During the course of the discussions in Bangkok, the committee asked for the estimated total amount of funds being requested by the mission for inclusion in the fiscal year 1962 budget.

We were informed that pursuant to instructions from ICA, Washington, such information could not be divulged to the committee.

This has been a rather lengthy introduction to my specific question, which is: Why was an instruction advising the mission to withhold information from the subcommittee transmitted from Washington to the field?

Mr. FITZGERALD. May I answer that question?

In the cable, copy of which I am sure the committee has, the cable of Bangkok, ———, dated September ———, 1960, the fourth sentence reads:

Materials relating to budget aspects, fiscal year 1962 program, may not be disclosed.

This was an instruction to the mission and Mr. Naughten was properly acting under the instructions from ICA, Washington.

The instruction given to Mr. Naughten was based on Bureau of the Budget Circular No. A-10, and I will read the appropriate paragraph from that circular, and leave the circular with the committee.

3. *Restrictions on disclosure of agency estimates.*—All budget estimates and supporting materials submitted to the Bureau of the Budget are privileged communications. Their confidential nature must be maintained, since they are the basic data and work sheets in the process by which the President resolves budget problems and arrives at conclusions with respect to his recommendations to the Congress. The head of each agency is responsible for preventing disclosure of such information except on request in formal appropriation hearings and when requested by Members of the Congress in connection with their consideration of the budget after its transmittal.

I should like to underline "after its transmittal."

Our instructions to Mr. Naughten were based on this instruction we have from the Bureau of the Budget.

I have today, on learning of the subject matter of this hearing, Mr. Chairman, queried the Bureau of the Budget to determine whether this circular is still valid, and I was informed that it is still valid, and this is still the outstanding instructions under which we are required to operate.

Mr. PASSMAN. Did the circular deal with one country only?

Mr. FITZGERALD. No, sir; it did not.

Mr. PASSMAN. Why did you not send out the same instructions to the other countries in which we examined the ICA program?

Mr. FITZGERALD. The other countries should already have had that information because we have sent it out in a general circular.

Mr. PASSMAN. When?

Mr. FITZGERALD. I would have to find it in the files, but I can get it for you and submit it for the record.

Mr. PASSMAN. Would your statement mean, then, that this committee would no longer be entitled to examine records, or check programs, in the countries where we have ICA missions?

Mr. FITZGERALD. That is not—

Mr. PASSMAN. Where do you start and stop with respect to this subcommittee's authority to go out and examine programs?

Mr. FITZGERALD. The prohibition that we have here, sir, is not to make available budget material until the budget has been transmitted to the Congress.

You are perfectly free, and the committee, of course, should, and obviously we wish it to, visit the field and ask any pertinent questions that it wishes dealing with any aspect of the program. The only limitation we are under, we are not permitted to supply you with budget estimates—

Mr. PASSMAN. Do you have copies of any other telegrams you have sent out?

Mr. FITZGERALD. If I may—

Mr. PASSMAN. If I may finish my question.

This subcommittee went into several countries?

Mr. FITZGERALD. Right.

Mr. PASSMAN. We examined several programs, both under ICA and the military. After leaving Mr. Naughten's office we went directly to the military mission. They said, in effect, "We are going to comply with the law. There is nothing to prohibit this MAAG from giving you the information for the fiscal year 1962, and we will also project it for 5 years."

Do you have copies of any telegrams you sent to ICA missions in Japan, or Formosa, or any other countries included in our itinerary?

Mr. FITZGERALD. I can get them.

Mr. PASSMAN. We shall suspend the hearings until you get copies of the messages that went to the missions in Japan and Formosa and Lebanon and Italy and the other countries we visited. We want to see copies of the cables that went out on the same date as the one to the mission in Thailand.

Mr. FITZGERALD. Mr. Chairman, I am not sure there is a cable in the files that went out on the same day this cable went out.

Mr. PASSMAN. With respect to our trip, denying this committee information.

Mr. FITZGERALD. This cable went out in response to a specific incoming request from the mission.

Mr. PASSMAN. That is something different.

Did you receive a request from the mission, asking ICA Washington to instruct them not to give us the information?

Mr. FITZGERALD. We did not. We got a request from the mission asking us to advise them what information they were not authorized to give.

Mr. PASSMAN. This action originated in the field, and not in Washington, with respect to this particular trip and this particular examination?

Mr. FITZGERALD. With respect to this particular outgoing cable, that is correct.

Mr. PASSMAN. You said a moment ago that you had similarly instructed other ICA agencies in the countries which we visited.

Mr. FITZGERALD. I said we had sent a general instruction—

Mr. PASSMAN. Let us deal specifically.

You know what countries we visited. ICA, with the State Department, arranged many of the details of the trip. Why would you single out one country of the many we visited for examination?

Mr. FITZGERALD. Mr. Chairman, we sent out a message to all missions advising the missions that the committee was making this itinerary and these visits. In addition, in response to an incoming request from the Thailand mission, we sent out an additional cable to Thailand.

Does that answer your question, Mr. Taber?

Mr. TABER. That does not answer what I had in mind.

Mr. PASSMAN. We want to see the telegrams you sent to the other missions that would be substantially the same as this one.

Mr. TABER. What I want to find out is this: Was the sending of the original telegram which went out timed to coincide with the trip of this committee?

Mr. FITZGERALD. There are two sets of telegrams involved here, Congressman Taber.

The first is a general instruction to all missions, and that was not timed to coincide with the trip of this committee.

There is a second cable that went out to all the missions that the committee was to visit and that circular cable was timed to anticipate the visit of this committee.

In the case of Thailand, there is a third cable which went out in specific response to a request from the mission. We will get all three for you.

Mr. PASSMAN. Why did not the second message that you sent out to each country deal specifically with prohibiting the same type of information to this subcommittee?

Mr. FITZGERALD. Because it had already been covered in a general circular.

Mr. PASSMAN. Why did you not cover it all in the original instructions? Why would you single out Bangkok as a place to withhold information?

Mr. FITZGERALD. We responded specifically to an incoming inquiry from Bangkok.

Mr. PASSMAN. Who made the inquiry from Bangkok?

Mr. FITZGERALD. As far as we are concerned, the cable was signed by the director of the mission in Bangkok.

Mr. PASSMAN. Who is he?

Mr. FITZGERALD. Mr. Tom Naughten.

Mr. PASSMAN. Mr. Naughten, did you send a request to Washington asking them to fortify you with a telegram prohibiting you from giving us information in compliance with the law, as I read it earlier?

Mr. NAUGHTEN. In answer to the question, I should say this: In anticipation of your arrival, and wanting to clarify what I could and could not make available—we had already received instructions from Washington having no relationship to your visit, but covering the General Accounting Office team in which it specified certain types of data could not be made available to the GAO team, and in view of the fact the incoming message concerning your arrival specified you would be interested in budget estimates and not having in mind clarification of what was meant by "budget estimates," I asked Washington for clarification as to anticipated types of material that might be asked for by the committee.

There were various items identified in my inquiry such as a particular survey report that had been made by a consulting team, personnel

files, and this particular matter of the fiscal year 1962 budget estimates. It was an effort on my part to clarify my responsibility so I knew exactly what I could do, and what I could not do, and not my having any reason to feel I could or could not do. I wanted to have the clarification on the record so when you came to Bangkok I could say, Mr. Chairman, I am delighted to be able to give you this; on the other hand, whatever this other material is, I do not know, but—

Mr. PASSMAN. You fortified yourself with a telegram that prohibited you from discussing any part of the 1962 program, as to the amounts; that is, the planned programs and the allocations for projects in the country?

Mr. NAUGHTEN. There was no intent to fortify ourselves.

Mr. PASSMAN. You use whatever word you want. I used the word "fortify". You could not disclose any information to us with respect to the 1962 program?

Mr. NAUGHTEN. Exactly.

Mr. PASSMAN. As to the amounts, the programs, and the projects?

Mr. NAUGHTEN. Exactly, sir.

Mr. PASSMAN. It was a waste of money for us to go there as far as the purpose of examining the future programs and projects was concerned.

Mr. NAUGHTEN. I was prohibited by those instructions.

Mr. PASSMAN. By request?

Mr. NAUGHTEN. I requested clarification as to the limitation, or lack of limitation.

Mr. PASSMAN. Let me state for the record at this point that the ICA personnel in that country had been demoralized. You were transferring them out almost as fast as you could get plane reservations, and you were demoting them. I think that you and I understand it was a sad situation which we found there. Some personnel were scheduled to get out ahead of our arrival, but we held them up by telegram. However, when we did arrive there it was found that you had already ordered one of your men, particularly, to East Pakistan. In this case, we held his replacement at Honolulu until we could get back to Washington and discuss the matter with Secretary Dillon.

Are you familiar with that case?

Mr. NAUGHTEN. I am, sir. It was the transfer to Pakistan that was held up. That man is still in Bangkok.

Mr. PASSMAN. I have Mr. Dillion's telegram, stating that his replacement was being detained in Honolulu until we could return to Washington and discuss the situation.

Mr. NAUGHTEN. Exactly, sir.

Mr. PASSMAN. When I explained to Mr. Dillon what happened with regard to the withholding of information he said that such action was contrary to his understanding, and that we were entitled to the information which we sought.

Mr. FITZGERALD. I do not remember that particular interpretation on Mr. Dillon's language. I would like to add for the record, this was not a "put up" job to deny this committee particular information in Bangkok.

Mr. PASSMAN. That is your interpretation.

Mr. TABER. What kind of a job was it?

Mr. FITZGERALD. That was in response to a specific request from the field for instruction, and we are required by the Bureau of the Budget to advise.

Mr. TABER. Did you communicate with the subcommittee they would not be allowed to get any of this information from your people out there before they started? You knew they were going. How did it happen you did not communicate with them and tell them they would not be allowed to talk to these people?

Mr. FITZGERALD. Congressman Taber—

Mr. TABER. I do not understand that at all.

Mr. FITZGERALD. The instruction we sent to the field was in accordance with the instruction we have from the Bureau of the Budget, and it was limited explicitly and specifically to the budget aspects of the fiscal year 1962 program. There was no prohibition on the mission from discussing other aspects of our ICA program.

Mr. PASSMAN. Something in the past.

Mr. TABER. What else would they be out there for?

Mr. FITZGERALD. They could discuss other aspects of the 1962 program. The prohibition we are working under is on the budget aspects of the 1962 program.

Mr. RHODES. I was not present at the time in Bangkok. However, the interpretation of this particular circular is interesting to me. Suppose I had been there and asked Mr. Naughten these questions: "Mr. Naughten, how much did you spend on the Friendship Road last fiscal year?" He would have given me an answer, "A certain number of dollars."

I would say, "Mr. Naughten, how much do you estimate the Friendship Road will cost in total?" He would give me a number of dollars.

Then I would say, "Mr. Naughten, how much do you expect to spend on this in fiscal year 1962?" and if I understand your answer, his answer would have to be, "Sir, I cannot give you that information."

Mr. FITZGERALD. That is right.

Mr. RHODES. I could go on and say, "Mr. Naughten, you have spent how many dollars already on this?" He would give me a figure.

Then I would say, "Mr. Naughten, we are going to finish this in the year 1963. Obviously, if the final cost will be x dollars, and you have spent y dollars, then the difference is z dollars, and will this be the amount you will spend in 1962?" And Mr. Naughten will have to say, "Sir, I cannot give you that information."

Is that your interpretation of the circular?

Mr. FITZGERALD. That is the interpretation.

Mr. PASSMAN. Did you know that this subcommittee had planned the trip to the Far East last year?

Mr. FITZGERALD. I did indeed.

Mr. PASSMAN. Why did you not inform the committee in advance of our departure that we would not be able to get the information we were going out to get?

We were going out to examine programs, past, present, and future, tying one to the other.

Why did you not alert the subcommittee we would be deprived of that information when we arrived in Bangkok? You were here, I believe, one day before our departure?

Mr. FITZGERALD. I was indeed.

Mr. PASSMAN. Did you say anything about the fact that you knew we were going out to seek information as to the programs, past, present and future? Did you tell us then that we would be unable to get the information?

Mr. FITZGERALD. The meeting I had with you before you went out, Congressman Passman, was concerned primarily, exclusively with another matter.

Mr. PASSMAN. That is correct, but I asked you a question. I was not discussing any other matter. I asked, did you at any time alert the committee that we would not be given the information we were going out to get?

Mr. FITZGERALD. I did not alert you.

Mr. PASSMAN. Thank you, sir.

Mr. FITZGERALD. I did not alert you because the advice I had from you was you were going out to investigate the matter that was being discussed by the committee that day.

Mr. PASSMAN. Dr. FitzGerald, you have been dealing with this subcommittee for years. You knew we were going out to inspect these programs. It was the program of Oregon State College in Thailand that you attempted to defend all the way through, and it was so rotten it finally fell of its own weight.

We went out there, and we tried to build up the morale of the people, assuring them that in the end right would prevail.

Of course, I repeat, the Oregon State College project there did fall of its own weight. But, with respect to ICA officials out there who had the patriotism and the courage to point out the weaknesses of the Oregon State College operations in Thailand, you started their heads rolling, and they were scattered all over the country. Those are facts which can be established in no uncertain terms.

I think our Ambassador, and in all probability your Thailand mission director, will concur in what I said, to the effect that ICA, Washington, insisted on vetoing ICA, Bangkok, and the committee had to finally smoke it out. It was rotten, and you did not negotiate any new contract with Oregon State College in Thailand.

Mr. MONTOYA. Dr. FitzGerald—

Mr. FITZGERALD. I don't want to interrupt you.

We went all over this at some length.

Mr. PASSMAN. I know this. I want the record to indicate that there was something in Thailand which you possibly thought this committee should not see, or else this cablegram would not have gone out.

Mr. FITZGERALD. That is just not correct.

Mr. PASSMAN. You have a right to your own defense.

I yield to the gentleman.

Mr. MONTOYA. As I understand your testimony, you sent this general instruction to all the missions some time before this trip.

Mr. FITZGERALD. Oh, yes, sir.

Mr. MONTOYA. In—

Mr. FITZGERALD. Perhaps years ago.

(The message referred to was sent on September 17, 1957.)

Mr. MONTOYA. That is more or less of a standard and standing instruction, right?

Mr. FITZGERALD. Yes.

Mr. MONTROYA. Now, this committee traveled and visited other missions in different parts of the world during that trip, and it was able, as I understand, to obtain the information which was specifically prohibited to them in Bangkok.

Have you done anything about the violation of those instructions in those other places?

Mr. FITZGERALD. This is the first time it has come to my attention that instructions were being violated.

Mr. PASSMAN. I said previously that we went directly from Mr. Naughten's office to the MAAAG chief. He detailed information not only on fiscal year 1962, but for a 5-year program.

Mr. FITZGERALD. Exactly; that is exactly what you said, Mr. Passman.

I did not investigate, to answer your question—

AVAILABILITY OF INFORMATION FROM MAAAG

Mr. PASSMAN. Did you inquire as to all the other investigations we have made over a period of 7 years?

Mr. FITZGERALD. What the MAAAG has done?

Mr. MONTROYA. Is that a violation of your instructions?

Mr. FITZGERALD. Not our instructions, because we are not responsible for the MAAAG.

Mr. MONTROYA. Presumably other missions have done the same thing and divulged advance plans.

Mr. FITZGERALD. It would be a violation of our instructions.

Mr. MONTROYA. You do not know where there were such violations?

Mr. FITZGERALD. I will undertake to look into it.

Mr. MONTROYA. Assuming it was a violation and it was done, what do you intend to do?

Mr. FITZGERALD. Call the attention of the involved missions to the outstanding instructions.

Mr. MONTROYA. Have there been such violations before?

Mr. FITZGERALD. Not that I am aware of.

Mr. PASSMAN. Dr. FitzGerald, the ICA and State Department have been arranging inspection trips for this subcommittee for the past 7 years. We have gone into many foreign countries, in all probability as many as 30. There have been occasions where we would examine the programs of as many as five or six or seven countries on one of our trips.

This subcommittee last year made three trips, including two to the Far East, and we got into problems that were much more complicated than the one in Thailand. But, without exception, this is the first time in all of the years we have made these inspection trips we have been denied such information with respect to the program.

Mr. FITZGERALD. On the oncoming program, you mean?

Mr. PASSMAN. Yes, sir. Denied specifically in Thailand, where the ugly Oregon State College contract had been uncovered.

Is there anything significant about that, or was it coincidence that you picked this country as one for which information should be withheld?

Mr. FITZGERALD. As far as I am concerned, it was purely coincidental.

Mr. PASSMAN. When this telegram came from Mr. Naughten—asking you to, and I shall use the word, “fortify” him with instructions to deny us that information—you knew that we had been in other countries and were headed for still other countries. Did you wire the other countries ahead not to give us the information?

Mr. FITZGERALD. No.

Mr. PASSMAN. You singled out just this one country. Why did you not—since you found out we were getting into the programs, and you appeared to be very much concerned about what we might have found out there in regard to the 1962 program—get out the same type of cablegrams to nations ahead of us, informing the missions that we would be there and for them to deny us the information?

Mr. FITZGERALD. The other missions, as did the Thailand mission, had the outstanding instruction. We were responding to a specific request. We had no reason to believe the other missions were not cognizant with the outstanding instructions and following them.

Mr. PASSMAN. Do you actually believe that?

Mr. FITZGERALD. I do, indeed.

Mr. MONTOYA. Mr. FitzGerald, when was that specific request received in the State Department for a clarification, or expansion of that original instruction?

Mr. GARY. Will the gentleman yield?

Do you have that telegram?

I would like to ask that all communications with reference to this matter be inserted at this point in the record.

Mr. MONTOYA. In their proper sequence.

Mr. GARY. All communications in their proper sequence.

(The information follows:)

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3

in the form being supplied such visitors, a description or listing of such materials will be sufficient.

- (6) Please furnish any other information that will be of assistance to ICA/W in assessing Congressional views on our program. If possible, furnish copies of local newspaper reports of any significance on interviews or comments by such visitors.

Routing of Information to Congressional Offices in Washington

Missions are reminded that in all cases letters and information being forwarded to Washington for Congressional Members or Staff Members should be sent to the Deputy Director for Congressional Relations, ICA/W, for transmittal to the Hill. When material provided by the Mission is being forwarded by the Embassy through State Department channels USOMs are expected to advise ICA/W of such action and provide ICA/W with copies of the USOM portion of the material. These requirements also apply to Embassies Bonn, Brussels, Copenhagen, Lisbon, London, Paris, Oslo, Rome, Reykjavik, The Hague and Vienna, whenever matters of interest to ICA are raised.

With respect to requests for information and documents ICA/W wishes to cooperate fully; for documents of other agencies, e.g., State, refer to issuing Agency.

Requests for Information and Documents made of USOMs During Visits

Disclosure of ICA papers or materials in process of ultimate ICA/W determination (executive privilege) should be withheld until ICA/W has had opportunity to review, comment and decide ultimate action.

Budget Information

You may discuss broadly future plans with particular emphasis on U. S.

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interests. Do not give access to FY 59 budget submissions or indicate whether or not matters discussed are included in budget. ~~Under law~~ FY 59 budget submission is privileged document until released by President. *See 10/10/58*

Any requests for DSOH budget submissions for previous years should be referred to ICA/W for action.

FITZGERALD (ACTING)

V.B.

**OUTGOING
CABLEGRAM**

 58
 TCA
 AF
 F
 SEC
 DCI
 TRC

INTERNATIONAL COOPERATION ADMINISTRATION

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ICATO I- Sept. 17, 1957, outdated. Sufficient report to IDA/W interests and views Congressional visitors on MSP and to send copies of documents provided delegations which IDA/W does not already have on file. Materials for Washington offices of Congress or Committees should be sent IDA/W for transmittal or, if sent through State Dept., IDA/W should be advised and provided copies of USOM portion of material.

35p Disclosure to Cadels of illustrative content FI 60 TC program par-
 missible. Disclosure FI 61 aid figures TC and BK permissible if these have
 been communicated to USOM by time Cadels at mission. Re FI 61, you may
 discuss future plans with emphasis on US interests but do not (yet not)
 country program book
 give access to ~~XXXXXX~~ submissions or indicate whether matters discussed
 are included in budget.

RIDDLEBERGER

G. Harf Jameson, DE/C

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DEC 17

AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

UNCLASSIFIED

CLASSIFICATION PAGE
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FROM: ICA/Washington

PAGE OF PAGES

SUBJECT: Congressman Pasaman's Visit

DATE SENT

5-12-66

DATE REC'D

REFERENCE: Dept. of State CA-2985 and CA-2984

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SAS-NSA HATU No. 488

TO:
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INM
GC
HQB
H-1
H-2
H-3MESSAGE
P. 1

A

CIA
SECRET 3

Congressman Otto H. Pasaman (D-La.), Chairman of the Foreign Operations Subcommittee of the House Appropriations Committee, accompanied by three staff members on a round the world trip, will be visiting Bangkok October 11 to 14. In addition to already planned meetings with Mr. Englehart and Mr. Hamer, the Director asks USOM to stand by and assist in any briefings and itinerary requested, and to extend appropriate courtesies.

UNCLASSIFIED

Congressman Otto H. Pasaman (D-La.), Chairman of the Foreign Operations Subcommittee of the House Appropriations Committee, accompanied by three staff members on a round the world trip, will be visiting Bangkok October 11 to 14. In addition to already planned meetings with Mr. Englehart and Mr. Hamer, the Director asks USOM to stand by and assist in any briefings and itinerary requested, and to extend appropriate courtesies.

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FORM 10-66

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FORM 10-66

AIRGRAM		INTERNATIONAL COOPERATION ADMINISTRATION	
UNCLASSIFIED			
FROM	ICIA/Amblin, ton	PAGE	OF PAGES
SUBJECT	Congressman Patten's Visit	10-9-60	
REFERENCE (Check one before making address)	Dept. of State IA-2388 and IA-2654 Deirut IATO A-119, Bangkok IATO A-512, Tokyo IATO A-154, ADDRESS AND SERIAL NUMBER IATO ET CIL A-4 337	INITIALS	DO NOT REMOVE
EXTENSION ACTION			
9h DEC 11E 11EP 11ESAR OPE 15	<p>Following visit of subject COBEL, please report to Director, ICIA/W, on specific interests of Congressman Patten and staff members, and attitudes on specific aspects of the Mutual Security Program.</p>		
30p 60p	RIDOL-200000		
	<p>Please send to the following: DEIRUT BANGKOK TOKYO</p>		
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APPROVING OFFICER	PREPARED BY	LEVEL	DATE RECEIVED
Wilford Janson, DE/C	Phonierays	EO/C	1743 10/14/60
EX-105 (FORM 10-1-58)	CLASSIFICATION	EX-105 (FORM 10-1-58)	
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FORM 10-1-58		(Do not type below this line)	

INCOMING
CABLEGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

SECURITY INFORMATION
OFFICIAL USE ONLYAction:
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Info:
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AFROM: Bangkok
NO: TOTCA, September 22,CONTROL:
REC'D: September 22, 1960

Subject: Passman Visit

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Reference: IOATO

Naughton and Hseng available per reference cable. USOM requests pertinent advice and guidance as to known points of interest of CODEL in order properly and expeditiously assist CODEL. In event CODEL requests following types of records what should our response be?

1. Cardon-Guivard report and messages relating thereto.
2. Employee efficiency report. Since reference cable referenced IOATO CODEL may request ERs as related documents.
3. OCC/RU documents. CODEL may request review all documents pertinent this.
4. FY 62 program planning. CODEL may inquire this view purpose of trip as cited Area Instruction CA-2389 "Examination of estimates of appropriation."

NAUGHTON

OTHER ACTION

ALB

*Cio*SECURITY INFORMATION
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OUTGOING TELEGRAM		INTERNATIONAL COOPERATION ADMINISTRATION OFFICIAL USE ONLY		FORM 29	
TO FROM INFO	SENT TO WASHDC/STATE	CLASSIFICATION CONFIDENTIAL		DATE 11/11/50	
REMARKS	SUBJECT COOPERATION	CLASSIFICATION (S) CONFIDENTIAL	DATE 11/11/50		
TA POOM QC NOOY WAF RNRICG MNSG OTE ALSO LBO BDC BNT BICA LBO RISGO YBNS	<ol style="list-style-type: none"> 1. Capital/Dividend Report and Compensation Report. 2. Employee efficiency records should not be disclosed. 3. OIG/CI materials may be disclosed. 4. Materials relating budget amounts FY 50 program may not be disclosed. 5. Requests originating in or jointly with other agencies may be disclosed only after clearance such agency(s). 6. May disclose all other comments requested subject to guidelines para 3, 4 and 5, ref B. 7. Release OIG/CI contracts and T.O. Action approved ^{contract} where possible instructed. 				
copy	<p style="text-align: right;">NOTES/REMARKS</p>				
APPROVED BY Edward M. Rice, CNY	DATE 11/11/50	CLASSIFICATION CONFIDENTIAL	DATE 11/11/50	<p style="text-align: right;">RECEIVED BY 11/11/50</p>	
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AIRGRAM

INTERNATIONAL COOPERATION ADMINISTRATION

SECURITY CLASSIFICATION
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FROM: ICA/O

SUBJECT: Senator Allen J. Ellender Questionnaire

REFERENCE: Cairo TOICA A-430
State Dept. CA 3619, Oct. 19, 1960

DISTRIBUTION ACTION	ACTION		ADDRESS AND SERIAL NUMBER
	ACTION	INFO	
	X		ICATO CIRCULAR XA 431
INFO			
221			Senator Allen J. Ellender (Democrat, Louisiana), Member of the Senate Appropriations Committee, is traveling to Europe, Near East, Africa, Far East, as indicated by State Department instruction. The following comments are relevant to the ICA section of the questionnaire which he has sent to each Embassy.
DDC			It is believed that most of the fiscal information requested in the questionnaire is self-explanatory and can be completed by the UOOL. Suggestions concerning certain items are outlined below.
AFB			With respect to item 1 of the questionnaire, expenditure information should be compiled from information and records available at the mission. The UOOL's should use appropriate June 30 Country Functional Reports and Country Fr-gran book accounts and to the extent possible insure that the mt figures are consistent with information previously furnished to Congressional Committees in our annual presentations.
GC			With respect to item 2 of the questionnaire, attention is invited to the fact that although unobligated balances of appropriated funds as of June 30, 1960 are available for obligation during FY 1961, they are not available at the Mission level but when used will be allotted as new allotments to missions, and therefore, would be included under item 3. The report supplied to Senator Ellender should be footnoted accordingly.
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APPROVING OFFICER	FORWARDED BY	OFFICE	PROJECT NO.	DATE
C. P. Hinder, H/COLE	Hinder CF/Memorandum	ID/C H/COLE	3743 482	11/5/60
FOR AND OTHER CATEGORIES	SECURITY CLASSIFICATION	REA AND OTHER CATEGORIES		
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Militaire, State/A (substance)				

With respect to item 3 which relates to FY 1961 aid levels you are advised that disclosure of illustrative content of FY '61 TC program is permissible. Disclosure of FY'61 aid figures for TC and ES or CA is permissible, if possible, these have been communicated to the UNW by the time the OMB is at your Mission.

It would appear that item 4 would consist of a total of items 2 and 3. However, if the unobligated balances as of June 30, 1960 are shown under item 2, they should not be added to item 3 to obtain the total available for obligation in FY 1961.

With respect to item 6, presumably the information requested is the Country Program Book for FY 1962, according to the awarded State Department instruction of October 26. This FY 1962 (report not) be made available to Congressional Committees and CIP before presentation has been made to Congress. The Senator's office has been advised by telephone, will inform the Senator before his departure, and presume he is already aware that FY'62 aid figures cannot be made available. You may discuss future plans with emphasis on U.S. interests but do not (report not) give names to 1962 budget appropriations or indicate whether matters discussed are included in the budget. The CPD's for FY 1961 and prior years may be made available to Senator Ellender.

When dollar equivalent amounts of local currency are reported, the exchange rate used should be indicated.

The Director requests the OMB's to stand by to assist in briefings requested and to extend appropriate courtesies. Following departure, please report to the Director, ICA/W, on interests and particular attitudes of Senator Ellender on WEP.

RIDDLEBERGER

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Mr. MONTROYA. Now, who ordinarily receives this particular inquiry in your organization?

Mr. FITZGERALD. It will go to the Thailand desk.

Mr. MONTROYA. Who was in charge of that desk at that particular time?

Mr. FITZGERALD. Mr. Fisher, I believe.

Mr. MONTROYA. Will you state his full name?

Mr. FISHER. Mr. Ralph H. Fisher.

Mr. MONTROYA. Do you know whether or not he received it himself?

Mr. FISHER. Yes; the incoming message from Mr. Naughten?

Mr. MONTROYA. Yes.

Mr. FISHER. Yes; I received it.

Mr. MONTROYA. Who processed the answer? Give me the name, and what steps were taken in the processing of the answer?

Mr. FITZGERALD. The answer was drafted by Mr. Fisher, who just introduced himself, authorized by Mr. Sherwood Fine.

Mr. MONTROYA. What is the title of Mr. Sherwood Fine?

Mr. FITZGERALD. Mr. Sherwood Fine is division head of the Thailand-Vietnam-Laos-Cambodia division in the Far East.

Mr. MONTROYA. Is he present here?

Mr. FITZGERALD. Yes. It was approved by Mr. Walden, who is here, in draft. It was approved by Mr. Sheppard, who is here.

Mr. MONTROYA. Will you state their full names and their positions, please?

Mr. WALDEN. James T. Walden, Assistant Director of Personnel, ICA.

Mr. SHEPPARD. William J. Sheppard, Regional Director for Far Eastern Operations.

Mr. GRANT. I am Leslie A. Grant, Associate General Counsel.

Mr. PASSMAN. At this point, would it help refresh your memory if we should request Secretary Dillon to join us here? He would recall the complaint which I made in your presence. He was somewhat amazed and shocked.

You two agreed in effect that we were entitled to this information.

I believe we can get Mr. Dillon down if it should become necessary.

Mr. FITZGERALD. That would be your privilege.

Mr. E. D. White, who is not here today. He is on a field trip and I think in Africa.

And finally, by myself, D. A. FitzGerald, Deputy Director for Operations, ICA.

Mr. MONTROYA. Was there a staff conference among all these individuals before the reply went through?

Mr. FITZGERALD. Not that I am aware of. There certainly were some telephone conversations that Mr. Fisher undoubtedly made before he drafted the reply.

Mr. MONTROYA. Were all of you aware at the time when you formulated the reply that the committee was to be there shortly thereafter and that the committee, pursuant to your reply, would be barred from receiving this information.

Mr. FITZGERALD. I am sure all of these people were but Congressman, may I say, sir, that I am the senior official that approved this cable and I take complete responsibility for it.

Mr. MONTROYA. Was there any other particular message sent with respect to this subject matter other than the clarification cablegram?

Mr. FITZGERALD. Not that I am aware of, sir.

Mr. MONTROYA. That is all.

Mr. PASSMAN. I want to address this question to the ICA director in Thailand, Mr. Naughten.

First, I shall ask if you understand, as I do, that there was certain misunderstanding and turmoil with respect to the Oregon State College operation in Thailand? There was a difference of opinion between ICA-Thailand and ICA-Washington? Is that a statement of fact?

Mr. NAUGHTEN. Yes, sir.

Mr. PASSMAN. During the process of dealing with this matter, and with reference to some of those who were instrumental in establishing what later was established, with your help and the help of others, that the Oregon State College contract was not a proper one to continue, were some of those people who presented this evidence, which doubtless prevented ICA from entering into a new contract, ordered by ICA-Washington to be transferred out of Thailand prior to the regular assigned tour there?

Mr. NAUGHTEN. I will answer, of course, as I did in Bangkok, factually and correctly. The premise of your question, however, I should like to leave to itself and answer whether I in my estimation felt that any of my personnel assigned to my responsibility in Bangkok who had had some relationship with the contract, whether they were either transferred or under transfer, and the answer that I gave in Thailand was "Yes."

Mr. PASSMAN. At this particular time, do you know of any plans underway to make restitution to those persons so involved who are about to have their careers wrecked?

Mr. NAUGHTEN. In one instance the proposed transfer which I objected to and the cancellation of which was in accord with your wishes but I, of course, was basically opposed to it, that was killed. That man is still with me, has another year and a half to do in his tour and is doing a completely satisfactory job.

Mr. PASSMAN. Prior to my intervention—

Mr. NAUGHTEN. I had objected to the transfer.

Mr. PASSMAN. Prior to my intervention had others connected with the investigation into the Oregon State College matter been transferred out prior to the termination of their tour?

Mr. NAUGHTEN. No, sir. The other individual involved was transferred but it was at the end of his tour while he was on home leave and on consultation here in Washington; the transfer did not originate in Bangkok but at Washington at the end of the tour.

Mr. PASSMAN. Which was the equivalent of a demotion, not in salary, but in assignment?

Mr. NAUGHTEN. Sir, as I understand, I do not know officially because we did not get the transfer papers there but, as I understand it, it was a demotion in character of assignment from a deputy to a technician.

Mr. PASSMAN. Do you know of any plan at this time to make restitution?

Mr. NAUGHTEN. Yes, sir. One month ago the Director of Personnel, Mr. Hinderer was in my mission. We discussed this because I still have lingering worries about it. I had heard unofficially that the man was now a technician in another country where he had been deputy chief of my mission. Mr. Hinderer also was concerned about it. He did not know the facts on the case, because he did not handle those when the transfer was arrived at. He told me as soon as he returned to Washington he would immediately review and take corrective action. I have been assured in my trip here this time he has undertaken that review and is in process of making determination for whatever should be done.

Mr. PASSMAN. This individual had something to do with establishing a record on the Oregon State College operations in Bangkok?

Mr. NAUGHTEN. He was the deputy chief of the division which had the responsibility of the contract and he, of course, was part of the evaluation of the contract.

Mr. PASSMAN. His views were not in accord with the views of ICA-Washington.

Mr. NAUGHTEN. His views were the mission views that the contract had done something but we were not happy with it.

Mr. PASSMAN. But as far as this individual is concerned, his views were different from the views of ICA officials in Washington?

Mr. NAUGHTEN. I should answer that by saying "Yes."

Mr. PASSMAN. I appreciate that, Mr. Naughten. I have always believed—

Mr. ANDREWS. May I ask a question?

Mr. PASSMAN. I want to ask one further question, if I may. Who made the determination as to the man's status after he left Bangkok?

Mr. NAUGHTEN. It was made in Washington, sir. I do not know who did it.

Mr. PASSMAN. Dr. FitzGerald, do you know who made the determination?

Mr. FITZGERALD. I can find out. I do not know.

Mr. PASSMAN. You do not know whether you had anything to do with transferring this man to a lesser position?

Mr. FITZGERALD. As far as my memory, I cannot. I will have to verify it.

Mr. TABER. You ought to have all the consecutive dates in here.

Mr. PASSMAN. This is one of the strangest things with which this committee has been confronted. The very people who did it do not know anything about it.

Mr. TABER. We cannot follow these things through unless you have it.

Mr. ANDREWS. Is there a personnel director here, Mr. Chairman?

Mr. WALDEN. Mr. Chairman, I cannot give you a specific answer without checking the records. These actions are based on multi-judgments of the Office of Personnel, technical office concerned, in this case the Food and Agriculture Office, and the regional office involved in the transfer. In accordance with the normal procedure a panel of representatives of all those offices participated in the decision.

Mr. PASSMAN. Who initiated the request to have this man demoted?

Mr. TABER. Who, when, and where?

Mr. RHODES. Mr. Chairman, shouldn't we have the name of the man?

Mr. PASSMAN. I am trying to get that now. Their memory fails them.

Mr. WALDEN. It is not a matter of memory failing. That can be supplied to the committee, I am sure. I had about an hour and a half notice on this session this morning.

Mr. PASSMAN. Did you have anything to do with it?

Mr. WALDEN. I doubt very much if my signature appeared on the final document.

Mr. PASSMAN. I did not ask anything about the signature. I asked if you had anything to do with this transfer and demotion.

Mr. WALDEN. I personally did not.

Mr. PASSMAN. Did you have anything to do with it, Dr. Fitzgerald?

Mr. FITZGERALD. My memory indicates I did not. I want to confirm that by going through my entire files.

Mr. PASSMAN. Does your memory serve you?

Mr. FINE. Yes, sir.

Mr. PASSMAN. What did you have to do with it?

Mr. FINE. Sherwood Fine, Chief, Cambodia-Laos-Thailand-Vietnam Division. I was involved in a routine way with the action taken without having known Mr. Hamer.

Mr. PASSMAN. We are talking about Mr. Goodbary.

Mr. FINE. Mr. Goodbary, or who his successor was scheduled to be. I acted on the information that was provided for me in the same way that it was for anyone else involved.

Mr. PASSMAN. Not upon the recommendations of ICA-Bangkok.

Mr. FINE. That was part of the information.

Mr. PASSMAN. Let us get that straight.

Mr. NAUGHTEN. There was no recommendation of ICA-Bangkok for transfer of either of those names.

Mr. PASSMAN. Where did the move originate?

Mr. NAUGHTEN. It originated in Washington.

Mr. PASSMAN. It appears that we have with us this afternoon those who could have been, or should have been, responsible for this act.

Mr. RHODES. Let's get the name of the two men on the record.

Mr. NAUGHTEN. Mr. Burlin Hamer, who at the time of the chairman's visit was and still is the chief of the food and agricultural division of the ICA mission to Thailand. He is still there.

Mr. PASSMAN. It would be proper to state, would it not, that he had orders to transfer out, and that by specific request to Thailand from this subcommittee they held his replacement in Honolulu until we could return to Washington and explain to Secretary Dillon the circumstances.

Mr. NAUGHTEN. That is correct.

Mr. RHODES. May we have the other name on the record?

Mr. NAUGHTEN. The other name is Mr. Alan Goodbary, who, in July of 1960, completed his 2-year assignment in Thailand as the deputy chief of the food and agriculture division and who departed Thailand in mid-1960 upon completion of tour for home leave, returned to post, or reassignment; the mission in Bangkok had recommended his return to Bangkok. While he was on home leave he was transferred to Tegucigalpa, Honduras, as an agricultural technician.

Mr. PASSMAN. Was this not a substantial demotion, for a person of his prestige and experience?

Mr. NAUGHTEN. Many people would regard it as such.

Mr. MONTOYA. Would the gentleman yield?

Mr. PASSMAN. Certainly.

WEIGHT OF AUTHORITY. FOR EXAMINATION OF ESTIMATES IN THE FIELD

Mr. MONTOYA. I would like to pursue further the line of questioning which I directed to Mr. FitzGerald a few minutes ago. Am I to assume that the instruction to the field office in Thailand was based on the budget circular promulgated under the Budget and Control Act of 1921 with relation to future budgetary estimates?

Mr. FITZGERALD. The Budget and Accounting Act of 1921, that is what this says.

Mr. MONTOYA. It was premised on that?

Mr. FITZGERALD. Yes.

Mr. MONTOYA. I presume the counsel for the Department present here had a part in drawing up the instructions?

Mr. FITZGERALD. The cable that went to the field?

Mr. MONTOYA. Yes.

Mr. GRANT. Yes.

Mr. MONTOYA. Let me direct this question to you. Were you aware at the time that there was another act of Congress, another provision of law of greater dignity than the budget circular contained in the Supplemental Appropriation Act of 1954 which reads as follows:

SEC. 1314. Funds made available in this or any other Act shall hereafter be available for examination of estimates of appropriations in the field and the use of such funds for such purpose shall be subject only to regulations by the standing committees concerned.

Were you aware of that?

Mr. GRANT. I am aware that there is such provision.

Mr. MONTOYA. Were you aware at the time?

Mr. GRANT. I believe so generally.

Mr. MONTOYA. And did you give any study to the weight of this particular provision as against the other provision upon which you premised your action?

Mr. GRANT. I did not give any specific consideration to this or to other statutes but followed the instructions of the order from the Bureau of the Budget, which I think is probably consistent with this statute.

Mr. MONTOYA. I do not read it that way. How can you cast aside the specific provisions of section 1314 now? Give me your reasoning.

Mr. GRANT. I think the circular, the order from the Bureau of the Budget has reference only to the question of time.

As I understand it, it does not preclude the submission of budget estimates to committees of the Congress except before the President has presented his budget to the Congress. Thereafter, the budget estimates are freely available.

Mr. MONTOYA. Aren't you nullifying this particular premise upon which the Congress acted, that the committees or the Congress should have access to these estimates in the field?

Mr. GRANT. No.

Mr. MONTOYA. Aren't you aware that when the President sends his estimates to the Congress it is presumed that the Congress is in full session and that the committees are no longer in the field? There is no specification here that it shall be limited to such time during the session of Congress. There is no specification here.

Mr. GRANT. Well, whenever the committees are in the field they are entitled, as I understand it, to secure the budget estimates provided that these are not budget estimates involved in the formulation by the President of a program which he has not yet submitted to the Congress.

Mr. MONTOYA. That is narrowing the field, is it not?

Mr. GRANT. No. I think not.

Mr. MONTOYA. I cannot gather that interpretation from the law itself, but I do want to insert in the record that the law is very clear that these budget estimates may be available to the committees of Congress in the field. There is no specification as to time or condition in the Supplemental Appropriation Act of 1954.

Mr. ANDREWS. If the gentleman will yield, I would like to ask counsel if you think that a memo from a bureau should have precedence over an act of Congress? Do you say you are familiar with both of them now and in framing that telegram to the field you gave preference to the memo over the statute of Congress.

Mr. GRANT. I did not try to give preference to—

Mr. MONTOYA. You followed a memo rather than the law that is as plain as the nose on your face.

Mr. GRANT. I consider that the order from the Bureau of the Budget—

Mr. ANDREWS. Had precedence over the statute.

Mr. GRANT. Is a specific order to us and I do not construe it as being inconsistent with the statute.

Mr. ANDREWS. How long have you been Assistant Counsel?

Mr. GRANT. I have been with the International Cooperation Administration since 1954 in the General Counsel's Office, Associate General Counsel for the past few years.

Mr. ANDREWS. How long did you practice law before you went there?

Mr. GRANT. I started the practice of law in 1937.

Mr. ANDREWS. Where did you practice?

Mr. GRANT. Minneapolis, Minn.

Mr. ANDREWS. Where did you go to law school?

Mr. GRANT. University of Minnesota.

Mr. ANDREWS. That is all.

Mr. PASSMAN. This matter is of grave concern to this subcommittee. I want to ask the counsel this question: You are familiar with the several functions of the Foreign Operations Subcommittee on Appropriations with reference to the ICA and military assistance programs?

Mr. GRANT. In a general way.

I have had no association with the Committee on Appropriations.

Mr. PASSMAN. You are familiar with the different parts of the program?

Mr. GRANT. Yes.

Mr. PASSMAN. Do you know of any other instance in which you were called upon to submit a ruling to prevent, or prohibit, an authorized Subcommittee on Appropriations from examining programs and estimates in the field?

Mr. GRANT. I do not know of a specific case that arose, Mr. Chairman.

Mr. PASSMAN. Thank you.

Mr. GRANT. However—may I complete the statement?

Mr. PASSMAN. Go ahead.

Mr. GRANT. However, the rule which was enunciated in the cable to Thailand has been the standing rule in the Agency for as long as I can remember. It existed when I came there as far as I know and had this committee in Washington requested the same information, it would not have been disclosed to the committee prior to the presentation by the President of his budget estimates to the Congress.

Mr. PASSMAN. This has been a standing subcommittee of the Appropriations Committee of the Congress for many years. It has gone out on many inspection trips in many different nations. Do you know of any other instance in which you were requested to make a similar specific ruling at the time this committee was out investigating?

Mr. GRANT. I do not recall any inquiry from any mission which was keyed to a visit by this particular committee. I am aware of the fact that instructions have been issued to missions in the past, upon visits either by congressional committees or by representatives of the General Accounting Office, that among the documents which could not be disclosed were the country program presentations prior to, but only prior to the presentation by the President of his program to the Congress.

Mr. PASSMAN. I want you to answer me. This committee has been traveling for 7 years on long trips in many lands and many examinations have been made of many different programs. You have been counsel for ICA. Do you know of any other instances in which it was requested while the committee was out in the field that information should be withheld?

Mr. GRANT. I think I answered that by saying I could not recall a specific instance.

Mr. PASSMAN. Will it be your contention, then, that this committee should be deprived of the information with respect to the various programs?

Mr. GRANT. I did not quite understand your question, Mr. Chairman, I am sorry.

Mr. PASSMAN. As counsel for the ICA, are you taking the position that in the future, if this committee should go out for the purpose of examining programs, past, present, and future, we should be denied information as it would apply to the continuation of programs that are now in effect, including the estimated cost?

Mr. GRANT. If we are to follow the instructions of the Bureau of the Budget with respect to this—

Mr. PASSMAN. That is your position, that we should be denied that information if we go out seeking it?

Mr. GRANT. Are you asking me for a moral judgment as to whether you should be?

Mr. PASSMAN. I am asking the question, if it is going to be your position that this committee is no longer entitled to information out in the field with respect to past and future programs.

Mr. LABOUISE. Could I answer this? I unfortunately am the guy who is going to be responsible for this business in the future, and it is not going to be Mr. Grant. I will need his help, but I will have to take the responsibility.

Mr. PASSMAN. Yes.

Mr. LABOUISE. I think this is a terribly difficult problem for these men. I have been in the field, and I have had the opportunity to see this thing from both sides. I can remember myself when I was chief of the Marshall plan mission in France having to telegraph Washington to find out what it was I could give and what it was I could not give. Now, I am not trying to use my legal training on this because I do not know what the proper interpretation is, but my feeling is that we may have here an inconsistent regulation by the Bureau of the Budget, inconsistent with the desire of Congress, as expressed in this particular provision, section 1314. I do not know this.

Mr. TABER. There is one thing you are not getting in this and it is the key to the whole thing. This prohibition in the Budget and Accounting Act applies to the Budget's submission of the matter to the President. It specifically, in that language that Mr. Montoya read, exempts the examination of estimates in the field and until you get down to the point where the Budget has made up its mind as to just what it wants to do in its submission to the President, that is the only time that you have the right to withhold anything, or anybody else.

Mr. PASSMAN. Mr. Director, there is something to this that you obviously do not yet know about. I want to say for the record, whether it is denied by others or not, that this was calculated.

This committee has been in existence for many years. We have been called upon to go out on these trips time and time again. We have gone into many countries. We have been given information freely and readily by all echelons, both military and others, on all phases of ICA.

However, here is a country where the personnel was acutely demoralized, where heads were rolling by orders of ICA, Washington, because of some misunderstanding about a contract that was just about as stinking as has ever come before this subcommittee, and because those people had the courage and the patriotism to smoke it out and bring it to the surface.

Throughout 7 years we have gone into as many as 15 countries on 1 tour, and have brought back reams and reams of information, with no protest. Therefore, I wish you would take the time to study in detail this incident in Bangkok.

So far as I am concerned, I shall say this: Any time this appropriations subcommittee, working with your people, trying to establish the amounts needed, is going to be denied information—the very committee you are looking to to go over your estimates—then it is a very sad commentary.

I do not think there is misunderstanding in the mind of an individual here as to what this is all about. When we get into the full hearings, we are going to establish without any doubt what it is all

about, and maybe then some other heads will roll. Heads can roll at the top echelon, as well as at the lower echelon, if there has been a calculated injustice against good, loyal, patriotic, long-term employees of this agency. I think you agree, Mr. Director, that right should prevail.

Mr. LABOUISSÉ. I agree that right should prevail. I will look into this. I want to say this if I may, Mr. Chairman: That the question as to what can be made available by an agency does not rest with the agency, as you know.

Mr. PASSMAN. We are dealing now with one case. They had no particular interest about withholding information in any other country we visited, as the record will indicate, regardless of claims to the contrary. It was in this one country, where we had uncovered a deplorable mess, that we denied this information. It had not alerted the countries that we examined prior to arriving in Thailand, or countries with programs which we examined subsequent to our trip there. It had not happened on other trips. It was in this one country that ICA, Washington, was determined to force the hand of ICA, Bangkok. That is what concerns this subcommittee, to think that a person or persons in ICA would single out a few people for disagreeing with their views and demote them, or maybe separate them if they could. I do not think it is consistent, and I do not think it is going to make for a better program to have people such as that charged with the responsibility of administering the agency. Confidence has been shattered in certain quarters in ICA. I hope that bond can be patched up. If you will read the record it will be clearer to you what this is all about.

This is the way I feel, that there was a deliberate attempt to withhold or conceal pertinent information from the committee. And, as long as I am chairman of this subcommittee, the specific ICA officials who were responsible for that action are *persona non grata* to this subcommittee, Mr. Naughten excepted, notwithstanding the fact that he concurred in it. I think the whiplash was being brought down on his back, and he possibly could not do otherwise. I will let the record speak for itself, as far as I am concerned.

Mr. ANDREWS. Mr. Chairman, I would like to see this committee get to the bottom of the case against the man Hamer.

Mr. PASSMAN. And also Goodbary, whose wife is now going blind from a tropical disease.

Mr. ANDREWS. I think we ought to determine who issued the order for Mr. Hamer to be transferred.

Mr. PASSMAN. The people here who are responsible do not seem to have any recollection.

Mr. ANDREWS. He was a controversial figure.

Mr. PASSMAN. Before the hearings have been concluded this year much more than is publicly known now will be in the record.

Do any of the other members of the subcommittee have anything to ask?

Mr. RHODES. Dr. FitzGerald, do you consider that the message which Mr. Naughten sent from Bangkok to ICA, Washington, was a message which should not have been sent?

Mr. FITZGERALD. I think Mr. Naughten should have sent it; yes, sir.

Mr. RHODES. I understood you previously to say that the information concerning matters like this had previously been made available to the chief of all the missions.

Mr. FITZGERALD. That is correct, but—

Mr. RHODES. Why would Mr. Naughten ask for more information if he had all the information which was necessary to answer his own question?

Mr. FITZGERALD. There might be a number of reasons, including the fact that—

Mr. RHODES. Tell me why you thought that this question was a good question since he had the information already?

Mr. FITZGERALD. He might not have been aware that he had the information.

Mr. RHODES. Aren't the chiefs of mission supposed to know these things if they have been made available to them?

Mr. FITZGERALD. There is an awful lot of information that goes out.

Mr. RHODES. Do other chiefs of mission get information like this?

Mr. FITZGERALD. Not on this trip.

Mr. PASSMAN. On other trips which I went as chairman of this subcommittee?

Mr. FITZGERALD. I will have to verify that.

Mr. PASSMAN. Do you remember any?

Mr. FITZGERALD. I do not remember any.

(Other instructions to the field during the period in question are shown on p. 326.)

Mr. MONTROYA. Will you yield?

Mr. RHODES. Yes.

Mr. MONTROYA. The same set of circumstances prevailed the year before when the committee was there.

There was no inquiry made for clarification.

Mr. NAUGHTEN. This is the first time since several visits, and I have been there since the latter part of 1957, this is the first time I received advance information that one of the purposes of the committee was "to examine budget estimates." There had not been that type of inquiry to be expected. It had never been advised to me during my tenure as chief of mission there. I had never received any indication from any source as to what budget estimates meant.

Mr. ANDREWS. Who advised you?

Mr. NAUGHTEN. The State Department circular which advised of the trip.

Mr. ANDREWS. Who sent it to you?

Mr. NAUGHTEN. It came through State Department channels.

Mr. ANDREWS. ICA?

Mr. NAUGHTEN. No, a State Department message to the Embassy.

Mr. ANDREWS. There is the whole thing.

Mr. PASSMAN. There is no other mission to which such specific instructions have gone out.

Mr. NAUGHTEN. In previous visits of the committee no interest had been taken in this particular matter. This was completely new, Mr. Chairman. I insist this was completely new.

Mr. RHODES. Was this a circular of general distribution?

Mr. NAUGHTEN. Yes, a circular to all posts to which the committee was going to address attention.

Mr. MONTONA. Let me ask you this: In the previous visits had the committee examined your mission as to budget estimates?

Mr. NAUGHTEN. No, sir.

Mr. PASSMAN. Would the gentleman yield?

We always, with the Ambassador participating, discussed programs, past and present, such as highways, and including costs. Do you remember that?

Mr. NAUGHTEN. Yes, sir.

Mr. PASSMAN. This time you were precluded from discussing any of it with us?

Mr. NAUGHTEN. In this instance I couldn't discuss the budget estimates for fiscal year 1962.

Mr. PASSMAN. In previous years we had been given all the information we requested, had we not?

Mr. NAUGHTEN. All the information requested, but I have no recollection of what you requested.

Mr. PASSMAN. You did not know what we were going to request this time?

Mr. NAUGHTEN. Because I was alerted to budgetary estimates. It was the first time it came up.

Mr. PASSMAN. It only went to Thailand. No other nation received it. We went to seven nations.

Mr. GARY. Will the gentleman yield to me?

Mr. PASSMAN. Yes, sir.

Mr. GARY. What is the date of the instructions of the Bureau of the Budget?

Mr. FITZGERALD. April 15, 1954.

Mr. GARY. The law was approved August 7, 1953.

Is this regulation of the Bureau of the Budget, which was issued after the Supplemental Appropriation Act approved August 7, 1953, an interpretation of that law?

Mr. FITZGERALD. I have to assume so, sir, since it was issued after the law was passed and may I continue by saying that I have queried the Bureau of the Budget explicitly and specifically on this matter and have raised the question explicitly with them about the material which Congressman Passman wanted, and they say it is covered by the regulation.

Mr. GARY. It is covered by the regulation but have you discussed with them specifically this provision of the Supplemental Act of 1954 which was approved on August 7, 1953?

Mr. FITZGERALD. No; I have not.

Mr. LABOUISSSE. I will undertake to do this so far as the future is concerned.

Mr. GARY. I wish you would have it clarified because it may be necessary to strengthen that law.

Mr. LABOUISSSE. We get caught in a box on this sort of thing. Maybe you get an executive instruction which is binding on us which we have to follow and we get caught in the box. I think the boys who have to do this work are entitled to get from the very top part of the Government instructions on this.

Mr. GARY. I think this regulation, this Circular No. A-10, revised, of the Bureau of the Budget, issued April 15, 1954, should be reconsidered in the light of the provision of section 1314 of the Supplemental Appropriation Act of 1954, approved August 7, 1953.

Mr. LABOUISSSE. I will assure that this is done.

Mr. PASSMAN. Would the gentleman yield?

Mr. GARY. Yes.

Mr. PASSMAN. I think this pins the entire case down to where you are going to single this out, Mr. Director. It is one instance in many years, a specific, calculated item, intended, it seems to me, to keep this subcommittee from uncovering something which it should have uncovered in Bangkok. Here is the dispatch that went out to all the nations that we visited, and I want to read it for the record. It is a Department of State instruction. I quote:

Purpose of trip: This trip is for the purpose of examination of estimates of appropriation in the field and such other related matters relative to the appropriation of funds for the U.S. activity overseas. Primary interest in mutual security programs, State Department activities, and the USIA.

That is the instruction which went out, and if that is not completely to the point, I never read anything to the point. In spite of that, I do not know how you could possibly claim we were not entitled to the information, if it had not been specifically calculated not to give us anything in Thailand. That matter speaks for itself.

I hope it can be cleared up, but it is one case, one nation, dealing with one very unpleasant matter, and one group of ICA officials who assumed the responsibility to prevent this subcommittee from getting the information. I do not think there has been similar trouble in the past. I do not think you will have it in the future. If you will go into the background of what brought this up, then I think we will have established in your minds that there is a lot more to it than has been submitted for the record today.

Mr. MONTOYA. Will you yield, Mr. Chairman?

Mr. PASSMAN. Yes, sir.

Mr. MONTOYA. I would like to point out, whether this is by coincidence, by accident or by design, that the instructions sent out by the Department of State with reference to the purpose of the trip may have been taken out of the specific provisions of section 1314 of the Supplemental Appropriation Act of 1954. I would like to mention the key words in the instructions and then the key words in the act itself:

For the purpose of examination of estimates of appropriations in the field and such other related matters relative to the appropriation of funds.

Now the coincidental words in the particular section which permits this type of examination read as follows:

be available for examination of estimates of appropriations in the field and the use of such funds for such purposes.

Mr. GARY. Will the gentleman yield?

Mr. MONTOYA. The phrases in the instructions and in the specific provision of the law are so akin to each other that there could be a designed purpose in using that particular verbiage.

Mr. GARY. Will the gentleman yield?

Mr. MONTOYA. Yes.

Mr. GARY. I have no doubt in the world it was taken from the law because I am quite certain that the staff of the Appropriations Committee in their instructions to the State Department stated that the committee was going for that purpose and the State Department no doubt followed the language of the staff.

Would you not use that language, Mr. Sprankle?

Mr. SPRANKLE. I would say that is more or less standard language. We did work in cooperation with the State Department. The State Department showed a copy of this to me in draft form before it ever went out and I agreed that this would suffice. I still think it should.

Mr. PASSMAN. As it only happened this one time, in one country, in 15 years—in the very country where there had been turmoil, head rolling, embarrassment by one group in Washington—I think that in the regular hearings we will be able to pin it down to your entire satisfaction, and maybe then heads also will roll at the top.

Do any other members have questions?

Mr. RHODES. Mr. Passman, do we have in the record a copy of the cable Mr. Naughten sent to ICA, Washington, asking for instructions?

Mr. NAUGHTEN. Yes, sir; I introduced it in Bangkok.

Mr. RHODES. That is in the record. Do we have a copy of the reply?

Mr. PASSMAN. Yes.

Mr. GARY. We have requested that all communications touching this matter between the Washington office and the Thailand office be supplied. Also, it is my understanding that the committee was going to be furnished with the information as to who directed the transfer of this particular man.

Mr. ANDREWS. I think that is most important, Mr. Chairman.

Mr. GARY. I understood that they were going to examine the records and see who was responsible for that and advise the committee.

Mr. PASSMAN. I wish the committee would remain in session until that fact can be established. We have the men here who were the participants, and the personnel people and the legal people.

We know the facts, but we want the responsible officials, themselves, to so indicate.

Mr. LABOUISSÉ. That does not apply to Mr. Naughten, does it?

Mr. PASSMAN. He is left out of this. He is out in the field, and ICA, Washington, in my opinion, caused him to do what he did. He was in the field, thousands of miles away, evaluating the situation. He submitted his recommendations to Washington, but Washington vetoed them. However, they were not satisfied with vetoing in ICA, Washington, because it dealt with the Oregon State College contract. Therefore, they started headhunting on those who prepared the report. I think Mr. Naughten knows that is a matter of record. I do not think he should be blamed for the actions of ICA, Washington. But, finally, when they could hardly do otherwise, they canceled the contracts. There are no new contracts with the Oregon State College; is that correct?

Mr. NAUGHTEN. That is right.

Mr. PASSMAN. Mr. Naughten should not be involved. Even though I was very unhappy about it, I, myself, am not inclined to involve

Mr. Naughten. He has a good reputation out there. I imagine ICA, Washington, could make other people jump over the rope, too, if they hit the lash hard enough. I am not happy about any of it.

Mr. CONTE. You did get instructions that these two men would be transferred?

Mr. NAUGHTEN. Not the second one, sir.

Mr. TABER. Mr. Chairman, there is one thing that has not been done here that I think should be and that is to see that all of these letters and telegrams and other documents that are involved in this matter are presented to the clerk.

Mr. PASSMAN. Will one of you gentlemen assume the responsibility for what happened with respect to the personnel?

Mr. FITZGERALD. We will undertake to see that you get that.

Mr. PASSMAN. We are going to keep the committee in session until you get the data, Dr. FitzGerald. I do not think you will have to do too much research to know.

Mr. FITZGERALD. I will attempt—

Mr. PASSMAN. I might state, while we are waiting for you to get that information—

Mr. CONTE. Could Mr. Naughten answer that question?

Mr. PASSMAN. Yes.

Mr. NAUGHTEN. Sir, to go back, you asked me as I recall whether I received official instructions concerning the transfers of these two men. One of them was still assigned to Thailand, in Thailand. I did receive instructions for his transfer. The other one was not in Thailand. He was in the United States. I received advice that he had been transferred.

Mr. CONTE. Now was that in a similar communication paper such as this?

Mr. NAUGHTEN. Those were airgrams and telegrams of one type or another, a series of messages in there.

Mr. CONTE. Do you still have those?

Mr. NAUGHTEN. I do not have those. They would be in my mission.

Mr. FITZGERALD. I have them.

Mr. CONTE. Could we get those?

Mr. FITZGERALD. Yes.

Mr. ANDREWS. I understood you to say you did not want Mr. Hamer to leave and you objected to his transfer?

Mr. NAUGHTEN. I did, under the conditions he was transferred.

Mr. ANDREWS. It has been the practice of our committee for years to hold hearings before formal budget estimates ever are submitted to Congress.

Mr. PASSMAN. That is correct.

Mr. ANDREWS. Not only ICA, but other agencies as well.

Mr. PASSMAN. This thing was kept pretty much under cover, after we had uncovered this miserable condition with respect to Oregon State College operations in Thailand. Cablegrams began to come in and letters began to come in, and it was distressing to think that one group of ICA people would elect to abuse another group for being factual and patriotic. It concerned us very much.

On the way out, we had received word they were getting some of the men out of Thailand. They had succeeded in getting one of the men mentioned earlier, Mr. Goodbary, sent to another country, rather

than returning to his position in Thailand for the second tour. Another man was getting ready to go, but by specific instructions they held him in Thailand. Is that correct?

Mr. NAUGHTEN. That is right.

Mr. PASSMAN. Finding things somewhat as we had been informed they would be, I wired Secretary Dillon and asked if he would withhold the transfer request until we could return to Washington and give him a report.

As a result, they held up a replacement in Honolulu. When we returned to Washington, Mr. Dillon understood the situation very well, so Mr. Hamer remained at his post, but it was too late to help the other fellow. His career already had been about destroyed before we got into it.

I believe we can assist you a bit, Mr. Naughten. You stated that you did not recall having received similar instructions on prior trips which we had made. I think if you would check your file, and check with the State Department, you would find that you did receive similar instructions on prior trips, for example, in 1959. I quote from such instructions:

This trip is for the purpose of examination of estimates of appropriation in the field and such other related matters relative to the appropriation of funds for U.S. activities overseas. Primary interest in mutual security programs, State Department activities, and the USIA.

I believe you will find that you had the same instructions in other years that you received this year.

Mr. NAUGHTEN. I caught it this year. I was not aware of the implications in prior years. I had not been asked for the production of the next year budget and it was a new problem.

Mr. PASSMAN. Hearings of this particular type are very unpleasant. We need very much a bond of confidence between the witnesses and the members. But, we are cognizant of some of the things that happen, and that makes it difficult for us to keep the open mind which is needed in considering the appropriations requests.

We are not interfering with the housekeeping of the ICA, other than establishing the nature of the contracts they insist on making or keeping in effect.

Mr. LABOUISSÉ. Is the type of information involved this budget book for 1962?

Mr. NAUGHTEN. Yes.

Mr. LABOUISSÉ. Was there any limitation on discussion of the Oregon contract?

Mr. NAUGHTEN. Absolutely not.

Mr. PASSMAN. Mr. Director, that is very important. We knew nothing about the budget request. We were not out there discussing the budget.

But there is a project, say, that may have been allocated \$10 million. This project might be projected into 1972. We are interested in knowing what the progress has been, and the expenditure, as well as the amount requested for fiscal 1962?

You have field estimates which go to the different levels. We were trying to ascertain how extensive the program would be, whether or not there would be a tapering off in certain phases, or whether or not there would be a step-up. Is that your understanding?

Mr. NAUGHTEN. Yes.

Mr. PASSMAN. We do not discuss the budget, but individual projects, and the estimate as it would apply to each of the projects.

Off the record.

(Discussion held off the record.)

LETTER FROM INTERNATIONAL ECONOMIC POLICY ASSOCIATION

Mr. PASSMAN. I am in receipt of a letter from the International Economic Policy Association which I should like to insert in the record at this point.

(The letter referred to follows:)

INTERNATIONAL ECONOMIC POLICY ASSOCIATION,
Washington, D.C., April 12, 1961.

HON. OTTO E. PASSMAN,
Chairman, Foreign Operations Subcommittee on Appropriations, House of Representatives, Washington, D.C.

MY DEAR MR. CHAIRMAN: Thank you for the opportunity you have given our organization to comment on the proposed Latin American aid program of \$500 million, plus \$100 million for the rehabilitation of Chile.

Generally, our organization has supported and does support an adequate foreign-aid program in the interest of the national security of the United States. We try, however, to analyze each proposal, and to suggest such improvements as may increase the effectiveness of proposed expenditures in achieving national objectives.

With this in mind, I wish to go on record as supporting the Latin American aid program and the special appropriation for the reconstruction of Chile. However, I wish to make the following comments, in the hope that your committee may find legislative and administrative means of guiding the expenditures in such a way as to obtain maximum results.

1. Because of U.S. balance-of-payments deficits, the President requested U.S. foreign-aid agencies to scrutinize every expenditure abroad with a view to diminishing dollar expenditures. For this purpose, he has requested U.S. aid agencies to spend funds in the United States to the maximum extent practicable. We support this viewpoint, because continued balance-of-payments deficits, raising the possibility of a forced devaluation, would be a serious reflection upon the stability of the American economy in world opinion, and will create unforeseen difficulties in international trade.

With this in view, it is important to analyze the proposed \$600 million expenditure to see whether it meets this particular criterion of administration and management which the President has raised.

Of the proposed expenditures, \$394 million will be turned over to the Inter-American Development Bank. Article III, section 9a of the basic agreement establishing this Bank provides that, except as provided in article V, section 1, the Bank shall impose no condition that the proceeds of a loan shall be spent in the territory of any particular country, nor that such proceeds shall not be spent in the territories of any particular member or members.

Article V, section 1, makes this prohibition more specific, applying it to the 50 percent of a member's subscription, which would be paid in gold and dollars, to shares of the Bank's capital, the other 50 percent being required to be deposited in a member's own currency; and to certain other contributions or acquisitions of currencies by the Bank.

In other cases, such as additional capital contributions, as would be the case with the proposed \$394 million, it is within the power of a contributing member to ask, by notification, that restrictions be placed upon the expenditures of such supplemental funds.

In other words, the proposed contribution under the Latin American aid program to the Inter-American Development Bank will not be subject to any restrictions as to where it should be spent, and will therefore continue to be a drain upon our dollar resources and possibly increase the balance-of-payments deficits, unless an affirmative step is taken by the U.S. Government to request the Inter-American Development Bank that such funds be spent for procurement in the United States. This may be done administratively as a part of the proposed agreement between the U.S. Government and the Inter-American Development Bank, or by legislative reservation.

The \$100 million that will be administered by the International Cooperation Administration would be subject to the instructions of the President, issued by the Eisenhower administration and reaffirmed by the Kennedy administration on February 6, requiring tied loans and grants, except to the extent that a good deal of the \$100 million may be spent upon personnel services which are, of course, less liable to be controlled than commodity expenditures. It is to be assumed that the Chilean aid program will be so managed as to conform to the President's orders of February 6, but here again a legislation expression may help.

The essential fact is that the \$600 million proposed aid program is really designed to give budgetary help to governments receiving loans and grants, to undertake public works and social reform programs mainly to be paid for in local currencies; and balance-of-payments help to those countries, to the extent that the dollars made available to them under this program will add to their dollar resources abroad, over and above their other current dollar earnings.

In what country these incremental dollars put at their disposal are spent will affect the U.S. balance of payments. Hence the necessity of safeguarding the expenditures of these funds in the United States when administered by the Inter-American Development Bank.

2. It is proposed that a substantial portion of the funds would be used for educational purposes. It is my observation that many existing educational institutions south of the border are infiltrated by elements unfriendly to the United States, and that if the U.S. assistance to education is given as financial contributions to existing institutions, it would have the effect of subsidizing anti-American agitation. I would feel more confident of the long-range beneficial effect of such aid to education in Latin America if the channels utilized were more neutral in the cold war and more committed to democratic ideals than some of the present institutions.

I hasten to add that I do not wish to make a blanket charge that all institutions of higher learning in Latin America are so inclined, or that all elements in the teaching and student bodies are unfriendly to the United States. It is undeniable, however, that there is an organized core of unfriendly elements in many of these institutions and it will not serve the cause of the development of democratic institutions or inter-American comity to turn moneys over to such institutions without safeguards.

I also wish to emphasize that assistance in education, particularly in the training of teachers and school facilities, is one of the great needs of Latin America, and under proper safeguards to protect democratic ideals, the United States could do no greater service to our neighbors than to lend all possible assistance in this field.

It is suggested, therefore, that a very careful and detailed review be made of the objectives, methods, and institutions for which financial assistance is provided.

3. It is my observation also that what Latin American countries need most is job-producing, wealth-creating, taxpaying agricultural and industrial development. To achieve this on a scale that is commensurate with the needs and potentialities of our neighbors, the United States and Latin American countries together must consider ways and means of unleashing the tremendous potential of the available, investable funds in the free world, particularly in the United States. These savings are primarily in private hands such as savings banks, insurance companies, investment companies, welfare funds, retirement funds, etc. The modest amount of money provided through the proposed Latin American aid program, by the terms of the Act of Bogotá, will be devoted primarily to social projects in the area of economic reforms and public works. These contributions to improved social services will not be self-sustaining unless accompanied by a massive program of industrial and agricultural development projects.

Since the U.S. Treasury and the U.S. taxpayer are not traditionally sources of industrial development capital, as savings in the United States are primarily in the hands of private individuals, it behooves us therefore to concentrate on ways and means of improving the opportunities, increasing the incentives, and eliminating the risks of undertaking productive industrial and agricultural development projects, in partnership with the natives of the countries concerned. This is the only way we can contest the authoritarian programs of state ownership and state control on a scale adequate to the challenge of the Communist philosophy.

I do not suggest that the funds presently under consideration be used for industrial investment, since we have already made commitments in the Act of Bogotá as to what uses these funds will be put. I do suggest, however, that in future programs of aid to Latin America, we must emphasize the creation of wealth-producing enterprises, preferably under private ownership of natives and citizens of other countries, putting to work the management and technical know-how, the savings and capital-producing resources of countries such as the United States which have a surplus of productive capacity. This is the one great advantage we have over the Sino-Soviet bloc, and we are not yet putting it to work in the present struggle for the loyalties of underdeveloped countries.

Very truly yours,

N. R. DANIELIAN, *President.*

LIST OF WITNESSES

	Page
Berle, A. A.....	1
Bowles, Hon. Chester.....	1
Claxton, P. P., jr.....	1
Dillon, Hon. Douglas.....	1
Fine, Sherwood.....	317
Fisher, Ralph.....	317
FitzGerald, D. A.....	317
Gordon, Lincoln.....	1
Grant, Leslie.....	317
Harley, C. R.....	1
Labouisse, H. R.....	1, 283, 317
MacPhail, D. B.....	1
Mann, Hon. T. C.....	283
Naughten, Thomas.....	317
Phillips, R. M.....	283
Sheppard, William.....	317
Turnage, W. V.....	1
Walden, J.....	317

INDEX

D

Denial of 1962 Budget Information to Committee-----	Page 317
---	-------------

I

Inter-American Program for Social Progress-----	1
Aid to education, Program for-----	120, 127
Allocations between agencies, Basis of-----	128
Appropriation, Need for full-----	52, 239
Argentina:	
Gold and foreign exchange holdings of-----	70
Gold, Purchase of-----	67
Authorization:	
Foreign Affairs Committee:	
Consideration by-----	2
Report of-----	3, 102, 275
Further authorization, Need for-----	231
Origin of the Program-----	6
Programs, Specific authority for-----	119
Statements on floor of the House on-----	1, 92, 95
Balance of payments situation of U.S-----	90
Ball, Hon. George W., Statement of-----	75
Berle, A. A., Statement of-----	81
Bogota Conference and Act:	
Benefits to U.S. from-----	13
Funds, Agreement on-----	29
General Statement on-----	9
Veto power of U.S. representative-----	15, 222, 227
Bolivia, Aid to-----	118, 266
Bowles, Hon. Chester, Statement of-----	5
Chile:	
Aid to-----	234
Participation of-----	135
Classification of amounts, Reason for-----	195
Contingency funds, Use of-----	203
Cooperative Labor Union Program-----	62
Costa Rica, Loan program in-----	268
Description and analysis of-----	7
Developing of program, Need for funds prior & to-----	146, 148
Development Loan Fund:	
Basis for not utilizing-----	163
Latin America, Loans since June 30, 1960-----	47
Loans made by-----	37
Social development loans-----	53, 132
Dillon, Hon. Douglas, Statement of-----	9
Duration and cost of program, Estimate of-----	60, 229
Failure to appropriate funds, Effect of-----	182, 190, 228, 232, 239
Foreign aid, Plans for new program-----	4
Funds to be returned to U.S. Treasury, No expectation of-----	27, 31, 122, 265
Future appropriations, Need for-----	73
Governmental entities, Majority of proposed loans to-----	205
Guatemala, Self help housing program in-----	178, 206
Honduras, Proposed program in-----	176
Housing program-----	206

IV

Inter-American Program for Social Progress—Continued	Page
Identification with U.S. in administration of program, Lack of.....	189, 262
Immediate appropriation, Need for.....	182, 190, 228, 232, 239
Inflationary effect of program.....	242
Initial project proposals.....	77
Inter-American Development Bank:	
Ability to develop projects.....	164
Administrative expenses.....	240, 252
Allocation to.....	63
Appropriations to.....	48
Authority for.....	224
Capital structure of.....	17, 125
Executive directors of.....	24, 222, 227
Fiscal data on.....	16
Future appropriations, Need for.....	73
Interest rates.....	241
Loan applications.....	156
Loan approval, Procedures for.....	51, 222
Loans rather than grants, Possibility of.....	145, 239, 264
Officers of.....	25
Priority position as to repayments.....	270
Puno road project.....	159
Return of funds to U.S. Treasury, No expectation for.....	27, 31, 122, 265
Revolving fund:	
Creation of.....	27
Repayments to.....	27, 122
Special operations, Fund for.....	22
Technical assistance:	
Grants for.....	65, 123,
Type of.....	169
Unobligated funds for.....	247
Trust agreement with.....	28, 225
Types of projects to be financed.....	167
Use in administering proposed fund.....	11, 15, 76
International Cooperation Administration:	
Ability to obligate allocation, Basis for anticipation of.....	185
Allocation to:	
Authorization for.....	98, 128, 138
Project justification, Lack of.....	3,
49, 79, 93, 101, 107, 128, 144, 179, 184, 209, 223, 260	
Use of.....	57, 65, 107, 128, 137, 252
Deobligations.....	278
Grant program, Authorization for.....	65, 98, 103, 138
Home demonstration project.....	245
Long range program.....	107
Screening of projects accomplished by.....	131
Special assistance program, Authority for.....	274
Technical assistance program:	
Duplication of programs, Possibility of.....	104, 152
Expansion of.....	130, 140, 142
Latin American program, 1961.....	274
Limitations on.....	101, 106, 142
Possible execution of program under.....	153
Record of.....	208
Land reclamation projects.....	171, 235
Land reform program.....	50, 197, 204, 234, 237
Latin America:	
Aid to education program.....	120, 127
Cotton production, Increase in.....	87
DLF loans since June 30, 1960.....	47
Effect of program on.....	55
Export-Import Bank, Aid through.....	188, 191
Exports.....	161
Financing of program, Plans for.....	147
Foreign currencies, Availability of.....	60
Gold and foreign exchange holdings.....	69, 71

Inter-American Program for Social Progress—Continued

	Page
Latin America—Continued	
Gold purchases by.....	32, 67
Governmental entities, Majority of proposed loans to.....	205
Grant aid and loans repayments by.....	125
Income tax laws.....	50, 110, 249
Land reform program.....	50, 197, 204, 234, 237
Organization of American States, Contributions to.....	221
Other programs, Possible duplication of.....	152
Private investment in.....	126
Reaction to program.....	14
Reforms:	
Land reform measures.....	112, 204
Prior to approval of projects.....	50, 73, 116, 197, 204, 206, 257
Tax reforms.....	50, 110, 249
Revenues of.....	110
Special assistance program.....	276
Technical assistance program:	
Authorization for.....	271, 273
Program, 1961.....	274
Total aid, 1951-60.....	12, 193
U.S. trade.....	33
Local currency, Availability of.....	58, 279
Long range planning, Need for funds for.....	146, 148
Low rent housing program.....	61
Obligations, June 30, 1961, estimate of.....	53, 154, 173, 175, 278
Origin of program.....	6
Pan American Union:	
Organization of American States:	
Allocations to.....	215, 253
Contributions to.....	221
Proposed program.....	255
Technical assistance program.....	254
Peace Corps, Participation of.....	237
President's message on Foreign Aid.....	199
Program implementation, Need for funds for.....	149
Projects in detail, Lack of justifications for.....	3, 49,
79, 93, 101, 107, 128, 144, 170, 179, 184, 209, 223, 260	194, 201
Russian aid, Possibility of.....	50, 73, 116, 197, 204, 206, 257
Self help prior to financial assistance.....	53, 132
Social development program, Objective of.....	157, 162
Social progress and economic progress, Definition and relationship of.....	78
Soviet economic activities.....	78
Technical assistance program:	
Authorization for.....	271, 273
Duplication of programs, Possibility of.....	104, 152
Inter-American Development Bank. (See this subject.)	
International Cooperation Administration. (See this subject.)	
Organization of American States.....	254
Type of.....	169
Unobligated funds for.....	247
U.S. budget, Effect on.....	57
Venezuela:	
Oil, crude and residual, Import restrictions on.....	159

R

Reconstruction and Rehabilitation of Chile.....	283
Action by Chile.....	296
Administration.....	300
Assistant Secretary for Inter-American Affairs, Statement of.....	283
Commitment of U.S.....	291, 295
Country purchase agreements.....	290
Current progress toward rehabilitation.....	299
Damage, Estimate of.....	287

VI

Reconstruction and Rehabilitation of Chile—Continued	Page
Expenditures by Chile.....	300
Grant aid to date.....	288, 292, 298
Gross national product of Chile.....	315
International Cooperation Administration, General statement of director of.....	286
International Monetary Fund standby account, Status of.....	314
Irrigation projects.....	304
Loan:	
Amount provided to date.....	292
Preference for.....	303
Terms of.....	290, 297
P.L. 480 funds:	
Repayment of.....	291
Use for.....	304
Tax structure of Chile.....	313
Types of projects to be financed.....	294
U.S. exports, Use of dollar credits for purchase of.....	314

